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103D CONGRESS
1ST SESSION

H. R. 2141

To provide for budget reconciliation with respect to revenue and spending matters within the jurisdiction of the Committee on Ways and Means for fiscal year 1994 and subsequent fiscal years.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 1993

Mr. ROSTENKOWSKI introduced the following bill; which was referred jointly to the Committees on Ways and Means, Energy and Commerce, and Rules

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A BILL

To provide for budget reconciliation with respect to revenue and spending matters within the jurisdiction of the Committee on Ways and Means for fiscal year 1994 and subsequent fiscal years.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE; REFERENCES TO OMNIBUS BUDGET RECONCILIATION ACT OF 1993

SEC. 101. SHORT TITLE.

This Act may be cited as the ''Ways and Means Budget Reconciliation Act of 1993''.

SEC. 102. REFERENCES TO OMNIBUS BUDGET RECONCILIATION ACT OF 1993.

Any reference in this Act (or in any amendment made by this Act) to the Omnibus Budget Reconciliation Act of 1993 shall be deemed to be a reference to this Act.

TITLES II-XII—[RESERVED]

TITLE XIII—COMMITTEE ON WAYS AND MEANS—SAVINGS

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SEC. 13001. 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 sentence: ''In carrying out the requirements of the preceding sentence, the Secretary shall reestablish and maintain in service at least 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 Secretary of Health and Human Services shall ensure that the requirements of the amendment made by paragraph (1) are carried out no later than 90 days after the date of the enactment of this Act.

(3) GAO REPORT.—The Comptroller General of the United States shall make an independent determination of the number of telephone lines to each local office of the Social Security Administration which are in place as of 90 days after the enactment of this Act and shall report his findings to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate no later than 150 days after the date of the enactment of this Act.

(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 the date of the enactment of this Act.

SEC. 13002. 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 1994, and the adjusted amount determined under section 218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year''.

(2) AMENDMENT TO FICA.—Section 3121(b)(7)(F)(iv) 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 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year''.

(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 1994, and the adjusted amount determined under section 218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year''.

(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 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year''.

(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 1994, and the adjusted amount determined under subparagraph (B) for any subsequent year with respect to service performed during such subsequent year''; 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 AMOUNT.—Section 218(c)(8) of such Act (as amended by subsection (c)) is further amended—

(1) by inserting ''(A)'' after ''(8)''; and

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

''(B) For each year after 1994, the Secretary shall adjust the amount referred to in subparagraph (A) at the same time and in the same manner as is provided under section 215(a)(1)(B)(ii) with respect to the amounts referred to in section 215(a)(1)(B)(i), except that—

''(i) for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii)(II), and

''(ii) such amount as so adjusted, if not a multiple of $100, shall be rounded to the next higher multiple of $100 where such amount is a multiple of $50 and to the nearest multiple of $100 in any other case.

The Secretary shall determine and publish in the Federal Register each adjusted amount determined under this subparagraph not later than November 1 preceding the year for which the adjustment is made.''.

(e) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply with respect to service performed on or after January 1, 1994.

SEC. 13003. USE OF SOCIAL SECURITY NUMBERS BY STATES AND LOCAL GOVERNMENTS AND FEDERAL DISTRICT COURTS FOR JURY SELECTION PURPOSES.

(a) IN GENERAL.—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—

''(I) 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 have been collected and are otherwise utilized by such State (or political subdivision) in accordance with applicable law, and

''(II) any district court of the United States may use, for such additional purposes, any such social security account numbers which have been so collected and are so utilized by any State.

''(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 subpara-

graph 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).''.

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

SEC. 13004. 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 ''prior to the date of 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 the 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. 13005. 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, notwith-

standing any judgment which has been entered to the contrary, such individual shall be exempt from payment of such tax with respect to services described in paragraphs (1) and (2) 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 income on which such tax would have been imposed but for such exemption shall not constitute self-employment income under section 211(b) of the Social Security Act (42 U.S.C. 411(b)), and, if such individual's primary insurance amount has been determined under section 215 of such Act (42 U.S.C. 415), 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. The recomputation under this subsection shall be effective with respect to benefits for months following approval of the certificate of exemption.

SEC. 13006. 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 (42 U.S.C. 415(f)(1))) with respect to benefits payable for months after October 1993.

SEC. 13007. 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 of 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 13006(a) of this Act) and section 215(d)(3) of such Act (as amended by section 13006(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 1993.

SEC. 13008. 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 the 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 1994.

(2) The amendment made by subsection (d) shall apply with respect to benefits received after December 31, 1994, in taxable years ending after such date.

SEC. 13009. 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 1993.

SEC. 13010. 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.

SEC. 13011. IMPROVEMENT AND CLARIFICATION OF PROVISIONS PROHIBITING MISUSE OF SYMBOLS, EMBLEMS, OR NAMES IN REFERENCE TO SOCIAL SECURITY PROGRAMS AND AGENCIES.

(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', 'Health and Human Services', 'Supplemental Security Income Program', or 'Medicaid', the letters 'SSA', 'HCFA', 'DHHS', 'HHS', or 'SSI',''; 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) EXEMPTION FOR USE OF WORDS, LETTERS, SYMBOLS, AND EMBLEMS OF STATE AND LOCAL GOVERNMENT AGENCIES BY SUCH AGENCIES.—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended by adding at the end the following new sentence: ''The preceding provisions of this subsection shall not apply with respect to the use by any agency or instrumentality of a State or political subdivision of a State of any words or letters which identify an agency or instrumentality of such State or of a political subdivision of such State or the use by any such agency or instrumentality of any symbol or emblem of an agency

or instrumentality of such State or a political subdivision of such State.''.

(d) 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,''.

(e) 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.''.

(f) 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 item 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.''.

(g) 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 (2)''.

(h) 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)''.

(i) PENALTIES RELATING TO SOCIAL SECURITY ADMINISTRATION DEPOSITED IN OASI TRUST FUND.—Section 1140(c)(2) of such Act (42 U.S.C. 1320b–10(c)(2)) is amended in the second sentence by striking ''United States.'' and inserting ''United States, except that, to the extent that such amounts are recovered under this section as penalties imposed for misuse of words, letters, symbols, or emblems relating to the Social Security Administration, such amounts shall be deposited into the Federal Old-Age and Survivor's Insurance Trust Fund.''.

(j) ENFORCEMENT.—Section 1140 of such Act (42 U.S.C. 1320b–10) is amended by adding at the end the following new subsection:

''(d) The preceding provisions of this section shall be enforced through the Office of Inspector General of the Department of Health and Human Services.''.

(k) ANNUAL REPORTS.—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 subsection:

''(e) 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 subsection (c)(1) of this section and section 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.''.

(l) 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. 13012. INCREASED PENALTIES FOR UNAUTHORIZED DISCLOSURE OF SOCIAL SECURITY INFORMATION.

(a) UNAUTHORIZED DISCLOSURE.—Section 1106(a) of the Social Security Act (42 U.S.C. 1306(a)) is amended—

(1) by striking ''misdemeanor'' and inserting ''felony'';

(2) by striking ''$1,000'' and inserting ''$10,000 for each occurrence of a violation''; and

(3) by striking ''one year'' and inserting ''5 years''.

(b) UNAUTHORIZED DISCLOSURE BY FRAUD.—Section 1107(b) of such Act (42 U.S.C. 1307(b)) is amended—

(1) by inserting ''social security account number,'' after ''information as to the'';

(2) by striking ''misdemeanor'' and inserting ''felony'';

(3) by striking ''$1,000'' and inserting ''$10,000 for each occurrence of a violation''; and

(4) by striking ''one year'' and inserting ''5 years''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to violations occurring on or after the date of the enactment of this Act.

SEC. 13013. SIMPLIFICATION OF EMPLOYMENT TAXES ON DOMESTIC SERVICES.

(a) COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT WITH COLLECTION OF INCOME TAXES.—

(1) IN GENERAL.—Chapter 25 of the Internal Revenue Code of 1986 (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 15th day of the fourth month following the close of 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 re-

spect to remuneration for services other than domestic service in a private home of the employer.

''(e) GENERAL REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section. Such regulations may treat domestic service employment taxes as taxes imposed by chapter 1 for purposes of coordinating the assessment and collection of such employment taxes with the assessment and collection of domestic employers' income taxes.

''(f) 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 imposed 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 of such Code 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.''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) EXPANDED INFORMATION TO EMPLOYERS.—The Secretary of the Treasury or his delegate shall prepare and make available information on the Federal tax obligations of employers with respect to employees performing domestic service in a private home of the employer. Such information shall also include a statement that such employers may have obligations with respect to such employees under

State laws relating to unemployment insurance and workers compensation.

(b) THRESHOLD REQUIREMENT FOR SOCIAL SECURITY TAXES.—

(1) AMENDMENTS OF INTERNAL REVENUE CODE.—

(A) Subparagraph (B) of section 3121(a)(7) of the Internal Revenue Code of 1986 (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 (within the meaning of subsection (y)), if the cash remuneration paid in such year by the employer to the employee for such service is less than the applicable dollar threshold (as defined in subsection (y)) for such year;''.

(B) Section 3121 of such Code is amended by adding at the end thereof the following new subsection:

''(y) DOMESTIC SERVICE IN A PRIVATE HOME.—For purposes of subsection (a)(7)(B)—

''(1) EXCLUSION FOR CERTAIN FARM SERVICE.—The term 'domestic service in a private home

of the employer' does not include service described in subsection (g)(5).

''(2) APPLICABLE DOLLAR THRESHOLD.—The term 'applicable dollar threshold' means $1,800. In the case of calendar years after 1994, the Secretary of Health and Human Services shall adjust such $1,800 amount at the same time and in the same manner as under section 215(a)(1)(B)(ii) of the Social Security Act with respect to the amounts referred to in section 215(a)(1)(B)(i) of such Act, except that, for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii)(II) of such Act. If the amount determined under the preceding sentence is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.''

(C) The second sentence of section 3102(a) of such Code is amended—

(i) by striking ''calendar quarter'' each place it appears and inserting ''calendar year'', and

(ii) by striking ''$50'' and inserting ''the applicable dollar threshold (as defined in section 3121(y)(2)) for such year''.

(2) AMENDMENT OF SOCIAL SECURITY ACT.—Subparagraph (B) of section 209(a)(6) of the Social Security Act (42 U.S.C. 409(a)(6)(B)) 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 the applicable dollar threshold (as defined in section 3121(y)(2) of the Internal Revenue Code of 1986) for such year. 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) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) RELIEF FROM LIABILITY FOR CERTAIN UNDERPAYMENT AMOUNTS.—

(A) IN GENERAL.—On and after the date of the enactment of this Act, an underpayment to which this paragraph applies (and any penalty, addition to tax, and interest with respect

to such underpayment) shall not be assessed (or, if assessed, shall not be collected).

(B) UNDERPAYMENTS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply to an underpayment to the extent of the amount thereof which would not be an underpayment if—

(i) the amendments made by paragraph (1) had applied to all calendar years after 1950 and before 1994, and

(ii) the applicable dollar threshold for any such calendar year were the amount determined under the following table:

In the case of calendar year:	The applicable dollar threshold is:
1951, 1952, or 1953	$ 200
1954, 1955, 1956, or 1957	250
1958, 1959, 1960, 1961, or 1962	300
1963, 1964, 1965, or 1966	350
1967, 1968, 1969	400
1970	450
1971, 1972, or 1973	500
1974 or 1975	600
1976	650
1977	700
1978	750
1979	800
1980	850
1981	900
1982	1,000
1983	1,100
1984	1,200
1985	1,250
1986	1,300
1987	1,350
1988	1,400
1989	1,500
1990	1,550
1991	1,600
1992	1,700
1993	1,750

SEC. 13014. INCREASE IN AUTHORIZED PERIOD FOR EXTENSION OF TIME TO FILE ANNUAL EARNINGS REPORT.

(a) IN GENERAL.—Section 203(h)(1)(A) of the Social Security Act (42 U.S.C. 403(h)(1)(A)) is amended in the last sentence by striking ''three months'' and inserting ''four months''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to reports of earnings for taxable years ending on or after December 31, 1993.

SEC. 13015. ALLOCATIONS TO FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) ALLOCATION WITH RESPECT TO WAGES.—Section 201(b)(1) of the Social Security Act (42 U.S.C. 401(b)(1)) is amended to read as follows:

''(1) 1.75 percent of the wages (as defined in section 3121 of the Internal Revenue Code of 1986) paid after December 31, 1992, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1986, which wages shall be certified by the Secretary of Health and Human Services on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and''.

(b) ALLOCATION WITH RESPECT TO SELF-EMPLOYMENT INCOME.—Section 201(b)(2) of such Act (42 U.S.C. 401(b)(2)) is amended to read as follows:

''(2) 1.75 percent of the self-employment income (as defined in section 1402 of the Internal Revenue Code of 1986) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1986 for any taxable year beginning after December 31, 1992, which self-employment income shall be certified by the Secretary of Health and Human Services on the basis of the records of self-employment

income established and maintained by the Secretary of Health and Human Services in accordance with such returns.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to wages paid after December 31, 1992, and self-employment income for taxable years beginning after such date.

(d) STUDY ON RISING COSTS OF DISABILITY BENEFITS.—

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a comprehensive study of the reasons for rising costs payable from the Federal Disability Insurance Trust Fund.

(2) MATTERS TO BE INCLUDED IN STUDY.—In conducting the study under this subsection, the Secretary shall—

(A) determine the relative importance of the following factors in increasing the costs payable from the Trust Fund:

(i) increased numbers of applications for benefits;

(ii) higher rates of benefit allowances; and

(iii) decreased rates of benefit terminations; and

(B) identify, to the extent possible, underlying social, economic, demographic, programmatic, and other trends responsible for changes in disability benefit applications, allowances, and terminations.

(3) REPORT.—Not later than December 31, 1995, the Secretary shall transmit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted under this subsection, together with any recommendations for legislative changes which the Secretary determines appropriate.

SEC. 13016. EXTENSION OF DISABILITY INSURANCE PROGRAM DEMONSTRATION PROJECT AUTHORITY.

(a) IN GENERAL.—Section 505 of the Social Security Disability Amendments of 1980 (Public Law 96–265), as amended by section 12101 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272), section 10103 of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101–239), and section 5120 of the

Omnibus Budget Reconciliation Act of 1990 (Public Law 101–508) is further amended—

(1) in paragraph (3) of subsection (a), by striking ''June 10, 1993'' and inserting ''June 10, 1996'';

(2) in paragraph (4) of subsection (a), by striking ''1992'' and inserting ''1995''; and

(3) in subsection (c), by striking ''October 1, 1993'' and inserting ''June 9, 1996''.

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

SEC. 13017. TECHNICAL AND CLERICAL AMENDMENTS.

(a) AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT.—

(1) Section 201(a) of the Social Security Act (42 U.S.C. 401(a)) is amended, in the matter following clause (4), by striking ''and and'' and inserting ''and''.

(2) Section 202(d)(8)(D)(ii) of such Act (42 U.S.C. 402(d)(8)(D)(ii)) is amended by adding a period at the end and by adjusting the left hand margination thereof so as to align with section 202(d)(8)(D)(i) of such Act.

(3) Section 202(q)(1)(A) of such Act (42 U.S.C. 402(q)(1)(A)) is amended by striking the dash at the end.

(4) Section 202(q)(9) of such Act (42 U.S.C. 402(q)(9)) is amended, in the matter preceding subparagraph (A), by striking ''parargaph'' and inserting ''paragraph''.

(5) Section 202(t)(4)(D) of such Act (42 U.S.C. 402(t)(4)(D)) is amended by inserting ''if the'' before ''Secretary'' the second and third places it appears.

(6) Clauses (i) and (ii) of section 203(f)(5)(C) of such Act (42 U.S.C. 403(f)(5)(C)) are amended by adjusting the left-hand margination thereof so as to align with clauses (i) and (ii) of section 203(f)(5)(B) of such Act.

(7) Paragraph (3)(A) and paragraph (3)(B) of section 205(b) of such Act (42 U.S.C. 405(b)) are amended by adjusting the left-hand margination thereof so as to align with the matter following section 205(b)(2)(C) of such Act.

(8) Section 205(c)(2)(B)(iii) of such Act (42 U.S.C. 405(c)(2)(B)(iii)) is amended by striking ''non-public'' and inserting ''nonpublic''.

(9) Section 205(c)(2)(C) of such Act (42 U.S.C. 405(c)(2)(C)) is amended—

(A) by striking the clause (vii) added by section 2201(c) of Public Law 101–624; and

(B) by redesignating the clause (iii) added by section 2201(b)(3) of Public Law 101–624, clause (iv), clause (v), clause (vi), and the clause (vii) added by section 1735(b) of Public Law 101–624 as clause (iv), clause (v), clause (vi), clause (vii), and clause (viii), respectively;

(C) in clause (v) (as redesignated), by striking ''subclause (I) of'', and by striking ''subclause (II) of clause (i)'' and inserting ''clause (ii)''; and

(D) in clause (viii)(IV) (as redesignated), by inserting ''a social security account number or'' before ''a request for''.

(10) The heading for section 205(j) of such Act (42 U.S.C. 405(j)) is amended to read as follows:

''Representative Payees''.

(11) The heading for section 205(s) of such Act (42 U.S.C. 405(s)) is amended to read as follows:

''Notice Requirements''.

(12) Section 208(c) of such Act (42 U.S.C. 408(c)) is amended by striking ''subsection (g)'' and inserting ''subsection (a)(7)''.

(13) Section 210(a)(5)(B)(i)(V) of such Act (42 U.S.C. 410(a)(5)(B)(i)(V)) is amended by striking ''section 105(e)(2)'' and inserting ''section 104(e)(2)''.

(14) Section 211(a) of such Act (42 U.S.C. 411(a)) is amended—

(A) in paragraph (13), by striking ''and'' at the end; and

(B) in paragraph (14), by striking the period and inserting ''; and''.

(15) Section 213(c) of such Act (42 U.S.C. 413(c)) is amended by striking ''section'' the first place it appears and inserting ''sections''.

(16) Section 215(a)(5)(B)(i) of such Act (42 U.S.C. 415(a)(5)(B)(i)) is amended by striking ''subsection'' the second place it appears and inserting ''subsections''.

(17) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting a period after ''1990''.

(18) Subparagraph (F) of section 218(c)(6) of such Act (42 U.S.C. 418(c)(6)) is amended by adjusting the left-hand margination thereof so as to align with section 218(c)(6)(E) of such Act.

(19) Section 223(i) of such Act (42 U.S.C. 423(i)) is amended by adding at the beginning the following heading:

''Limitation on Payments to Prisoners''.

(b) RELATED AMENDMENTS.—

(1) Section 603(b)(5)(A) of Public Law 101–649 (amending section 202(n)(1) of the Social Security Act) (104 Stat. 5085) is amended by inserting ''under'' before ''paragraph (1),'' and by striking ''(17), or (18)'' and inserting ''(17), (18), or (19)'', effective as if this paragraph were included in such section 603(b)(5)(A).

(2) Section 10208(b)(1) of Public Law 101–239 (amending section 230(b)(2)(A) of the Social Security Act) (103 Stat. 2477) is amended by striking ''230(b)(2)(A)'' and ''430(b)(2)(A)'' and inserting ''230(b)(2)'' and ''430(b)(2)'', respectively, effective as if this paragraph were included in such section 10208(b)(1).

(c) CONFORMING, CLERICAL AMENDMENTS UPDATING, WITHOUT SUBSTANTIVE CHANGE, REFERENCES IN

TITLE II OF THE SOCIAL SECURITY ACT TO THE INTERNAL REVENUE CODE.—

(1)(A) Section 201(a) of such Act (42 U.S.C. 401(a)) is amended—

(i) by striking clauses (1) and (2);

(ii) in clause (3), by striking ''(3) the taxes imposed'' and all that follows through ''December 31, 1954,'' and inserting ''(1) the taxes imposed by chapter 21 (other than sections 3101(b) and 3111(b)) of the Internal Revenue Code of 1986 with respect to wages (as defined in section 3121 of such Code) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code,'', and by striking ''subchapter or'';

(iii) in clause (4), by striking ''(4) the taxes imposed'' and all that follows through ''such Code,'' and inserting ''(2) the taxes imposed by chapter 2 (other than section 1401(b)) of the Internal Revenue Code of 1986 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of such Code,'', and by

striking ''subchapter or chapter'' and inserting ''chapter''; and

(iv) in the matter following the clauses amended by this subparagraph, by striking ''clauses (3) and (4)'' each place it appears and inserting ''clauses (1) and (2)''.

(B) The amendments made by subparagraph (A) shall apply only with respect to taxes imposed with respect to wages paid on or after January 1, 1993, or with respect to self-employment income for taxable years beginning on or after such date.

(2)(A)(i) Section 201(g)(1) of such Act (42 U.S.C. 401(g)(1)) is amended—

(I) in subparagraph (A)(i), by striking ''and subchapter E'' and all that follows through ''1954'' and inserting ''and chapters 2 and 21 of the Internal Revenue Code of 1986'';

(II) in subparagraph (A)(ii), by striking ''1954'' and inserting ''1986'';

(III) in the matter in subparagraph (A) following clause (ii), by striking ''subchapter E'' and all that follows through ''1954.'' and inserting ''chapters 2 and 21 of the Internal Revenue Code of 1986.'', and by striking ''1954 other'' and inserting ''1986 other''; and

(IV) in subparagraph (B), by striking ''1954'' each place it appears and inserting ''1986''.

(ii) The amendments made by clause (i) shall apply only with respect to periods beginning on or after the date of the enactment of this Act.

(B)(i) Section 201(g)(2) of such Act (42 U.S.C. 401(g)(2)) is amended by striking ''section 3101(a)'' and all that follows through ''1950.'' and inserting ''section 3101(a) of the Internal Revenue Code of 1986 which are subject to refund under section 6413(c) of such Code with respect to wages (as defined in section 3121 of such Code).'', and by striking ''wages reported'' and all that follows through ''1954,'' and inserting ''wages reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code,''.

(ii) The amendments made by clause (i) shall apply only with respect to wages paid on or after January 1, 1993.

(C) Section 201(g)(4) of such Act (42 U.S.C. 401(g)(4)) is amended—

(i) by striking ''The Board of Trustees shall prescribe before January 1, 1981, the method'' and inserting ''If at any time or times

the Boards of Trustees of such Trust Funds deem such action advisable, they may modify the method prescribed by such Boards''; (ii) by striking ''1954'' and inserting ''1986''; and (iii) by striking the last sentence.

(3) Section 202(v) of such Act (42 U.S.C. 402(v)) is amended—

(A) in paragraph (1), by striking ''1954'' and inserting ''1986''; and

(B) in paragraph (3)(A), by inserting ''of the Internal Revenue Code of 1986'' after ''3127''.

(4) Section 205(c)(5)(F)(i) of such Act (42 U.S.C. 405(c)(5)(F)(i)) is amended by inserting ''or the Internal Revenue Code of 1986'' after ''1954''.

(5)(A) Section 208(a)(1) of such Act (42 U.S.C. 408(a)(1)) is amended—

(i) in the matter preceding subparagraph (A), by striking ''subchapter E'' and all that follows through ''1954'' and inserting ''chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1986'';

(ii) in subparagraph (A), by inserting ''of 1986'' after ''Internal Revenue Code''; and

(iii) in subparagraph (B), by inserting ''of 1986'' after ''Internal Revenue Code''.

(B) The amendments made by subparagraph (A) shall apply only with respect to violations occurring on or after the date of the enactment of this Act.

(6)(A) Section 209(a)(4)(A) of such Act (42 U.S.C. 409(a)(4)(A)) is amended by inserting ''or the Internal Revenue Code of 1986'' after ''Internal Revenue Code of 1954''.

(B) Section 209(a) of such Act (42 U.S.C. 409(a)) is amended—

(i) in subparagraphs (C) and (E) of paragraph (4),

(ii) in paragraph (5)(A),

(iii) in subparagraphs (A) and (B) of paragraph (14),

(iv) in paragraph (15),

(v) in paragraph (16), and

(vi) in paragraph (17),

by striking ''1954'' each place it appears and inserting ''1986''.

(C) Subsections (b), (f), (g), (i)(1), and (j) of section 209 of such Act (42 U.S.C. 409) are amend-

ed by striking ''1954'' each place it appears and inserting ''1986''.

(7) Section 211(a)(15) of such Act (42 U.S.C. 411(a)(15)) is amended by inserting ''of the Internal Revenue Code of 1986'' after ''section 162(m)''.

(8) Title II of such Act is further amended—

(A) in subsections (f)(5)(B)(ii) and (k) of section 203 (42 U.S.C. 403),

(B) in section 205(c)(1)(D)(i) (42 U.S.C. 405(c)(1)(D)(i)),

(C) in the matter in section 210(a) (42 U.S.C. 410(a)) preceding paragraph (1) and in paragraphs (8), (9), and (10) of section 210(a),

(D) in subsections (p)(4) and (q) of section 210 (42 U.S.C. 410),

(E) in the matter in section 211(a) (42 U.S.C. 411(a)) preceding paragraph (1) and in paragraphs (3), (4), (6), (10), (11), and (12) and clauses (iii) and (iv) of section 211(a),

(F) in the matter in section 211(c) (42 U.S.C. 411(c)) preceding paragraph (1), in paragraphs (3) and (6) of section 211(c), and in the matter following paragraph (6) of section 211(c),

(G) in subsections (d), (e), and (h)(1)(B) of section 211 (42 U.S.C. 411),

(H) in section 216(j) (42 U.S.C. 416(j)),

(I) in section 218(e)(3) (42 U.S.C. 418(e)(3)),

(J) in section 229(b) (42 U.S.C. 429(b)),

(K) in section 230(c) (42 U.S.C. 430(c)), and

(L) in section 232 (42 U.S.C. 432),

by striking ''1954'' each place it appears and inserting ''1986''.

(d) RULES OF CONSTRUCTION.—

(1) The preceding provisions of this section shall be construed only as technical and clerical corrections and as reflecting the original intent of the provisions amended thereby.

(2) Any reference in title II of the Social Security Act to the Internal Revenue Code of 1986 shall be construed to include a reference to the Internal Revenue Code of 1954 to the extent necessary to carry out the provisions of paragraph (1).

(e) UTILIZATION OF NATIONAL AVERAGE WAGE INDEX FOR WAGE-BASED ADJUSTMENTS.—

(1) DEFINITION OF NATIONAL AVERAGE WAGE INDEX.—Section 209(k) of the Social Security Act (42 U.S.C. 409(k)) is amended—

(A) by redesignating paragraph (2) as paragraph (3);

(B) in paragraph (3) (as redesignated), by striking ''paragraph (1)'' and inserting ''this subsection''; and

(C) by striking paragraph (1) and inserting the following new paragraphs:

''(k)(1) For purposes of sections 203(f)(8)(B)(ii), 213(d)(2)(B), 215(a)(1)(B)(ii), 215(a)(1)(C)(ii), 215(a)(1)(D), 215(b)(3)(A)(ii), 215(i)(1)(E), 215(i)(2)(C)(ii), 224(f)(2)(B), and 230(b)(2) (and 230(b)(2) as in effect immediately prior to the enactment of the Social Security Amendments of 1977), the term 'national average wage index' for any particular calendar year means, subject to regulations of the Secretary under paragraph (2), the average of the total wages for such particular calendar year.

''(2) The Secretary shall prescribe regulations under which the national average wage index for any calendar year shall be computed—

''(A) on the basis of amounts reported to the Secretary of the Treasury or his delegate for such year,

''(B) by disregarding the limitation on wages specified in subsection (a)(1),

''(C) with respect to calendar years after 1990, by incorporating deferred compensation amounts and factoring in for such years the rate of change from year to year in such amounts, in a manner consistent with the requirements of section 10208 of the Omnibus Budget Reconciliation Act of 1989, and

''(D) with respect to calendar years before 1978, in a manner consistent with the manner in which the average of the total wages for each of such calendar years was determined as provided by applicable law as in effect for such years.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended by striking ''deemed average total wages'' each place it appears and inserting ''national average wage index''.

(B) Section 213(d)(2)(B) of such Act (42 U.S.C. 413(d)(2)(B)) is amended by striking

''deemed average total wages'' and inserting ''national average wage index'', and by striking ''the average of the total wages'' and all that follows and inserting ''the national average wage index (as so defined) for 1976,''.

(C) Section 215(a)(1)(B)(ii) of such Act (42 U.S.C. 415(a)(1)(B)(ii)) is amended—

(i) in subclause (I), by striking ''deemed average total wages'' and inserting ''national average wage index''; and

(ii) in subclause (II), by striking ''the average of the total wages'' and all that follows and inserting ''the national average wage index (as so defined) for 1977.''.

(D) Section 215(a)(1)(C)(ii) of such Act (42 U.S.C. 415(a)(1)(C)(ii)) is amended by striking ''deemed average total wages'' and inserting ''national average wage index''.

(E) Section 215(a)(1)(D) of such Act (42 U.S.C. 415(a)(1)(D)) is amended—

(i) by striking ''after 1978'';

(ii) by striking ''and the average of the total wages (as described in subparagraph (B)(ii)(I))'' and inserting ''and the

national average wage index (as defined in section 209(k)(1))''; and

(iii) by striking the last sentence.

(F) Section 215(b)(3)(A)(ii) of such Act (42 U.S.C. 415(b)(3)(A)(ii)) is amended by striking ''deemed average total wages'' each place it appears and inserting ''national average wage index''.

(G) Section 215(i)(1) of such Act (42 U.S.C. 415(i)(1)) is amended—

(i) in subparagraph (E), by striking ''SSA average wage index'' and inserting ''national average wage index (as defined in section 209(k)(1))''; and

(ii) by striking subparagraph (G) and redesignating subparagraph (H) as subparagraph (G).

(H) Section 215(i)(2)(C)(ii) of such Act (42 U.S.C. 415(i)(1)(C)(ii)) is amended to read as follows:

''(ii) The Secretary shall determine and promulgate the OASDI fund ratio for the current calendar year on or before November 1 of the current calendar year, based upon the most recent data then available. The Secretary shall include a statement of the fund ratio and the na-

tional average wage index (as defined in section 209(k)(1)) and a statement of the effect such ratio and the level of such index may have upon benefit increases under this subsection in any notification made under clause (i) and any determination published under subparagraph (D).''.

(I) Section 224(f)(2) of such Act (42 U.S.C. 424a(f)(2)) is amended—

(i) in subparagraph (A), by adding ''and'' at the end;

(ii) by striking subparagraph (C); and

(iii) by striking subparagraph (B) and inserting the following:

''(B) the ratio of (i) the national average wage index (as defined in section 209(k)(1)) for the calendar year before the year in which such redetermination is made to (ii) the national average wage index (as so defined) for the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).''.

(J) Section 230(b)(2) of such Act (42 U.S.C. 430(b)(2)) is amended by striking ''deemed average total wages'' each place it appears and inserting ''national average wage index''.

(K) Section 230(d) of such Act (42 U.S.C. 430(d)) is amended by striking ''deemed average total wage'' and inserting ''national average wage index''.

SEC. 13018. CROSS-MATCHING OF SOCIAL SECURITY ACCOUNT NUMBER INFORMATION AND EMPLOYER IDENTIFICATION NUMBER INFORMATION MAINTAINED BY THE DEPARTMENT OF AGRICULTURE.

(a) SOCIAL SECURITY ACCOUNT NUMBER INFORMATION.—Clause (iii) of section 205(c)(2)(C) of the Social Security Act (42 U.S.C. 405(c)(2)(C)) (as added by section 1735(a)(3) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101–624; 104 Stat. 3791)) is amended—

(1) by inserting ''(I)'' after ''(iii)''; and

(2) by striking ''The Secretary of Agriculture shall restrict'' and all that follows and inserting the following:

''(II) The Secretary of Agriculture may share any information contained in any list referred to in subclause (I) with any other agency or instrumentality of the United States which otherwise has access to social security account numbers in accordance with this subsection or other applicable Federal law, except that the Secretary of Agri-

culture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subclause may be used by such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

''(III) The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in this subclause, shall restrict, to the satisfaction of the Secretary of Health and Human Services, access to social security account numbers obtained pursuant to this clause only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subclause (II).

''(IV) The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to clause (II), shall provide such other safeguards as the Secretary of Health and Human Services determines to be necessary or appropriate to protect the confidentiality of the social security account numbers.''.

(b) EMPLOYER IDENTIFICATION NUMBER INFORMATION.—Subsection (f) of section 6109 of the Internal Revenue Code of 1986 (as added by section 1735(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101–624; 104 Stat. 3792)) (relating to access to employer identification numbers by Secretary of Agriculture for purposes of Food Stamp Act of 1977) is amended—

(1) by striking paragraph (2) and inserting the following:

''(2) SHARING OF INFORMATION AND SAFEGUARDS.—

''(A) SHARING OF INFORMATION.—The Secretary of Agriculture may share any information contained in any list referred to in paragraph (1) with any other agency or instrumentality of the United States which otherwise has access to employer identification numbers in accordance with this section or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality.

Any such information shared pursuant to this subparagraph may be used by such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

''(B) SAFEGUARDS.—The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in subparagraph (A), shall restrict, to the satisfaction of the Secretary of the Treasury, access to employer identification numbers obtained pursuant to this subsection only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subparagraph (A). The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to subparagraph (A), shall provide such other safeguards as the Secretary of the Treasury determines to be necessary or appropriate to protect the confidentiality of the employer identification numbers.'';

(2) in paragraph (3), by striking ''by the Secretary of Agriculture pursuant to this subsection'' and inserting ''pursuant to this subsection by the Secretary of Agriculture or the head of any agency or instrumentality with which information is shared pursuant to paragraph (2)'', and by striking ''social security account numbers'' and inserting ''employer identification numbers''; and

(3) in paragraph (4), by striking ''by the Secretary of Agriculture pursuant to this subsection'' and inserting ''pursuant to this subsection by the Secretary of Agriculture or any agency or instrumentality with which information is shared pursuant to paragraph (2)''.

SEC. 13019. PROHIBITION OF MISUSE OF DEPARTMENT OF THE 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 the 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, solicitation, 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 DISCLAIMERS.—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 re-

cover 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.

''(4) COORDINATION WITH SUBSECTION (d).—No penalty may be assessed under this subsection with respect to any violation after a criminal proceeding with respect to such violation has been commenced under subsection (d).

''(d) CRIMINAL PENALTY.—

''(1) IN GENERAL.—If any person knowingly violates subsection (a), such person shall, upon conviction thereof, be fined not more than $10,000 for each such use or imprisoned not more than 1 year, or both. If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting '$50,000' for '$10,000'.

''(2) TIME LIMITATIONS.—No person may be prosecuted, tried, or punished under paragraph (1) for any violation of subsection (a) unless the indictment is found or the information instituted during the 3-year period beginning on the date of the violation.

''(3) COORDINATION WITH SUBSECTION (c).—No criminal proceeding may be commenced under

this subsection with respect to any violation if a civil penalty has previously been assessed under subsection (c) with respect to such violation.''

(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 the 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, 1995, 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 of prosecutions commenced under such section, and the total amount of the penalties collected in such prosecutions.

SEC. 13020. AVAILABILITY AND USE OF DEATH INFORMATION UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) IMPROVEMENTS IN PROGRAM FOR USE OF DEATH CERTIFICATES TO CORRECT PROGRAM INFORMATION.—

(1) ELIMINATION OF STATE RESTRICTIONS ON USE OF INFORMATION.—Section 205(r)(1) of the Social Security Act (42 U.S.C. 405(r)(1)) is amended by adding at the end, after and below subparagraph (B), the following new sentence:

''Any contract entered into pursuant to subparagraph (A) shall not include any restriction on the use of information obtained by the Secretary pursuant to such contract, except to the extent that such use may be restricted under paragraph (6).''.

(2) INFORMATION PROVIDED TO STATE AGENCIES FREE OF CHARGE.—

(A) IN GENERAL.—Section 205(r)(4) of such Act (42 U.S.C. 405(r)(4)) is amended to read as follows:

''(4)(A) In the case of individuals with respect to whom federally funded benefits are provided by (or through) a State agency other than under this Act, the Secretary shall to the extent feasible provide such information free of charge through a cooperative arrangement

with such agency, for ensuring proper payment of those benefits with respect to such individuals, if such arrangement does not conflict with the duties of the Secretary under paragraph (1).

''(B) The Secretary may enter into similar agreements with States to provide information free of charge for their use in programs wholly funded by the States if such arrangement does not conflict with the duties of the Secretary under paragraph (1).''.

(B) CONFORMING AMENDMENT.—Section 205(r)(3) of such Act (42 U.S.C. 405(r)(3)) is amended by striking ''or State''.

(3) USE BY STATES OF SOCIAL SECURITY ACCOUNT NUMBERS CONTINGENT UPON PARTICIPATION IN PROGRAM.—Section 205(r)(2) of such Act (42 U.S.C. 405(r)(2)) is amended—

(A) by inserting ''(A)'' after ''(2)''; and

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

''(B) Notwithstanding section 7(a)(2)(B) of the Privacy Act of 1974 and clauses (i) and (v) of subsection (c)(2)(C) of this section, any State which is not a party to a contract with the Secretary meeting the requirements of paragraph (1) (and any political subdivision thereof) may not utilize an individual's social security account

number in the administration of any driver's license or motor vehicle registration law.''.

(b) STUDY REGARDING IMPROVEMENTS IN GATHERING AND REPORTING OF DEATH INFORMATION.

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a study of possible improvements in the current methods of gathering and reporting death information by the Federal, State, and local governments which would result in more efficient and expeditious handling of such information.

(2) SPECIFIC MATTERS TO BE STUDIED.—In carrying out the study required under this subsection, the Secretary shall—

(A) ascertain the delays in the receipt of death information which are currently encountered by the Social Security Administration and other agencies in need of such information on a regular basis,

(B) analyze the causes of such delays,

(C) develop alternative options for improving Federal, State, and local agency cooperation in reducing such delays, and

(D) evaluate the costs and benefits associated with the options referred to in subparagraph (C).

(3) REPORT.—Not later than June 1, 1994, the Secretary shall submit a written report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted pursuant to this subsection, together with such administrative and legislative recommendations as the Secretary may consider appropriate.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) shall take effect 1 year after the date of the enactment of this Act.

(2) PROMOTION OF ENTRY INTO NEW CONTRACTS.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall take such actions as are necessary and appropriate to promote entry into contracts under section 205(r) of the Social Security Act which are in compliance with the requirements of the amendments made by subsection (a).

Subtitle D—Customs and Trade Provisions

SEC. 13601. CUSTOMS AND TRADE AGENCY AUTHORIZATIONS FOR FISCAL YEARS 1994 AND 1995.

(a) UNITED STATES INTERNATIONAL TRADE COMMISSION.—Section 330(e)(2) of the Tariff Act of 1930 (19 U.S.C. 1330(e)(2)) is amended to read as follows:

''(2)(A) There are authorized to be appropriated to the Commission for necessary expenses (including the rental of conference rooms in the District of Columbia and elsewhere) not to exceed the following:

''(i) $45,416,000 for fiscal year 1994.

''(ii) $45,974,000 for fiscal year 1995.

''(B) Not to exceed $2,500 of the amount authorized to be appropriated for any fiscal year under subparagraph (A) may be used, subject to the approval of the Chairman of the Commission, for reception and entertainment expenses.

''(C) No part of any sum that is appropriated under the authority of subparagraph (A) may be used by the Commission in the making of any special study, investigation, or report that is requested by any agency of the executive branch unless that agency reimburses the Commission for the cost thereof.''.

(b) UNITED STATES CUSTOMS SERVICE.—Section 301(b) of the Customs Procedural Reform and Simplification Act of 1978 (19 U.S.C. 2075(b)) is amended to read as follows:

''(b) AUTHORIZATION OF APPROPRIATIONS.—

''(1) FOR NONCOMMERCIAL OPERATIONS.—There are authorized to be appropriated for the salaries and expenses of the Customs Service that are incurred in noncommercial operations not to exceed the following:

''(A) $540,783,000 for fiscal year 1994.

''(B) $527,000,000 for fiscal year 1995.

''(2) FOR COMMERCIAL OPERATIONS.—(A) There are authorized to be appropriated for the salaries and expenses of the Customs Service that are incurred in commercial operations not less than the following:

''(i) $771,036,000 for fiscal year 1994.

''(ii) $748,000,000 for fiscal year 1995.

''(B) The monies authorized to be appropriated under subparagraph (A) for any fiscal year, except for such sums as may be necessary for the salaries and expenses of the Customs Service that are incurred in connection with the processing of merchandise that is exempt from the fees imposed under sec-

tion 13031(a) (9) and (10) of the Consolidated Omnibus Budget Reconciliation Act of 1985, shall be appropriated from the Customs User Fee Account.

''(3) FOR AIR AND MARINE INTERDICTION.—There are authorized to be appropriated for the operation (including salaries and expenses) and maintenance of the air and marine interdiction programs of the Customs Service not to exceed the following:

''(A) $95,156,000 for fiscal year 1994.

''(B) $128,000,000 for fiscal year 1995.''.

(c) OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.—Section 141(g)(1) of the Trade Act of 1974 (19 U.S.C. 2171(g)(1)) is amended to read as follows:

''(g)(1)(A) There are authorized to be appropriated to the Office for the purposes of carrying out its functions not to exceed the following:

''(i) $20,143,000 for fiscal year 1994.

''(ii) $20,419,000 for fiscal year 1995.

''(B) Of the amounts authorized to be appropriated under subparagraph (A) for any fiscal year—

''(i) not to exceed $98,000 may be used for entertainment and representation expenses of the Office; and

''(ii) not to exceed $2,500,000 shall remain available until expended.''.

SEC. 13602. EXTENSION OF AUTHORITY TO LEVY CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking out ''1995'' and inserting ''1998''.

SEC. 13603. GENERALIZED SYSTEM OF PREFERENCES.

(a) TREATMENT OF COUNTRIES FORMERLY WITHIN THE UNION OF SOVIET SOCIALIST REPUBLICS.—The table in section 502(b) of the Trade Act of 1974 (19 U.S.C. 2462(b)) is amended by striking out ''Union of Soviet Socialist Republics''.

(b) EXTENSION OF DUTY-FREE TREATMENT UNDER SYSTEM.—

(1) IN GENERAL.—Section 505(a) of the Trade Act of 1974 (19 U.S.C. 2465(a)) is amended by striking out ''July 4, 1993'' and inserting ''September 30, 1994''.

(2) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the appropriate customs officer within 180 days

after the date of the enactment of this Act, the entry—

(A) of any article to which duty-free treatment under title V of the Trade Act of 1974 would have applied if the entry had been made on July 4, 1993, and

(B) that was made after July 4, 1993, and before such date of enactment,

shall be liquidated or reliquidated as free of duty, and the Secretary of the Treasury shall refund any duty paid with respect to such entry. As used in this paragraph, the term ''entry'' includes a withdrawal from warehouse for consumption.

SEC. 13604. EXTENSION OF, AND AUTHORIZATION OF APPROPRIATIONS FOR, THE WORKER TRADE ADJUSTMENT ASSISTANCE PROGRAM.

(a) EXTENSION.—Section 285 of the Trade Act of 1974 (19 U.S.C. note preceding 2271) is amended—

(1) by striking out ''No'' and all that follows thereafter down through ''chapter 2, no'' in subsection (b) and inserting ''No''; and

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

''(c) No assistance, vouchers, allowances, or other payments may be provided under chapter 2 after September 30, 1996.''.

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 245 of the Trade Act of 1974 (19 U.S.C. 2317) is amended by striking out ''and 1993,'' and inserting ''1993, 1994, 1995, and 1996,''.

SEC. 13605. EXTENSION OF URUGUAY ROUND TRADE AGREEMENT NEGOTIATING AND PROCLAMATION AUTHORITY AND OF "FAST TRACK" PROCEDURES TO IMPLEMENTING LEGISLATION.

Section 1102 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 2902) is amended by inserting at the end the following new subsection:

''(e) SPECIAL PROVISIONS REGARDING URUGUAY ROUND TRADE NEGOTIATIONS.—

''(1) IN GENERAL.—Notwithstanding the time limitations in subsections (a) and (b), if the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade has not resulted in trade agreements by May 31, 1993, the President may, during the period after May 31, 1993, and before April 16, 1994, enter into, under subsections (a) and (b), trade agreements resulting from such negotiations.

"(2) APPLICATION OF TARIFF PROCLAMATION AUTHORITY.—No proclamation under subsection (a) to carry out the provisions regarding tariff barriers of a trade agreement that is entered into pursuant to paragraph (1) may take effect before the effective date of a bill that implements the provisions regarding nontariff barriers of a trade agreement that is entered into under such paragraph.

"(3) APPLICATION OF IMPLEMENTING AND 'FAST TRACK' PROCEDURES.—Section 1103 applies to any trade agreement negotiated under subsection (b) pursuant to paragraph (1), except that—

"(A) in applying subsection (a)(1)(A) of section 1103 to any such agreement, the phrase 'at least 120 calendar days before the day on which he enters into the trade agreement (but not later than December 15, 1993),' shall be substituted for the phrase 'at least 90 calendar days before the day on which he enters into the trade agreement; and

"(B) no provision of subsection (b) of section 1103 other than paragraph (1)(A) applies to any such agreement and in applying such paragraph, 'April 16, 1994;' shall be substituted for 'June 1, 1991;'.

"(4) ADVISORY COMMITTEE REPORTS.—The report required under section 135(e)(1) of the Trade Act of 1974 regarding any trade agreement provided for under paragraph (1) shall be provided to the President, the Congress, and the United States Trade Representative not later than 30 days after the date on which the President notifies the Congress under section 1103(a)(1)(A) of his intention to enter into the agreement (but before January 15, 1994).".

SEC. 13606. REPEAL OF EAST-WEST TRADE STATISTICS MONITORING SYSTEM.

(a) REPEAL.—Section 410 of the Trade Act of 1974 (19 U.S.C. 2440) is repealed.

(b) CONFORMING AMENDMENT.—The table of contents for such Act of 1974 is amended by striking out the following:

"Sec. 410. East-West Trade Statistics Monitoring System.".

Subtitle E—Customs Officer Pay Reform

SEC. 13701. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

(a) IN GENERAL.—Section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267) is amended to read as follows:

"SEC. 5. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

''(a) OVERTIME PAY.—

''(1) IN GENERAL.—Subject to paragraph (2) and subsection (c), a customs officer who is officially assigned to perform work in excess of 40 hours in the administrative workweek of the officer or in excess of 8 hours in a day shall be compensated for that work at an hourly rate of pay that is equal to 2 times the hourly rate of the basic pay of the officer. For purposes of this paragraph, the hourly rate of basic pay for a customs officer does not include any premium pay provided for under subsection (b).

''(2) SPECIAL PROVISIONS RELATING TO OVERTIME WORK ON CALLBACK BASIS.—

''(A) MINIMUM DURATION.—Any work for which compensation is authorized under paragraph (1) and for which the customs officer is required to return to the officer's place of work shall be treated as being not less than 2 hours in duration; but only if such work begins at least 1 hour after the end of any previous regularly scheduled work assignment and ends at least 1 hour before the beginning of the following regularly scheduled work assignment.

"(B) COMPENSATION FOR COMMUTING TIME.—

"(i) IN GENERAL.—Except as provided in clause (ii), in addition to the compensation authorized under paragraph (1) for work to which subparagraph (A) applies, the customs officer is entitled to be paid, as compensation for commuting time, an amount equal to 3 times the hourly rate of basic pay of the officer.

"(ii) EXCEPTION.—Compensation for commuting time is not payable under clause (i) if the work for which compensation is authorized under paragraph (1)—

"(I) does not commence within 16 hours of the customs officer's last regularly scheduled work assignment, or

"(II) commences within 2 hours of the next regularly scheduled work assignment of the customs officer.

"(b) PREMIUM PAY FOR CUSTOMS OFFICERS.—

"(1) NIGHT WORK DIFFERENTIAL.—

"(A) 3 P.M. TO MIDNIGHT SHIFTWORK.—If the majority of the hours of regularly scheduled

work of a customs officer occur during the period beginning at 3 p.m. and ending at 12 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate.

''(B) 11 P.M. TO 8 A.M. SHIFTWORK.—If the majority of the hours of regularly scheduled work of a customs officer occur during the period beginning at 11 p.m. and ending at 8 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 20 percent of that basic rate.

''(C) 7:30 P.M. TO 3:30 A.M. SHIFTWORK.—If the regularly scheduled work assignment of a customs officer is 7:30 p.m. to 3:30 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate for the period from 7:30 p.m. to 11:30 p.m. and at the officer's

hourly rate of basic pay plus premium pay amounting to 20 percent of that basic rate for the period from 11:30 p.m. to 3:30 a.m.

''(2) SUNDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a Sunday that is not a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 50 percent of that basic rate.

''(3) HOLIDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 100 percent of that basic rate.

''(4) TREATMENT OF PREMIUM PAY.—Premium pay provided for under this subsection may not be treated as being overtime pay or compensation for any purpose.

''(c) LIMITATIONS.—

''(1) FISCAL YEAR CAP.—The aggregate of overtime pay under subsection (a) (including commuting compensation under subsection (a)(2)(B)) and premium pay under subsection (b) that a customs officer may be paid in any fiscal year may not exceed $25,000; except that the Commissioner of

Customs or his designee may waive this limitation in individual cases in order to prevent excessive costs or to meet emergency requirements of the Customs Service.

''(2) EXCLUSIVITY OF PAY UNDER THIS SECTION.—A customs officer who receives overtime pay under subsection (a) or premium pay under subsection (b) for time worked may not receive pay or other compensation for that work under any other provision of law.

''(d) REGULATIONS.—The Secretary of the Treasury shall prescribe such regulations as are necessary or appropriate to carry out this section, including regulations—

''(1) to ensure that callback work assignments are commensurate with the overtime pay authorized for such work; and

''(2) to prevent the disproportionate assignment of overtime work to customs officers who are near to retirement.

''(e) DEFINITIONS.—As used in this section:

''(1) The term 'customs officer' means an individual performing those functions specified by regulation by the Secretary of the Treasury for a customs inspector or canine enforcement officer. Such functions shall be consistent with such applicable

standards as may be promulgated by the Office of Personnel Management.

''(2) The term 'holiday' means any day designated as a holiday under a Federal statute or Executive order.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 2 of the Act of June 3, 1944 (19 U.S.C. 1451a), is repealed.

(2) Section 450 of the Tariff Act of 1930 (19 U.S.C. 1450) is amended—

(A) by striking out ''at night'' in the section heading and inserting ''during overtime hours'';

(B) by striking out ''at night'' and inserting ''during overtime hours''; and

(C) by inserting ''aircraft,'' immediately before ''vessel''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) apply to customs inspectional services provided on or after October 1, 1993.

SEC. 13702. FOREIGN LANGUAGE PROFICIENCY AWARDS FOR CUSTOMS OFFICERS.

Cash awards for foreign language proficiency may, under regulations prescribed by the Secretary of the Treasury, be paid to customs officers (as referred to in

section 5(e)(1) of the Act of February 13, 1911) to the same extent and in the same manner as would be allowable under subchapter III of chapter 45 of title 5, United States Code, with respect to law enforcement officers (as defined by section 4521 of such title).

SEC. 13703. APPROPRIATIONS REIMBURSEMENTS FROM THE CUSTOMS USER FEE ACCOUNT.

Section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)) is amended—

(1) by amending clause (i) of subparagraph (A) to read as follows: ''(i) in—

''(I) paying overtime compensation under section 5(a) of the Act of February 13, 1911,

''(II) paying premium pay under section 5(b) of the Act of February 13, 1911, but the amount for which reimbursement may be made under this subclause may not, for any fiscal year, exceed the difference between the cost of the premium pay for that year calculated under such section 5(b) as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993 and the cost of such pay calculated under subchapter V of chapter 55 of title 5, United States Code,

''(III) paying agency contributions to the Civil Service Retirement and Disability Fund to match deductions from the overtime compensation paid under subclause (I), and

''(IV) providing all preclearance services for which the recipients of such services are not required to reimburse the Secretary of the Treasury, and'';

(2) by inserting before the flush sentence appearing after clause (ii) of subparagraph (A) the following sentence: ''The transfer of funds required under subparagraph (C)(iii) has priority over reimbursements under this subparagraph to carry out subclauses (II), (III), and (IV) of clause (i).'';

(3) by striking out ''except for costs described in subparagraph (A)(i) (I) and (II),'' in subparagraph (B)(i); and

(4) by amending subparagraph (C)—

(A) by striking out ''to fully reimburse inspectional overtime and preclearance costs'' in clause (i) and inserting ''to reimburse costs described in subparagraph (A)(i)''; and

(B) by inserting after clause (ii) of subparagraph (C) the following:

''(iii) For each fiscal year, the Secretary of the Treasury shall calculate the difference between—

''(I) the estimated cost for overtime compensation that would have been incurred during that fiscal year for inspectional services if section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267), as in effect before the enactment of section 13701 of the Omnibus Budget Reconciliation Act of 1993, had governed such costs, and

''(II) the actual cost for overtime compensation, premium pay, and agency retirement contributions that is incurred during that fiscal year in regard to such services under section 5 of the Act of February 13, 1991, as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993, and under section 8331(3) of title 5, United States Code, as amended by section 13704 of such Act of 1993,

and shall transfer from the Customs User Fee Account to the General Fund of the Treasury an amount equal to the difference calculated under this clause, or $18,000,000, whichever amount is less. Transfers shall be made under this clause at least quarterly and on the basis of estimates to the same

extent as are reimbursements under subparagraph (B)(iii).''.

SEC. 13704. TREATMENT OF CERTAIN PAY OF CUSTOMS OFFICERS FOR RETIREMENT PURPOSES.

(a) IN GENERAL.—Section 8331(3) of title 5, United States Code, is amended—

(1) by striking out ''and'' at the end of subparagraph (C);

(2) by striking out the semicolon at the end of subparagraph (D) and inserting ''; and'';

(3) by adding after subparagraph (D) the following:

''(E) with respect to a customs officer (referred to in subsection (e)(1) of section 5 of the Act of February 13, 1911), compensation for overtime inspectional services provided for under subsection (a) of such section 5, but not to exceed 50 percent of any statutory maximum in overtime pay for customs officers which is in effect for the year involved;''; and

(4) by striking out ''subparagraphs (B), (C), and (D) of this paragraph,'' and inserting ''subparagraphs (B), (C), (D), and (E) of this paragraph''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) take effect on the date of the enactment

of this Act and apply only with respect to service performed on or after such date.

SEC. 13705. REPORTS.

(a) CUSTOMS USER FEE ACCOUNT REPORTS.—Subparagraph (D) of section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)(D)) is amended to read as follows:

''(D) At the close of each fiscal year, the Secretary of the Treasury shall submit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives—

''(i) containing a detailed accounting of all expenditures from the Customs User Fee Account during such year, including a summary of the expenditures, on a port-by-port basis, for which reimbursement has been provided under subparagraph (A)(ii);

''(ii) containing a listing of all call-back assignments of customs officers for which overtime compensation was paid under section 5(a) of the Act of February 13, 1911, and that were less than 1 hour in duration; and

"(iii) containing a listing of all customs officers who were paid $25,000 or more under subsections 5(a) and 5(b) of the Act of February 13, 1911, including a listing of the total compensation paid to each of those customs officers under all other statutory authority.".

(b) OTHER REPORTS.—

(1) GAO REPORT.—The Comptroller General of the United States shall undertake—

(A) an evaluation of the appropriateness and efficiency of the customs user fee laws for financing the provision of customs inspectional services; and

(B) a study to determine whether cost savings in the provision of overtime inspectional services could be realized by the United States Customs Service through the use of additional inspectors as opposed to continuing the current practice of relying on overtime pay.

The Comptroller General shall submit a report on the evaluation and study required under this subsection to the Committees by no later than the 1st anniversary of the date of the enactment of this Act.

(2) TREASURY RECOMMENDATION.—On the day that the President submits the budget for the United States Government for fiscal year 1995 to the Congress under section 1105(a) of title 31, United States Code, the Secretary of the Treasury shall submit to the Committees recommended legislative proposals for improving the operation of customs user fee laws in financing the provision of customs inspectional services.

(3) DEFINITION OF COMMITTEES.—For purposes of this subsection, the term ''Committees'' means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

Subtitle E—Customs Officer Pay Reform

SEC. 13701. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

(a) IN GENERAL.—Section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267) is amended to read as follows:

"SEC. 5. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

''(a) OVERTIME PAY.—

"(1) IN GENERAL.—Subject to paragraph (2) and subsection (c), a customs officer who is officially assigned to perform work in excess of 40 hours in the administrative workweek of the officer or in excess of 8 hours in a day shall be compensated for that work at an hourly rate of pay that is equal to 2 times the hourly rate of the basic pay of the officer. For purposes of this paragraph, the hourly rate of basic pay for a customs officer does not include any premium pay provided for under subsection (b).

"(2) SPECIAL PROVISIONS RELATING TO OVERTIME WORK ON CALLBACK BASIS.—

"(A) MINIMUM DURATION.—Any work for which compensation is authorized under paragraph (1) and for which the customs officer is required to return to the officer's place of work shall be treated as being not less than 2 hours in duration; but only if such work begins at least 1 hour after the end of any previous regularly scheduled work assignment and ends at least 1 hour before the beginning of the following regularly scheduled work assignment.

"(B) COMPENSATION FOR COMMUTING TIME.—

"(i) IN GENERAL.—Except as provided in clause (ii), in addition to the compensation authorized under paragraph (1) for work to which subparagraph (A) applies, the customs officer is entitled to be paid, as compensation for commuting time, an amount equal to 3 times the hourly rate of basic pay of the officer.

"(ii) EXCEPTION.—Compensation for commuting time is not payable under clause (i) if the work for which compensation is authorized under paragraph (1)—

"(I) does not commence within 16 hours of the customs officer's last regularly scheduled work assignment, or

"(II) commences within 2 hours of the next regularly scheduled work assignment of the customs officer.

"(b) PREMIUM PAY FOR CUSTOMS OFFICERS.—

"(1) NIGHT WORK DIFFERENTIAL.—

"(A) 3 P.M. TO MIDNIGHT SHIFTWORK.—If the majority of the hours of regularly scheduled work of a customs officer occur during the period beginning at 3 p.m. and ending at 12 a.m.,

the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate.

''(B) 11 P.M. TO 8 A.M. SHIFTWORK.—If the majority of the hours of regularly scheduled work of a customs officer occur during the period beginning at 11 p.m. and ending at 8 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 20 percent of that basic rate.

''(C) 7:30 P.M. TO 3:30 A.M. SHIFTWORK.—If the regularly scheduled work assignment of a customs officer is 7:30 p.m. to 3:30 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate for the period from 7:30 p.m. to 11:30 p.m. and at the officer's hourly rate of basic pay plus premium pay

amounting to 20 percent of that basic rate for the period from 11:30 p.m. to 3:30 a.m.

''(2) SUNDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a Sunday that is not a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 50 percent of that basic rate.

''(3) HOLIDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 100 percent of that basic rate.

''(4) TREATMENT OF PREMIUM PAY.—Premium pay provided for under this subsection may not be treated as being overtime pay or compensation for any purpose.

''(c) LIMITATIONS.—

''(1) FISCAL YEAR CAP.—The aggregate of overtime pay under subsection (a) (including commuting compensation under subsection (a)(2)(B)) and premium pay under subsection (b) that a customs officer may be paid in any fiscal year may not exceed $25,000; except that the Commissioner of Customs or his designee may waive this limitation in

individual cases in order to prevent excessive costs or to meet emergency requirements of the Customs Service.

''(2) EXCLUSIVITY OF PAY UNDER THIS SECTION.—A customs officer who receives overtime pay under subsection (a) or premium pay under subsection (b) for time worked may not receive pay or other compensation for that work under any other provision of law.

''(d) REGULATIONS.—The Secretary of the Treasury shall prescribe such regulations as are necessary or appropriate to carry out this section, including regulations—

''(1) to ensure that callback work assignments are commensurate with the overtime pay authorized for such work; and

''(2) to prevent the disproportionate assignment of overtime work to customs officers who are near to retirement.

''(e) DEFINITIONS.—As used in this section:

''(1) The term 'customs officer' means an individual performing those functions specified by regulation by the Secretary of the Treasury for a customs inspector or canine enforcement officer. Such functions shall be consistent with such applicable

standards as may be promulgated by the Office of Personnel Management.

''(2) The term 'holiday' means any day designated as a holiday under a Federal statute or Executive order.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 2 of the Act of June 3, 1944 (19 U.S.C. 1451a), is repealed.

(2) Section 450 of the Tariff Act of 1930 (19 U.S.C. 1450) is amended—

(A) by striking out ''at night'' in the section heading and inserting ''during overtime hours'';

(B) by striking out ''at night'' and inserting ''during overtime hours''; and

(C) by inserting ''aircraft,'' immediately before ''vessel''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) apply to customs inspectional services provided on or after October 1, 1993.

SEC. 13702. FOREIGN LANGUAGE PROFICIENCY AWARDS FOR CUSTOMS OFFICERS.

Cash awards for foreign language proficiency may, under regulations prescribed by the Secretary of the Treasury, be paid to customs officers (as referred to in

section 5(e)(1) of the Act of February 13, 1911) to the same extent and in the same manner as would be allowable under subchapter III of chapter 45 of title 5, United States Code, with respect to law enforcement officers (as defined by section 4521 of such title).

SEC. 13703. APPROPRIATIONS REIMBURSEMENTS FROM THE CUSTOMS USER FEE ACCOUNT.

Section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)) is amended—

(1) by amending clause (i) of subparagraph (A) to read as follows: ''(i) in—

''(I) paying overtime compensation under section 5(a) of the Act of February 13, 1911,

''(II) paying premium pay under section 5(b) of the Act of February 13, 1911, but the amount for which reimbursement may be made under this subclause may not, for any fiscal year, exceed the difference between the cost of the premium pay for that year calculated under such section 5(b) as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993 and the cost of such pay calculated under subchapter V of chapter 55 of title 5, United States Code,

''(III) paying agency contributions to the Civil Service Retirement and Disability Fund to match deductions from the overtime compensation paid under subclause (I), and

''(IV) providing all preclearance services for which the recipients of such services are not required to reimburse the Secretary of the Treasury, and'';

(2) by inserting before the flush sentence appearing after clause (ii) of subparagraph (A) the following sentence: ''The transfer of funds required under subparagraph (C)(iii) has priority over reimbursements under this subparagraph to carry out subclauses (II), (III), and (IV) of clause (i).'';

(3) by striking out ''except for costs described in subparagraph (A)(i) (I) and (II),'' in subparagraph (B)(i); and

(4) by amending subparagraph (C)—

(A) by striking out ''to fully reimburse inspectional overtime and preclearance costs'' in clause (i) and inserting ''to reimburse costs described in subparagraph (A)(i)''; and

(B) by inserting after clause (ii) of subparagraph (C) the following:

''(iii) For each fiscal year, the Secretary of the Treasury shall calculate the difference between—

''(I) the estimated cost for overtime compensation that would have been incurred during that fiscal year for inspectional services if section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267), as in effect before the enactment of section 13701 of the Omnibus Budget Reconciliation Act of 1993, had governed such costs, and

''(II) the actual cost for overtime compensation, premium pay, and agency retirement contributions that is incurred during that fiscal year in regard to such services under section 5 of the Act of February 13, 1991, as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993, and under section 8331(3) of title 5, United States Code, as amended by section 13704 of such Act of 1993,

and shall transfer from the Customs User Fee Account to the General Fund of the Treasury an amount equal to the difference calculated under this clause, or $18,000,000, whichever amount is less. Transfers shall be made under this clause at least quarterly and on the basis of estimates to the same

extent as are reimbursements under subparagraph (B)(iii).''.

SEC. 13704. TREATMENT OF CERTAIN PAY OF CUSTOMS OFFICERS FOR RETIREMENT PURPOSES.

(a) IN GENERAL.—Section 8331(3) of title 5, United States Code, is amended—

(1) by striking out ''and'' at the end of subparagraph (C);

(2) by striking out the semicolon at the end of subparagraph (D) and inserting ''; and'';

(3) by adding after subparagraph (D) the following:

''(E) with respect to a customs officer (referred to in subsection (e)(1) of section 5 of the Act of February 13, 1911), compensation for overtime inspectional services provided for under subsection (a) of such section 5, but not to exceed 50 percent of any statutory maximum in overtime pay for customs officers which is in effect for the year involved;''; and

(4) by striking out ''subparagraphs (B), (C), and (D) of this paragraph,'' and inserting ''subparagraphs (B), (C), (D), and (E) of this paragraph''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) take effect on the date of the enactment

of this Act and apply only with respect to service performed on or after such date.

SEC. 13705. REPORTS.

(a) CUSTOMS USER FEE ACCOUNT REPORTS.—Subparagraph (D) of section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)(D)) is amended to read as follows:

''(D) At the close of each fiscal year, the Secretary of the Treasury shall submit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives—

''(i) containing a detailed accounting of all expenditures from the Customs User Fee Account during such year, including a summary of the expenditures, on a port-by-port basis, for which reimbursement has been provided under subparagraph (A)(ii);

''(ii) containing a listing of all call-back assignments of customs officers for which overtime compensation was paid under section 5(a) of the Act of February 13, 1911, and that were less than 1 hour in duration; and

"(iii) containing a listing of all customs officers who were paid $25,000 or more under subsections 5(a) and 5(b) of the Act of February 13, 1911, including a listing of the total compensation paid to each of those customs officers under all other statutory authority.".

(b) OTHER REPORTS.—

(1) GAO REPORT.—The Comptroller General of the United States shall undertake—

(A) an evaluation of the appropriateness and efficiency of the customs user fee laws for financing the provision of customs inspectional services; and

(B) a study to determine whether cost savings in the provision of overtime inspectional services could be realized by the United States Customs Service through the use of additional inspectors as opposed to continuing the current practice of relying on overtime pay.

The Comptroller General shall submit a report on the evaluation and study required under this subsection to the Committees by no later than the 1st anniversary of the date of the enactment of this Act.

(2) TREASURY RECOMMENDATION.—On the day that the President submits the budget for the United States Government for fiscal year 1995 to the Congress under section 1105(a) of title 31, United States Code, the Secretary of the Treasury shall submit to the Committees recommended legislative proposals for improving the operation of customs user fee laws in financing the provision of customs inspectional services.

(3) DEFINITION OF COMMITTEES.—For purposes of this subsection, the term ''Committees'' means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

Subtitle B—Human Resources Amendments

SEC. 13201. TABLE OF CONTENTS.

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SEC. 13202. REFERENCES.

Except as otherwise expressly provided, wherever in this subtitle 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 Social Security Act.

CHAPTER 1—CHILD WELFARE SERVICES, FOSTER CARE, AND ADOPTION ASSISTANCE

SEC. 13211. ENTITLEMENT FUNDING FOR SERVICES DESIGNED TO STRENGTHEN AND PRESERVE FAMILIES.

(a) IN GENERAL.—Part B of title IV (42 U.S.C. 620–628) is amended—

(1) by striking the heading and inserting the following:

"PART B—CHILD AND FAMILY SERVICES

"Subpart 1—Child Welfare Services"; and

(2) by adding at the end the following:

"Subpart 2—Family Preservation and Support Services

"SEC. 430. PURPOSES; LIMITATIONS ON AUTHORIZATIONS OF APPROPRIATIONS; RESERVATION OF CERTAIN AMOUNTS.

''(a) PURPOSES; LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—For the purpose of encouraging and enabling each State to develop and establish, or expand, and to operate a program of family preservation services and community-based family support services, there are authorized to be appropriated to the Secretary—

''(1) $60,000,000 for fiscal year 1994;

"(2) $135,000,000 for fiscal year 1995;

"(3) $240,000,000 for fiscal year 1996;

"(4) $360,000,000 for fiscal year 1997; and

"(5) $600,000,000 for fiscal year 1998.

"(b) RESERVATION OF CERTAIN AMOUNTS.—

"(1) EVALUATION, RESEARCH, TRAINING, AND TECHNICAL ASSISTANCE.—The Secretary shall reserve 1 percent of the amount appropriated pursuant to subsection (a) for each fiscal year, for expenditure by the Secretary for evaluation, research, training, and technical assistance related to the program under this subpart.

"(2) STATE COURT ASSESSMENTS.—The Secretary shall reserve $5,000,000 of the amount appropriated pursuant to subsection (a) for fiscal year 1995, and $10,000,000 of the amount so appropriated for each of fiscal years 1996, 1997, and 1998, for grants under section 13212 of the Omnibus Budget Reconciliation Act of 1993.

"(3) INDIAN TRIBES.—The Secretary shall reserve 1 percent of the amount appropriated pursuant to subsection (a) for each fiscal year, for allotment to Indian tribes in accordance with section 433(a).

"SEC. 431. DEFINITIONS.

''(a) IN GENERAL.—As used in this subpart:

''(1) FAMILY PRESERVATION SERVICES.—The term 'family preservation services' means services for children and families designed to help families (including adoptive and extended families) at risk or in crisis, including—

''(A) service programs designed to help children—

''(i) where appropriate, return to families from which they have been removed; or

''(ii) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement;

''(B) preplacement preventive services programs, such as intensive family preservation programs, designed to help children at risk of foster care placement remain with their families;

''(C) service programs designed to provide followup care to families to whom a child has been returned after a foster care placement;

"(D) respite care of children to provide temporary relief for parents and other caregivers (including foster parents); and

"(E) services designed to improve parenting skills (by reinforcing parents' confidence in their strengths, and helping them to identify where improvement is needed and to obtain assistance in improving those skills) with respect to matters such as child development, family budgeting, coping with stress, health, and nutrition.

"(2) FAMILY SUPPORT SERVICES.—The term 'family support services' means community-based services to promote the well-being of children and families designed to increase the strength and stability of families (including adoptive, foster, and extended families), to increase parents' confidence and competence in their parenting abilities, to afford children a stable and supportive family environment, and otherwise to enhance child development, including—

"(A) services described in paragraph (1)(E);

''(B) respite care of children to provide temporary relief for parents and other caregivers;

''(C) structured activities involving parents and children to strengthen the parent-child relationship;

''(D) drop-in centers to afford families opportunities for informal interaction with other families and with program staff;

''(E) information and referral services to afford families access to other community services, including child care, health care, nutrition programs, adult education and literacy programs, and counseling and mentoring services; and

''(F) early developmental screening of children to assess the needs of such children, and assistance to families in securing specific services to meet these needs.

''(3) STATE AGENCY.—The term 'State agency' means the State agency responsible for administering the program under subpart 1.

''(4) STATE.—The term 'State' includes an Indian tribe or tribal organization, in addition to the meaning given such term for purposes of subpart 1.

''(5) TRIBAL ORGANIZATION.—The term 'tribal organization' means the recognized governing body of any Indian tribe.

''(6) INDIAN TRIBE.—The term 'Indian tribe' means any Indian tribe (as defined in section 482(i)(5)) and any Alaska Native organization (as defined in section 482(i)(7)(A)).

''(b) OTHER TERMS.—For other definitions of other terms used in this subpart, see section 475.

"SEC. 432. STATE PLANS.

''(a) PLAN REQUIREMENTS.—A State plan meets the requirements of this subsection if the plan—

''(1) provides that the State agency shall administer, or supervise the administration of, the State program under this subpart;

''(2)(A)(i) sets forth the goals intended to be accomplished under the plan by the end of the 5th fiscal year in which the plan is in operation in the State, and (ii) is updated periodically to set forth the goals intended to be accomplished under the plan by the end of each 5th fiscal year thereafter;

''(B) describes the methods to be used in measuring progress toward accomplishment of the goals;

''(C) contains a commitment that the State—

''(i) after the end of each of the 1st 4 fiscal years covered by a set of goals, will perform an interim review of progress toward accomplishment of the goals, and on the basis of the interim review will revise the statement of goals in the plan, if necessary, to reflect changed circumstances; and

''(ii) after the end of the last fiscal year covered by a set of goals, will perform a final review of progress toward accomplishment of the goals, and on the basis of the final review (I) will prepare, transmit to the Secretary, and make available to the public a final report on progress toward accomplishment of the goals, and (II) will develop (in consultation with the entities required to be consulted pursuant to subsection (b)) and add to the plan a statement of the goals intended to be accomplished by the end of the 5th succeeding fiscal year;

''(3) provides for coordination, to the extent feasible and appropriate, of the provision of services under the plan and the provision of services or benefits under other Federal or federally assisted programs serving the same populations;

''(4) contains assurances that not less than 90 percent of expenditures under the plan for any fiscal year with respect to which the State is eligible for payment under section 433 for the fiscal year shall be for services for children and families, and that significant portions of such 90 percent shall be expended—

''(A) for family preservation services; and

''(B) for community-based family support services;

''(5) provides that, by the beginning of the 6th fiscal year during which the plan is in effect, programs under the plan shall be available on a statewide basis, to the extent feasible and appropriate;

''(6) contains assurances that the State will—

''(A) annually prepare, furnish to the Secretary, and make available to the public a description (including separate descriptions with respect to family preservation services and community-based family support services) of—

''(i) the service programs to be made available under the plan in the immediately succeeding fiscal year;

''(ii) the populations which the programs will serve; and

''(iii) the geographic areas in the State in which the services will be available; and

''(B) perform the activities described in subparagraph (A)—

''(i) in the case of the 1st fiscal year under the plan, at the time the State submits its initial plan; and

''(ii) in the case of each succeeding fiscal year, by the end of the 3rd quarter of the immediately preceding fiscal year;

''(7) provides for such methods of administration as the Secretary finds to be necessary for the proper and efficient operation of the plan;

''(8)(A) contains assurances that Federal funds provided to the State under this subpart will not be used to supplant Federal or non-Federal funds for existing services and activities which promote the purposes of this subpart; and

''(B) provides that the State will furnish reports to the Secretary, at such times, in such format, and containing such information as the Secretary may require, that demonstrate the State's compliance with the prohibition contained in subparagraph (A); and

''(9) provides that the State agency will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require.

''(b) APPROVAL OF PLANS.—

''(1) IN GENERAL.—The Secretary shall approve a plan that meets the requirements of subsection (a) only if the plan was developed jointly by the Secretary and the State, after consultation by the State agency with appropriate public and nonprofit private agencies and community-based organizations with experience in administering programs of services for children and families (including family preservation and family support services).

''(2) PLANS OF INDIAN TRIBES EXEMPTED FROM INAPPROPRIATE REQUIREMENTS.—The Secretary may exempt a plan submitted by an Indian tribe from any requirement of this section that the Secretary determines would be inappropriate to apply to the Indian tribe, taking into account the resources, needs, and other circumstances of the Indian tribe.

''SEC. 433. ALLOTMENTS TO STATES.

''(a) INDIAN TRIBES.—

"(1) IN GENERAL.—From the amount reserved pursuant to section 430(b)(3), the Secretary shall allot to each Indian tribe with a plan approved under this subpart (except as provided in paragraph (2) of this subsection) an amount that bears the same ratio to such reserved amount as the number of children in the Indian tribe bears to the total number of children in all Indian tribes with State plans so approved, as determined by the Secretary on the basis of the most current and reliable information available to the Secretary.

"(2) SPECIAL RULE.—The Secretary may not allot funds to an Indian tribe with a plan approved under this subpart whose allotment (but for this paragraph) would be less than $10,000 if allotments were made under paragraph (1) to all Indian tribes with plans approved under this subpart with the same or larger numbers of children.

"(b) TERRITORIES.—From the amount appropriated pursuant to section 430 that remains after applying section 430(b) for each fiscal year, the Secretary shall allot to each of the jurisdictions of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, and American Samoa an amount determined in the same manner as the

allotment to each of such jurisdictions is determined under section 421.

''(c) OTHER STATES.—

''(1) IN GENERAL.—From the amount appropriated pursuant to section 430 that remains after applying section 430(b) and subsection (b) of this section for each fiscal year, the Secretary shall allot to each State (other than an Indian tribe) which is not specified in subsection (b) of this section an amount equal to such remaining amount multiplied by the food stamp percentage of the State for the fiscal year.

''(2) FOOD STAMP PERCENTAGE DEFINED.—

''(A) IN GENERAL.—As used in paragraph (1) of this subsection, the term 'food stamp percentage' means, with respect to a State and a fiscal year, the average monthly number of children receiving food stamp benefits in the State for months in the 3 fiscal years referred to in subparagraph (B) of this paragraph, as determined from sample surveys made under section 16(c) of the Food Stamp Act of 1977, expressed as a percentage of the average monthly number of children receiving food stamp benefits in the States described in such

paragraph (1) for months in such 3 fiscal years, as so determined.

''(B) FISCAL YEARS USED IN CALCULATION.—For purposes of the calculation pursuant to subparagraph (A), the Secretary shall use data for the 3 most recent fiscal years, preceding the fiscal year for which the State's allotment is calculated under this subsection, for which such data are available to the Secretary.

''SEC. 434. PAYMENTS TO STATES.

''(a) ENTITLEMENT.—

''(1) GENERAL RULE.—Except as provided in paragraph (2) of this subsection, each State which has a plan approved under this subpart shall be entitled to payment of the lesser of—

''(A) 75 percent of the total cost of activities under the plan during the fiscal year or the immediately succeeding fiscal year; or

''(B) the allotment of the State under section 433 for the fiscal year.

''(2) SPECIAL RULE.—Upon submission by a State to the Secretary during fiscal year 1994 of an application in such form and containing such information as the Secretary may require (including, if the State is seeking payment of an amount pursuant

to subparagraph (B) of this paragraph, a description of the services to be provided with the amount), the State shall be entitled to payment of an amount equal to the sum of—

''(A) such amount not exceeding $1,000,000 as the State may require to develop and submit a plan for approval under section 432; and

''(B) an amount equal to the lesser of—

''(i) 75 percent of the cost of State services to children and families provided in accordance with section 432(a)(4); or

''(ii) the allotment of the State under section 433 for fiscal year 1994, reduced by any amount paid to the State pursuant to subparagraph (A) of this paragraph.

''(b) PROHIBITIONS.—

''(1) NO USE OF OTHER FEDERAL FUNDS FOR STATE MATCH.—Each State receiving an amount paid under paragraph (1) or (2)(B) of subsection (a) may not expend any Federal funds to meet the costs of services described in this subpart not covered by the amount so paid.

''(2) AVAILABILITY OF FUNDS.—

''(A) IN GENERAL.—A State may not expend any amount paid under subsection (a)(1) for any fiscal year after the end of the immediately succeeding fiscal year.

''(B) PLAN DEVELOPMENT.—A State may not expend any amount paid under subsection (a)(2) after the end of fiscal year 1994.

''(c) DIRECT PAYMENTS TO TRIBAL ORGANIZATIONS OF INDIAN TRIBES.—The Secretary shall pay any amount to which an Indian tribe is entitled under this section directly to the tribal organization of the Indian tribe.

"SEC. 435. EVALUATIONS; REPORT.

''(a) EVALUATIONS.—

''(1) IN GENERAL.—The Secretary shall evaluate the effectiveness of the programs carried out pursuant to this subpart in accomplishing the purposes of this subpart, in accordance with criteria established in accordance with paragraph (2).

''(2) CRITERIA TO BE USED.—In developing the criteria to be used in evaluations under paragraph (1), the Secretary shall consult with appropriate parties, such as—

''(A) State agencies administering programs under this part and part E;

''(B) persons administering child and family services programs (including family preservation and family support programs) for private, nonprofit organizations with an interest in child welfare; and

''(C) other persons with recognized expertise in the evaluation of child and family services programs (including family preservation and family support programs) or other related programs.

''(b) REPORT TO THE CONGRESS.—Not later than December 31, 1997, the Secretary shall submit to the Congress a report containing findings with respect to the evaluations required by subsection (a).

''(c) COORDINATION OF EVALUATIONS.—The Secretary shall develop procedures to coordinate evaluations under this section, to the extent feasible, with evaluations by the States of the effectiveness of programs under this subpart.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 422 (42 U.S.C. 622) is amended—

(A) in subsection (a), by striking ''this part'' and inserting ''this subpart'';

(B) in subsection (b), by striking ''this part'' each place such term appears and inserting ''this subpart''; and

(C) in subsection (b)(2), by inserting ''under the State plan approved under subpart 2 of this part,'' after ''part A of this title,''.

(2) Section 423(a) (42 U.S.C. 623(a)) is amended by striking ''this part'' and inserting ''this subpart''.

(3) Section 428(a) (42 U.S.C. 628(a)) is amended by striking ''this part'' each place such term appears and inserting ''this subpart''.

(4) Section 471(a)(2) (42 U.S.C. 671(a)(2)) is amended by inserting ''subpart 1 of'' before ''part B''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning on or after October 1, 1993.

SEC. 13212. GRANTS FOR STATE COURTS TO ASSESS AND IMPROVE HANDLING OF PROCEEDINGS RELATING TO FOSTER CARE AND ADOPTION.

(a) IN GENERAL.—The Secretary shall make grants, in accordance with this section, to the highest State courts in States participating in the program under part E of

title IV of the Social Security Act, for the purpose of enabling such courts—

(1) to conduct assessments, in accordance with subsection (b), of the role, responsibilities, and effectiveness of State courts in carrying out State laws requiring proceedings (conducted by or under the supervision of the courts)—

(A) to determine the advisability or appropriateness of foster care placement;

(B) to determine whether to terminate parental rights; and

(C) to legally recognize the adoption of a child; and

(2) to implement changes deemed necessary as a result of the assessments.

(b) ASSESSMENTS.—Each assessment conducted with funds provided under this section shall—

(1) identify the requirements imposed on State courts with respect to proceedings described in subsection (a), addressing separately—

(A) rules, standards, and criteria imposed pursuant to State laws (including laws implementing parts B and E of title IV of the Social Security Act, laws relating to child abuse and neglect, or any other laws on related matters)

to be applied in determinations with respect to placement of a child, or with respect to related matters concerning the parent-child relationship and the welfare of the child, including determinations—

(i) whether to remove a child from or return a child to the home of the child;

(ii) whether to place a child in foster care or to continue a foster care placement;

(iii) whether to terminate parental rights;

(iv) whether to place a child for adoption or in another permanent arrangement; and

(v) whether to set aside or to finalize an adoption; and

(B) rules and procedures, established by or under State law or adopted by the State court system on its own initiative, with respect to the conduct of such proceedings, that address matters such as—

(i) whether a proceeding should be judicial or administrative;

(ii) timetables for such proceedings, and determinations of the priority of such proceedings relative to other matters under the jurisdiction of the State courts;

(iii) procedural safeguards of the rights of parents (including foster and adoptive parents), guardians, and children, such as provisions for legal representation and for guardians ad litem; and

(iv) rules for conduct of the proceeding with respect to matters such as admissible evidence, opportunity to present witnesses, and time limits on the presentation of evidence and the making of arguments;

(2) evaluate the performance of the State courts in implementing the requirements identified under paragraph (1), by assessing—

(A) the extent to which particular practices or procedures have been successful in facilitating compliance with such requirements;

(B) the frequency of failures to comply with any such requirements, and patterns with respect to the circumstances of and factors contributing to the failures; and

(C) the extent to which caseload size and resource limitations contribute to the failures identified pursuant to subparagraph (B);

(3) determine the extent to which the rules and practices identified under paragraph (1) or (2) are in accord with recommended standards of national organizations concerned with permanent placement for foster children;

(4) determine, from the standpoint of the State courts, the extent to which particular requirements under paragraph (1)—

(A) are facilitating or impeding achievement of the purposes of such parts B and E, including the goal of appropriate permanent placement for each child; and

(B) are imposing significant administrative burdens on the State court system; and

(5) make specific recommendations for improvement, based on the conclusions reached as a result of activities described in paragraphs (1) through (4), including recommendations for—

(A) changes in Federal or State laws, regulations, or policies;

(B) changes in procedures and practices of the State courts and of the State agencies ad-

ministering foster care, adoption, child welfare, and child protective services programs;

(C) additional education or training of State court judges, or of personnel of the judicial system or of the State agencies described in subparagraph (B);

(D) collection or dissemination of additional data or information for purposes of increasing the understanding of personnel of State courts and State agencies of matters relating to case review proceedings in general, or to specific case review proceedings; and

(E) increases in manpower, reductions in the number of case reviews, or other changes needed to enable the State courts to better manage their caseloads with respect to such proceedings.

(c) APPLICATIONS.—In order to be eligible for a grant under this section, a highest State court shall submit to the Secretary, at such time and in such form as the Secretary may require, an application containing—

(1) a timetable for conducting and completing the assessment;

(2) a budget for the assessment;

(3) a description of the methods to be used to select State courts for inclusion in, and to conduct, the assessment;

(4) certifications by the head of the State agency administering the State program under such part E, and by the State foster care citizen review board or State organization of such review boards (if any), that such entities have had an opportunity to review and comment on a draft of the application before its submission, and a copy of such comments;

(5) a description of the process to be used by the court to consult with the entities referred to in paragraph (4) of this subsection in conducting the assessment under subsection (b);

(6) an assurance that, to the extent funds provided under this section are not necessary to complete the assessment under subsection (b), the court will use such funds to implement, to the extent feasible, recommendations made pursuant to subsection (b)(5);

(7) an assurance that funds provided under this section will not be used to supplant State or local funds which would otherwise be used for similar purposes;

(8) a commitment to furnish to the Secretary—

(A) an interim report following the end of the 2nd year of assessment activities under this section; and

(B) a final report following the completion of the assessment; and

(9) any other information the Secretary may require.

(d) ALLOTMENTS.—

(1) IN GENERAL.—Each highest State court which has an application approved under subsection (c), and is conducting assessment activities in accordance with this section, shall be entitled to payment, for each of fiscal years 1995 through 1998, from amounts reserved pursuant to section 430(b)(2) of the Social Security Act, of an amount equal to the sum of—

(A) for fiscal year 1995, $75,000 plus the amount described in paragraph (2) for fiscal year 1995; and

(B) for each of fiscal years 1996 through 1998, $85,000 plus the amount described in paragraph (2) for each of such fiscal years.

(2) FORMULA.—The amount described in this paragraph for any fiscal year is the amount that bears the same ratio to the amount reserved pursu-

ant to section 430(b)(2) of the Social Security Act for the fiscal year (reduced by the dollar amount specified in paragraph (1) of this subsection for the fiscal year) as the number of individuals in the State who have not attained 21 years of age bears to the total number of such individuals in all States the highest State courts of which have approved applications under subsection (c).

(e) USE OF GRANT FUNDS.—Each highest State court which receives funds paid under this section may use such funds to pay—

(1) any or all costs of activities under this section in fiscal year 1995; and

(2) not more than 75 percent of the cost of activities under this section in each of fiscal years 1996, 1997, and 1998.

SEC. 13213. REQUIRED PROTECTIONS FOR FOSTER CHILDREN.

(a) IN GENERAL.—Section 422(b) (42 U.S.C. 622(b)) is amended—

(1) by striking ''and'' at the end of paragraph (7);

(2) by striking the period at the end of paragraph (8) and inserting ''; and''; and

(3) by adding at the end the following:

''(9) provide assurances that the State—

''(A) since June 17, 1980, has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

''(i) the appropriateness of, and necessity for, the foster care placement;

''(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

''(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

''(B) is operating, to the satisfaction of the Secretary—

''(i) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

''(ii) a case review system (as defined in section 475(5)) for each child receiving foster care under the supervision of the State;

''(iii) a service program designed to help children—

''(I) where appropriate, return to families from which they have been removed; or

''(II) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

''(iv) a preplacement preventive services program designed to help children at risk of foster care placement remain with their families; and

''(C)(i) has reviewed (or within 12 months after the date of the enactment of this paragraph will review) State laws and administrative and judicial procedures in effect for children abandoned at or shortly after birth (in-

cluding laws and procedures providing for legal representation of such children); and

''(ii) has enacted and is implementing (or within 24 months after the date of the enactment of this paragraph will enact and implement) such laws and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made expeditiously with respect to the placement of such children.''.

(b) RESTRICTION ON REALLOTMENT.—Section 424 (42 U.S.C. 624) is amended—

(1) in the 1st sentence, by striking ''The amount'' and inserting the following:

''(a) IN GENERAL.—Subject to subsection (b), the amount''; and

(2) by adding at the end the following:

''(b) EXCEPTION RELATING TO FOSTER CHILD PROTECTIONS.—The Secretary shall not reallot under subsection (a) of this section any amount that is withheld or recovered from a State due to the failure of the State to comply with section 422(b)(9).''.

(c) REPEAL.—Section 427 (42 U.S.C. 627) is hereby repealed.

(d) CONFORMING AMENDMENTS.—

(1) Section 423(a) (42 U.S.C. 623(a)) is amended by striking ''and in section 427''.

(2) Section 425(a)(2) (42 U.S.C. 625(a)(2)) is amended by striking ''the statistical report required by section'' and inserting ''with section 422(b)(9) or''.

(3) Section 472(d) (42 U.S.C. 672(d)) is amended by striking ''427(b)'' and inserting ''422(b)(9)''.

(e) EFFECTIVE DATE.—The amendments and repeal made by this section shall be effective for fiscal years beginning on or after October 1, 1994.

(f) CONSTRUCTION OF SECTION.—This section and the amendments and repeal made by this section shall not be construed to permit any State to interrupt the provision of the foster care protections described in section 427 of the Social Security Act, as in effect on the effective date of such amendments and repeal.

SEC. 13214. STATES REQUIRED TO REPORT ON MEASURES TAKEN TO COMPLY WITH THE INDIAN CHILD WELFARE ACT.

(a) STATE PLAN REQUIREMENT.—Section 422(b) (42 U.S.C. 622(b)), as amended by section 13213(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (8);

(2) by striking the period at the end of paragraph (9) and inserting ''; and''; and

(3) by adding at the end the following:

''(10) contain a description, developed after consultation with tribal organizations (as defined in section 4 of the Indian Self-Determination and Education Assistance Act) in the State, of the specific measures taken by the State to comply with the Indian Child Welfare Act.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to calendar quarters beginning on or after October 1, 1994.

SEC. 13215. CHILD WELFARE TRAINEESHIPS.

(a) IN GENERAL.—Part B of title IV (42 U.S.C. 620–628) is amended by inserting after section 428 the following:

''SEC. 429. CHILD WELFARE TRAINEESHIPS.

''The Secretary may approve an application for a grant to a public or nonprofit institution for higher learning to provide traineeships with stipends under section 426(a)(1)(C) only if the application—

''(1) provides assurances that each individual who receives a stipend with such traineeship (in this

section referred to as a ‘recipient’) will enter into an agreement with the institution under which the recipient agrees—

‘‘(A) to participate in training at a public or private nonprofit child welfare agency on a regular basis (as determined by the Secretary) for the period of the traineeship;

‘‘(B) to be employed for a period of years equivalent to the period of the traineeship, in a public or private nonprofit child welfare agency in any State, within a period of time (determined by the Secretary in accordance with regulations) after completing the postsecondary education for which the traineeship was awarded;

‘‘(C) to furnish to the institution and the Secretary evidence of compliance with subparagraphs (A) and (B); and

‘‘(D) if the recipient fails to comply with subparagraph (A) or (B) and does not qualify for any exception to this subparagraph which the Secretary may prescribe in regulations, to repay to the Secretary all (or an appropriately prorated part) of the amount of the stipend, plus interest, and, if applicable, reasonable col-

lection fees (in accordance with regulations promulgated by the Secretary);

''(2) provides assurances that the institution will—

''(A) enter into agreements with child welfare agencies for onsite training of recipients;

''(B) permit an individual who is employed in the field of child welfare services to apply for a traineeship with a stipend if the traineeship furthers the progress of the individual toward the completion of degree requirements; and

''(C) develop and implement a system that, for the 3-year period that begins on the date any student completes a child welfare services program of study, tracks the employment record of the student, for the purpose of determining the percentage of students who secure employment in the field of child welfare services and remain employed in the field.''.

(b) CONFORMING AMENDMENT.—Section 426(a)(1)(C) (42 U.S.C. 626(a)(1)(C)) is amended by inserting ''described in section 429'' after ''including traineeships''.

(c) APPLICABILITY.—The amendments made by this section shall apply to grants awarded on or after April 1, 1994.

SEC. 13216. DISSOLVED ADOPTIONS.

(a) ELIGIBILITY FOR FOSTER CARE MAINTENANCE PAYMENTS.—Section 472 (42 U.S.C. 672) is amended—

(1) in subsection (b), by inserting ''or (i)'' after ''subsection (a)''; and

(2) by adding at the end the following:

''(i) Any State with a plan approved under this part may make foster care maintenance payments under this part on behalf of a child—

''(1) with respect to whom such payments were previously made;

''(2) whose adoption has been set aside by a court;

''(3) who meets the requirements of paragraphs (1), (2), and (3) of subsection (a); and

''(4) who fails to meet the requirements of subsection (a)(4) but would meet such requirements if—

''(A) the child were treated as if the child were in the same financial and other circumstances the child was in the last time the

child was determined eligible for such payments; and

''(B) the adoption were treated as having never occurred.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to payments under part E of title IV of the Social Security Act in fiscal years beginning on or after October 1, 1995.

SEC. 13217. TIME FRAME FOR JUDICIAL DETERMINATIONS ON VOLUNTARY PLACEMENTS.

(a) IN GENERAL.—Section 472(e) (42 U.S.C. 672(e)) is amended—

(1) by striking ''No'' and inserting ''(1) Except as provided in paragraph (2), no''; and

(2) by adding at the end the following:

''(2) If the judicial determination referred to in paragraph (1) is made after the 180-day period described therein, the payments referred to therein may not be made for the period that begins at the end of the 180-day period and ends 180 days after the date of the judicial determination, but shall (unless otherwise prohibited) be made for periods thereafter.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to foster care

maintenance payments made, under State plans in fiscal year 1996 and succeeding fiscal years, on behalf of children placed in foster care on or after October 1, 1995.

SEC. 13218. STUDY OF REASONABLE EFFORTS.

(a) IN GENERAL.—The Secretary of Health and Human Services shall conduct a study of the implementation by the States of section 471(a)(15) of the Social Security Act, giving particular attention to—

(1) standards used by States in determining what action to take, and whether and for how long to continue efforts—

(A) before the placement of a child in foster care, to prevent or eliminate the need for removal of the child from the home of the child; and

(B) to return a child home rather than to seek some other planned, permanent placement; and

(2) the responses of the courts to the State actions described in paragraph (1) of this subsection, including whether such responses facilitate or impede the achievement by State agencies of the objectives of such section 471(a)(15).

(b) REPORT AND RECOMMENDATIONS.—Within 18 months after the date of the enactment of this Act, the

Secretary of Health and Human Services shall submit to the Congress a report, with such recommendations as the Secretary finds appropriate, based on the results of the study required by subsection (a) of this section, which describes State practices that the Secretary has found effective in achieving the objectives of section 471(a)(15) of the Social Security Act, and, if appropriate, shall set forth model practices for consideration by the States.

SEC. 13219. ENHANCED MATCH FOR AUTOMATED DATA SYSTEMS.

(a) PAYMENTS TO STATES.—

(1) IN GENERAL.—Section 474(a)(3) (42 U.S.C. 674(a)(3)) is amended—

(A) by striking ''and'' at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (E); and

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

''(C) 90 percent of so much of such expenditures as are for the planning, design, development, or installation of statewide mechanized data collection and information retrieval systems (including 90 percent of the full amount of expenditures for hardware compo-

nents for such systems) but only to the extent that such systems—

''(i) meet the requirements imposed by regulations promulgated pursuant to section 479(b)(2);

''(ii) to the extent practicable, are capable of interfacing with the State data collection system that collects information relating to child abuse and neglect;

''(iii) to the extent practicable, have the capability of interfacing with, and retrieving information from, the State data collection system that collects information relating to the eligibility of individuals under part A (for the purposes of facilitating verification of eligibility of foster children); and

''(iv) are determined by the Secretary to be likely to provide more efficient, economical, and effective administration of the programs carried out under a State plan approved under part B or this part; and

''(D) 50 percent of so much of such expenditures as are for the operation of the state-

wide mechanized data collection and information retrieval systems referred to in subparagraph (C); and''.

(2) TREATMENT OF STATE EXPENDITURES FOR DATA COLLECTION AND INFORMATION RETRIEVAL SYSTEMS.—Section 474 (42 U.S.C. 674), as amended by section 13224 of this Act, is amended by adding at the end the following:

''(c) AUTOMATED DATA COLLECTION EXPENDITURES.—The Secretary shall treat as necessary for the proper and efficient administration of the State plan all expenditures of a State necessary in order for the State to plan, design, develop, install, and operate data collection and information retrieval systems described in subsection (a)(3)(C), without regard to whether the systems may be used with respect to foster or adoptive children other than those on behalf of whom foster care maintenance payments or adoption assistance payments may be made under this part.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to expenditures during fiscal years 1994, 1995, and 1996.

(b) TERMINATION OF ENHANCED MATCH.—

(1) IN GENERAL.—Section 474(a)(3)(C) (42 U.S.C. 674(a)(3)(C)), as amended by subsection (a)

of this section, is amended by striking ''90 percent'' each place such term appears and inserting ''50 percent''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures during fiscal years beginning on or after October 1, 1996.

SEC. 13220. PERIODIC REEVALUATION OF FOSTER CARE MAINTENANCE PAYMENTS.

(a) IN GENERAL.—Section 471(a)(11) (42 U.S.C. 671(a)(11)) is amended—

(1) by inserting ''(A)'' after ''(11)'';

(2) by striking ''and amounts paid as foster care maintenance payments and adoption assistance''; and

(3) by adding at the end the following:

''(B) provides that, at least once every 3 years, the State agency will review the amount paid as foster care maintenance payments and adoption assistance payments to ensure their continuing appropriateness, and will submit to the Secretary (and make available to the public) a report on the results of the review, in such form and manner as the Secretary may by regulation require, which contains, at a minimum—

''(i) a statement of the manner in which the foster care maintenance payment level is determined, including information on the cost of foster care with respect to which such payments are made;

''(ii) information on the amount of the basic foster care maintenance payment level, and as to whether such payment level includes an amount to cover the cost of clothing, and whether such payment level varies by the type of care or the special needs or age of the child, and, if so, the payment levels for each special needs, care, or age category;

''(iii) if such payments are not made at a different rate for children who test positive for human immunodeficiency virus, have acquired immune deficiency syndrome, are addicted to drugs, suffer from complications due to exposure to drugs or alcohol, or have other severe special needs, the reasons therefor; and

''(iv) information on any limitations imposed by the State on adoption assistance payment levels;''.

(b) EFFECTIVE DATE.—The amendment made by this section shall be effective with respect to calendar quarters beginning on or after October 1, 1994.

SEC. 13221. DISPOSITIONAL HEARING.

Section 475(5)(C) (42 U.S.C. 675(5)(C)) is amended by striking ''periodically'' and inserting ''not less frequently than every 12 months''.

SEC. 13222. HEALTH CARE PLANS FOR FOSTER CHILDREN.

(a) IN GENERAL.—Section 475(1)(C) (42 U.S.C. 675(1)(C)) is amended—

(1) in clause (vii), by striking ''and''; and

(2) by redesignating clause (viii) as clause (ix) and inserting after clause (vii) the following:

''(viii) a record indicating that the child's foster care provider was advised (where appropriate) of the child's eligibility for early and periodic screening, diagnostic, and treatment services under title XIX; and''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to case plans established or reviewed on or after January 1, 1994.

SEC. 13223. INDEPENDENT LIVING.

(a) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—Section 477 (42 U.S.C. 677) is amended—

(1) by redesignating subsection (i) as subsection (j); and

(2) by inserting after subsection (h) the following:

''(i) Notwithstanding any other provision of this title, with respect to a child who is included in a program established by a State agency under subsection (a), an amount of the assets of the child which would otherwise be regarded as resources for purposes of determining eligibility for benefits under this title may be disregarded for the purpose of allowing the child to establish a household, pursue education, or otherwise complete the transition to independent living. The amount disregarded may not exceed an amount determined by the State agency to be reasonable for such purposes.''.

(b) PERMANENT EXTENSION OF PROGRAM.—Section 477 (42 U.S.C. 677) is amended—

(1) in subsection (a)(1), 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), by striking ''each of the fiscal years 1987 through 1992'' and inserting ''fiscal year 1987 and any succeeding fiscal year'';

(4) in subsection (e)(1)(B), by striking ''fiscal years 1991 and 1992'' and inserting ''fiscal year 1991 and any succeeding fiscal year''; and

(5) in subsection (e)(1)(C)(ii), by striking ''fiscal year 1992'' and inserting ''any succeeding fiscal year''.

(c) EFFECTIVE DATES.—

(1) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—The amendments made by subsection (a) shall apply to activities in fiscal years beginning on or after October 1, 1995.

(2) PERMANENT EXTENSION OF PROGRAM.—The amendments made by subsection (b) shall apply to activities engaged in on or after October 1, 1992.

SEC. 13224. ELIMINATION OF FOSTER CARE CEILINGS AND OF AUTHORITY TO TRANSFER UNUSED FOSTER CARE FUNDS TO CHILD WELFARE SERVICES PROGRAMS.

(a) REPEAL.—Subsections (b) and (c) of section 474 (42 U.S.C. 674 (b) and (c)) are hereby repealed.

(b) CONFORMING AMENDMENTS.—Section 474 (42 U.S.C. 674) is amended—

(1) in subsection (d)(1)—

(A) by striking ''subsections (a), (b), and (c)'' and inserting ''subsection (a)''; and

(B) by striking ''the provisions of such subsections'' and inserting ''subsection (a)''; and

(2) by redesignating subsection (d) as subsection (b).

(c) EFFECTIVE DATE.—The amendments and repeal made by this section shall apply to payments for calendar quarters beginning on or after October 1, 1993.

SEC. 13225. TRAINING OF AGENCY STAFF AND FOSTER AND ADOPTIVE PARENTS.

(a) IN GENERAL.—Section 8006(b) of the Omnibus Budget Reconciliation Act of 1989 (42 U.S.C. 674 note) is amended by striking '', and before October 1, 1992''.

(b) RETROACTIVE APPLICABILITY.—The Social Security Act shall be applied and administered as if the amendment made by subsection (a) had been made on October 1, 1992.

SEC. 13226. ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS FOR FOSTER CARE AND ADOPTION ASSISTANCE.

(a) ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS.—Section 474 (42 U.S.C. 674), as amended by sections 13224 and 13219(a)(2) of this Act, is amended—

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

(2) by inserting after subsection (b) the following:

''(c) ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS FOR PAYMENT.—

''(1) REGULATIONS SPECIFYING REVIEW STANDARDS.—The Secretary shall promulgate regulations applicable to on-site reviews and audits of State expenditures for foster care maintenance payments and adoption assistance payments under this part, which specify—

''(A) the criteria to be used to determine the appropriateness of expenditures identified in sampled case files;

''(B) the criteria to be used to determine the appropriateness of expenditures for child placement services and plan administration; and

''(C) the types of erroneous expenditures which will be disregarded for purposes of determining the appropriateness of payments under this part (including erroneous payments resulting from the State's reliance upon and correct use of formal written statements of Federal law or policy provided to the State by the Secretary).

"(2) DEVELOPMENT AND PUBLICATION OF WRITTEN STANDARDS AND PROCEDURES.—The Secretary, after consultation with organizations representing State and local governmental agencies with responsibility for foster care and adoption services and other relevant agencies and organizations, shall develop and furnish to State agencies a written description of the methods and procedures to be used in the on-site audits and reviews referred to in paragraph (1), which specify—

"(A) the methods and procedures to be used to select a sample of case files for review or audit;

"(B) the procedures to be used in reviewing or auditing sampled case files to determine erroneous expenditures;

"(C) the procedures to be used to review or audit State expenditures for child placement services and plan administration; and

"(D) the methodology to be used to extrapolate from review or audit findings to all expenditures under the State plan.

"(3) ADVANCE NOTICE TO STATES.—The Secretary shall not, in a review or audit of State expenditures during a fiscal year, use any criterion

specified pursuant to paragraph (1), or any procedure or methodology specified pursuant to paragraph (2), which was not published in final regulations or furnished in writing to the State (as applicable) at least 3 months before the beginning of the fiscal year.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to expenditures in fiscal years beginning on or after October 1, 1994.

SEC. 13227. CONFORMITY REVIEWS.

(a) IN GENERAL.—Part A of title XI (42 U.S.C. 1301–1320b–13) is amended by inserting after section 1122 the following:

''SEC. 1123. REVIEWS OF CHILD AND FAMILY SERVICES PROGRAMS, AND OF FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS, FOR COMPLIANCE WITH STATE PLAN REQUIREMENTS.

''(a) IN GENERAL.—The Secretary shall not impose a financial penalty on any State for any failure of the State programs under parts B and E of title IV to comply with any requirement of any State plan approved under such part B or E, except pursuant to final regulations, developed after consultation with State agencies admin-

istering such programs, which meet the requirements of this section.

''(b) ELEMENTS OF REVIEW SYSTEM.—The regulations referred to in subsection (a) shall—

''(1) specify the timetable for compliance reviews of State programs, which—

''(A) shall provide for annual reviews of each State program during the 1st 2 years of operation;

''(B) shall provide for review of a State program not later than 1 year following a review in which the State program was found not to be in substantial compliance with plan requirements; and

''(C) may provide for less frequent reviews of State programs which have been found to be in substantial compliance with plan requirements, but shall permit the Secretary to reinstate more frequent reviews based on information which indicates that the State program may not be in compliance with plan requirements;

''(2) specify the plan requirements subject to review, and the criteria to be used to measure compliance with such requirements and to determine

whether there is a substantial failure to comply with a plan requirement;

''(3) specify the method to be used to determine the financial penalty to be imposed (subject to paragraph (4)) for a failure to comply with plan requirements, which ensures that—

''(A) a financial penalty will not be imposed with respect to a program, unless it is determined that the program fails substantially to so comply;

''(B) a financial penalty will not be imposed for a failure to so comply resulting from the State's reliance upon and correct use of formal written statements of Federal law or policy provided to the State by the Secretary; and

''(C) the amount of financial penalty is related to the extent of the noncompliance; and

''(4) require the Secretary, with respect to any State found to have failed substantially to comply with plan requirements—

''(A) to afford the State an opportunity to adopt and implement a corrective action plan, approved by the Secretary, designed to end the noncompliance;

''(B) to make technical assistance available to the State to the extent necessary to enable the State to develop and implement such a corrective action plan;

''(C) to suspend the imposition of any penalty under this section while such a corrective action plan is in effect; and

''(D) to rescind any such penalty if the noncompliance is ended by successful completion of such a corrective action plan.

''(c) PROVISIONS FOR ADMINISTRATIVE AND JUDICIAL REVIEW.—The regulations referred to in subsection (a) shall—

''(1) require the Secretary, not later than 10 days after a determination that a program of the State is not in compliance with applicable plan requirements, to notify the State of—

''(A) the basis for the determination; and

''(B) the amount of the financial penalty (if any) imposed on the State;

''(2) afford the State an opportunity to appeal the determination to the Departmental Appeals Board within 60 days after receipt of the notice described in paragraph (1) (or, if later, after failure to

continue or to complete a corrective action plan); and

''(3) afford the State an opportunity to obtain judicial review of an adverse decision of the Board, within 60 days after the State receives notice of the decision of the Board, by appeal to the district court of the United States for the judicial district in which the principal or headquarters office of the agency responsible for administering the program is located.''.

(b) CONFORMING AMENDMENT.—Section 471(b) (42 U.S.C. 671(b)) is amended by striking all that follows the 1st sentence.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on the date of the enactment of this Act.

(d) CONSTRUCTION.—This section shall not be construed to prevent the Secretary, before the effective date of final regulations meeting the requirements of section 1123 of the Social Security Act, from conducting compliance reviews of State programs under parts B and E of such Act for the purpose of providing information and technical assistance to States concerning corrective actions needed in order to comply with plan requirements applicable to such programs.

SEC. 13228. REPEAL OF ANNUAL REPORT ON VOLUNTARY PLACEMENT.

Section 102(e) of the Adoption Assistance and Child Welfare Act of 1980 (42 U.S.C. 672 note) is hereby repealed.

SEC. 13229. DEMONSTRATION PROJECTS.

Part A of title XI (42 U.S.C. 1301–1320b–13) is amended by inserting after section 1128B the following:

"SEC. 1129. DEMONSTRATION PROJECTS.

''(a) IN GENERAL.—The Secretary may authorize not more than 10 States to conduct demonstration projects pursuant to this section which the Secretary finds are likely to promote the objectives of part B or E of title IV.

''(b) WAIVER AUTHORITY.—The Secretary may waive compliance with any requirement of part B or E of title IV which (if applied) would prevent a State from carrying out a demonstration project under this section or prevent the State from effectively achieving the purpose of such a project, except that the Secretary may not waive—

''(1) any provision of section 427 (as in effect before October 1, 1994), section 422(b)(9) (as in effect after such date), or section 479; or

''(2) any provision of such part E, to the extent that the waiver would impair the entitlement of any

qualified child or family to benefits under a State plan approved under such part E.

''(c) TREATMENT AS PROGRAM EXPENDITURES.—For purposes of parts B and E of title IV, the Secretary shall consider the expenditures of any State to conduct a demonstration project under this section to be expenditures under subpart 1 or 2 of such part B, or under such part E, as the State may elect.

''(d) DURATION OF DEMONSTRATION.—A demonstration project under this section may be conducted for not more than 5 years.

''(e) APPLICATION.—Any State seeking to conduct a demonstration project under this section shall submit to the Secretary an application, in such form as the Secretary may require, which includes—

''(1) a description of the proposed project, the geographic area in which the proposed project would be conducted, the children or families who would be served by the proposed project, and the services which would be provided by the proposed project (which shall provide, where appropriate, for random assignment of children and families to groups served under the project and to control groups);

''(2) a statement of the period during which the proposed project would be conducted;

"(3) a discussion of the benefits that are expected from the proposed project (compared to a continuation of activities under the approved plan or plans of the State);

"(4) an estimate of the costs or savings of the proposed project;

"(5) a statement of program requirements for which waivers would be needed to permit the proposed project to be conducted;

"(6) a description of the proposed evaluation design; and

"(7) such additional information as the Secretary may require.

"(f) EVALUATIONS; REPORT.—Each State authorized to conduct a demonstration project under this section shall—

"(1) obtain an evaluation by an independent contractor of the effectiveness of the project, using an evaluation design approved by the Secretary which provides for—

"(A) comparison of methods of service delivery under the project, and such methods under a State plan or plans, with respect to efficiency, economy, and any other appropriate measures of program management;

''(B) comparison of outcomes for children and families (and groups of children and families) under the project, and such outcomes under a State plan or plans, for purposes of assessing the effectiveness of the project in achieving program goals; and

''(C) any other information that the Secretary may require; and

''(2) provide interim and final evaluation reports to the Secretary, at such times and in such manner as the Secretary may require.

''(g) COST NEUTRALITY.—The Secretary may not authorize a State to conduct a demonstration project under this section unless the Secretary determines that the total amount of Federal funds that will be expended under (or by reason of) the project over its approved term (or such portion thereof or other period as the Secretary may find appropriate) will not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of title IV if the project were not conducted.''.

SEC. 13230. PLACEMENT ACCOUNTABILITY.

(a) CASE PLAN REQUIREMENTS.—Section 475(5)(A) (42 U.S.C. 675(5)(A)) is amended by adding at the end the following: ''which—

''(i) if the child has been placed in a foster family home or child-care institution a substantial distance from the home of the parents of the child, or in a State different from the State in which the home is located, sets forth the reasons why such placement is in the best interests of the child, and

''(ii) if the child has been placed in foster care outside the State, requires that, at least every 6 months, a caseworker on the staff of the State agency of the State in which the home of the parents of the child is located, or of the State in which the child has been placed, visit such child in such home or institution and submit a report on such visit to the State agency of the State in which the home of the parents of the child is located,''.

(b) DISPOSITIONAL HEARING.—Section 475(5)(C) (42 U.S.C. 675(5)(C)) is amended by inserting ''and, in the case of a child described in subparagraph (A)(ii), whether the out-of-State placement continues to be appropriate and in the best interests of the child,'' after ''long-term basis)''.

(c) DATA COLLECTION.—Section 479(c)(3)(C) (42 U.S.C. 679(c)(3)(C)) is amended—

(1) by striking ''and'' at the end of clause (i); and

(2) by adding at the end the following:

''(iii) children placed in foster care outside the State, and''.

(d) EFFECTIVE DATES.—The amendments made by subsections (a), (b), and (c) shall be effective with respect to fiscal years beginning on and after October 1, 1994.

SEC. 13231. PAYMENTS OF STATE CLAIMS FOR FOSTER CARE AND ADOPTION ASSISTANCE.

Section 474(b) (42 U.S.C. 674(b)), as so redesignated by section 13239(b)(2) of this Act, is amended by adding at the end the following:

''(4)(A) Within 60 days after receipt of a State claim for expenditures pursuant to subsection (a), the Secretary shall allow, disallow, or defer such claim.

''(B) Within 15 days after a decision to defer such a State claim, the Secretary shall notify the State of the reasons for the deferral and of the additional information necessary to determine the allowability of the claim.

''(C) Within 90 days after receiving such necessary information (in readily reviewable form), the Secretary shall—

''(i) disallow the claim, if able to complete the review and determine that the claim is not allowable, or

''(ii) in any other case, allow the claim, subject to disallowance (as necessary)—

''(I) upon completion of the review, if it is determined that the claim is not allowable; or

''(II) on the basis of findings of an audit or financial management review.''.

SEC. 13232. MORATORIUM ON COLLECTION OF DISALLOWANCES.

The Secretary of Health and Human Services shall not—

(1) before October 1, 1994, reduce any payment to, withhold any payment from, or seek any repayment from any State under part B or E of title IV of the Social Security Act by reason of a determination made in connection with a review of State compliance with section 427 of such Act for any Federal fiscal year before fiscal year 1995; or

(2) reduce any payment to, withhold any payment from, or seek any repayment from any State under such part E by reason of a determination made in connection with any on-site Federal finan-

cial review, or any audit conducted by the Inspector General using similar methodologies.

SEC. 13233. BORDER REGION CHILD WELFARE WORKER TRAINING DEMONSTRATION.

(a) IN GENERAL.—The Secretary shall make grants to not more than 5 eligible institutions to train individuals to deliver culturally sensitive and bilingual child welfare services in areas of the United States that border on Mexico, 1 of which grants shall be for training to deliver child welfare services to historically unserved or underserved populations in an urban center with a high concentration of such populations.

(b) APPLICATIONS.—The Secretary shall approve an application of an institution for a grant under this section only if the application—

(1) demonstrates to the satisfaction of the Secretary that the institution has a history of, or a plan for, training students to deliver culturally sensitive and bilingual child welfare services in a border county;

(2) provides assurances that the institution will develop and implement, in consultation with the child welfare agency of the State in which the institution is located, a curriculum in the field of child welfare services which—

(A) is sensitive to the culture of—

(i) the areas of the United States that border on Mexico; or

(ii) in the case of the institution which receives the urban center grant described in subsection (a), the historically unserved or underserved populations in the urban center; and

(B) includes training for identification of health problems of children and their families and of child abuse and neglect;

(3) provides assurances that each individual who receives a stipend with such training will enter into an agreement with the institution under which the individual agrees—

(A) to be employed for a period of years equivalent to the period of such training, in a public or private nonprofit family assistance agency that provides services directly to residents of—

(i) the border county in which the agency is located; or

(ii) in the case of the institution which receives the urban center grant described

in subsection (a), the urban center in which the agency is located; and

(B) if the individual fails to be so employed for such period, to repay to the Secretary, in accordance with such conditions as the Secretary may prescribe, all or part of the amount of the stipend, plus interest, and, if applicable, reasonable collection fees; and

(4) provides that each agreement entered into with an individual pursuant to paragraph (3) will fully disclose the terms and conditions under which the stipend is to be provided.

(c) EVALUATIONS.—Each institution that receives a grant under this section shall develop and carry out a plan for evaluating the effects of the training provided under the grant, and shall submit to the Secretary a report on the evaluation.

(d) DEFINITIONS.—As used in this section:

(1) FAMILY ASSISTANCE AGENCY.—The term ''family assistance agency'' means a child welfare agency, family planning agency, hospital, clinic, community mental health facility, or drug and alcohol treatment program.

(2) ELIGIBLE INSTITUTION.—The term ''eligible institution'' means a public or private nonprofit

institution of higher learning that is located in a State that contains a border county.

(3) BORDER COUNTY.—The term ''border county'' means—

(A) a United States county that borders on Mexico; and

(B) a United States county that borders on a county described in subparagraph (A).

(c) URBAN CENTER.—The term ''urban center'' means an area in a metropolitan statistical area, as designated by the Office of Management and Budget, which has a high incidence of individuals in historically unserved or underserved populations who are in need of social services, as determined by the Secretary using the most recent and best available information.

(5) HISTORICALLY UNSERVED OR UNDERSERVED POPULATIONS.—The term ''historically unserved or underserved populations'' includes—

(A) socially and economically disadvantaged populations;

(B) persons with limited English proficiency;

(C) populations residing in urban areas and exhibiting a high incidence of child abuse,

neglect, or abandonment, as determined by the Secretary;

(D) homeless persons (within the meaning of section 103 of the Stewart B. McKinney Homeless Assistance Act);

(E) persons who are, or are in danger of becoming, infected with the human immunodeficiency virus; and

(F) persons who abuse alcohol or drugs.

(6) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 13234. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

(a) IN GENERAL.—Part A of title XI (42 U.S.C. 1301–1320b–13), as amended by section 13229 of this Act, is amended by inserting after section 1129 the following:

''SEC. 1130. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

''In an action brought to enforce a provision of the Social Security Act, such provision is not to be deemed unenforceable because of its inclusion in a section of the

Act requiring a State plan or specifying the required contents of a State plan. This section is not intended to limit or expand the grounds for determining the availability of private actions to enforce State plan requirements other than by overturning any such grounds applied in Suter v. Artist M., 112 S. Ct. 1360 (1992), but not applied in prior Supreme Court decisions respecting such enforceability: *Provided, however,* That this section is not intended to alter the holding in Suter v. Artist M. that section 471(a)(15) of the Act is not enforceable in a private right of action.''.

(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.

CHAPTER 2—CHILD SUPPORT ENFORCEMENT

SEC. 13241. STATE PATERNITY ESTABLISHMENT PROGRAMS.

(a) PERFORMANCE STANDARDS.—Section 452(g) (42 U.S.C. 652(g)) is amended—

(1) in paragraph (1)—

(A) by striking ''1991'' and inserting ''1994'';

(B) by inserting ''is based on reliable data and'' before ''equals or exceeds''; and

(C) by striking subparagraphs (A), (B), and (C) and inserting the following:

''(A) 75 percent;

''(B) for a State with a paternity establishment percentage of not less than 50 percent but less than 75 percent for the fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 3 percentage points; or

''(C) for a State with a paternity establishment percentage of less than 50 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 6 percentage points.''; and

(2) in paragraph (2)—

(A) by striking ''(or under all such plans)'' each place such term appears;

(B) by inserting ''or part E'' after ''under part A'' each place such term appears;

(C) by amending subparagraph (B) to read as follows:

''(B) the term 'reliable data' means the most recent data available which are found by

the Secretary to be reliable for purposes of this section.''; (D) by inserting ''unless paternity is established for such child'' after ''the death of a parent''; (E) by striking ''parent or'' and inserting ''parent,''; and (F) by inserting '', or any child with respect to whom the State agency administering the plan under part E determines (as provided in section 454(4)(B)) that it is against the best interest of such child to do so'' after ''cooperate under section 402(a)(26)''.

(b) STATE PLAN REQUIREMENTS.—

(1) REQUIRED PROCEDURES.—Section 466(a) (42 U.S.C. 666(a)) is amended—

(A) in paragraph (2)—

(i) by striking ''at the option of the State,''; and

(ii) by inserting ''and paternity establishment'' after ''support order issuance and enforcement'';

(B) in paragraph (5), by adding at the end the following:

''(C) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must explain the rights and responsibilities of acknowledging paternity, and afford due process safeguards. Such procedures must include (i) a hospital-based program for the voluntary acknowledgment of paternity during the period immediately before or after the birth of a child, and (ii) the inclusion of signature lines on applications for official birth certificates which, once signed by the father and the mother, are considered a voluntary acknowledgment of paternity.

''(D) Procedures under which the voluntary acknowledgment of paternity of a child by an individual in the manner described in subparagraph (C)(ii) creates a rebuttable or, at the option of the State, conclusive presumption that the individual is the father of the child, and under which such a voluntary acknowledgment is admissible as evidence of paternity.

''(E) Procedures under which a voluntary acknowledgment of paternity in the manner described in subparagraph (C)(ii) must be recognized as a basis for seeking a support order

without first requiring any further proceedings to establish paternity.

''(F) Procedures requiring that (i) any objection to genetic testing results be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence, and (ii) if no objection is made, the test results be admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.

''(G) Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity of a child, upon genetic testing results indicating a threshold probability of the alleged father being the father of the child.

''(H) Procedures requiring a default order to be entered in a paternity case upon a showing that process has been served on the defendant and any additional showing required by State law.''; and

(C) by inserting after paragraph (10) the following:

''(11) Procedures under which a State must give full faith and credit to a determination of paternity made by any other State, whether established through voluntary acknowledgment or through administrative or judicial processes.''.

(2) FURNISHING OF SOCIAL SECURITY NUMBERS.—

(A) IN GENERAL.—Section 466(a) (42 U.S.C. 666(a)), as amended by paragraph (1)(C) of this subsection, is amended by inserting after paragraph (11) the following:

''(12)(A) Procedures under which, in the administration of any law involving the issuance, reissuance, or amendment of a birth certificate, the State shall require each parent to furnish to the State, or any agency or political subdivision thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than 1 such number) issued to the parent, unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of the number.

''(B) Procedures under which any number furnished under subparagraph (A) shall be made avail-

able to the agency administering the State plan under this part, in accordance with Federal or State law or regulation.

''(C) Procedures under which—

''(i) any number furnished under subparagraph (A) shall not be recorded on the birth certificate; and

''(ii) any social security account number, obtained with respect to the issuance by the State of any birth certificate, shall not be used for other than child support purposes, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of the number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure.''.

(B) CONFORMING AMENDMENTS.—Section 205(c)(2)(C)(ii) (42 U.S.C. 405(c)(2)(C)(ii)) is amended—

(i) by striking ''(ii) In the administration of any law involving the issuance'' and inserting ''(ii) In the administration of any law involving the issuance, reissuance, or amendment''; and

(ii) by striking ''any purpose other than for the enforcement of child support orders in effect in the State'' and inserting ''other than child support purposes''.

(c) CONFORMING REPEAL.—Section 468 (42 U.S.C. 668) is hereby repealed.

(d) EFFECTIVE DATE.—The amendments and repeal made by this section shall become effective with respect to a State—

(1) on October 1, 1993, or, if later

(2) upon enactment by the legislature of the State of all laws required by such amendments,

but in no event later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 13242. ENFORCEMENT OF HEALTH INSURANCE SUPPORT.

(a) STATE PLAN REQUIREMENTS.—Section 454(a) (42 U.S.C. 654(a)) is amended—

(1) by striking ''and'' at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting ''; and''; and

(3) by inserting after paragraph (24) the following:

''(25) provide assurances satisfactory to the Secretary that the State has in effect laws applicable to health insurers and insurance policies or programs subject to the laws of the State that—

''(A) prohibit insurers' consideration, in determining an individual's eligibility for or coverage under any such policy or program, of such individual's eligibility for or coverage under the plan of any State under title XIX;

''(B) provide that, where an individual assigns rights to any State in accordance with section 1912, that State is subrogated, to the extent of medical assistance furnished, to the individual's rights under any health insurance policy or program;

''(C) prohibit insurers from applying, to State agencies administering programs under title XIX and acting as agents or subrogees (for purposes of insurance policies or programs of such insurers) of individuals receiving medical assistance under such State programs, require-

ments (with respect to deadlines for filing claims or any other matters) different from requirements applicable to any other applicant, beneficiary, agent, or subrogee;

''(D) prohibit insurers from denying enrollment of a child under the health insurance coverage of the child's parent on grounds that—

''(i) the child does not reside with the parent, or

''(ii) the child was born out of wedlock;

''(E) in any case where a parent is required by court or administrative order to provide health insurance coverage for a child, require insurers, without regard to otherwise applicable enrollment season restrictions—

''(i) to permit such parent, upon application, to enroll in family coverage (if otherwise eligible and not already so enrolled), and to enroll such child under such family coverage, and

''(ii) where such a parent who is enrolled in family coverage fails to make application, to enroll such child under such family coverage upon application by the

child's other parent or by the State agency administering the program under this part or title XIX; and

''(F) in any case where a child is covered under the health insurance of a noncustodial parent, require insurers—

''(i) to permit the custodial parent (or service provider, with the custodial parent's approval), or any State agency administering a program under title XIX, to submit claims for covered services without the approval of the noncustodial parent, and

''(ii) to make payment on claims submitted in accordance with clause (i) directly to the custodial parent, service provider, or State agency submitting such claim;

''(26) provide assurances satisfactory to the Secretary that the State has in effect laws requiring employers doing business in the State—

''(A) upon notice of a court or administrative order requiring an employee to provide health insurance coverage for the employee's child, and upon application by such employee

(or, where such employee fails to make application, by the child's other parent or the State agency administering the program under this part or title XIX), to permit enrollment of such child at any time as a dependent of the employee under the employer's group health insurance;

''(B) to permit disenrollment from such group health insurance by such employee, or elimination of coverage of such child, only upon receipt of satisfactory evidence, in writing, that—

''(i) such court or administrative order is no longer in effect, or

''(ii) the employee has enrolled or will enroll in alternative health insurance covering such child which will take effect immediately upon the effective date of such disenrollment; and

''(C) to withhold from such employee's compensation the employee's share (if any) of premiums for such health insurance, and to pay such share of premiums to the insurer;

''(27) provide assurances satisfactory to the Secretary that the State has in effect laws requiring

the State agency to garnish the wages, salary, or other employment income of, and to withhold amounts from State tax refunds to, any person who—

''(A) is required by court or administrative order to provide coverage of the costs of medical services to an individual eligible for medical assistance under title XIX,

''(B) has received payment from a third party for the costs of medical services to such individual, and

''(C) has not used such payments to reimburse, as appropriate, either such individual or the provider of such services,

to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under title XIX, but any claims for current or past-due child support shall take priority over any such claims for the costs of medical services.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) apply to calendar quarters beginning on or after April 1, 1994, except as provided in paragraph (2).

(2) EXTENSION FOR STATE LAW AMENDMENT.—In the case of a State plan under part D of title IV of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by subsection (a), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 13243. REPORTS TO CREDIT BUREAUS ON PERSONS DELINQUENT IN CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended—

(1) by striking ''upon the request of such agency'' and inserting '', and procedures which require the State to periodically report 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''; and

(2) by striking ''(C) a fee'' and all that follows through ''by the State'' and inserting '', and (C) 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''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on October 1, 1994.

(2) EXCEPTION.—If the Secretary of Health and Human Services determines that a State is unable to comply with the amendments made by subsection (a), such State shall be exempt from compliance with such amendments until the State establishes an automated data processing and information retrieval system under section 454(24) of the Social

Security Act, or October 1, 1995, whichever occurs earlier.

CHAPTER 3—SUPPLEMENTAL SECURITY INCOME

SEC. 13251. FEES FOR FEDERAL ADMINISTRATION OF STATE SUPPLEMENTARY PAYMENTS.

(a) IN GENERAL.—

(1) OPTIONAL STATE SUPPLEMENTARY PAYMENTS.—Section 1616(d) (42 U.S.C. 1382e(d)) is amended—

(A) by inserting ''(1)'' after ''(d)'';

(B) by inserting '', plus an administration fee assessed in accordance with paragraph (2) and any additional services fee charged in accordance with paragraph (3)'' before the period; and

(C) by adding after and below the end the following:

''(2)(A) The Secretary shall assess each State an administration fee in an amount equal to—

''(i) the number of supplementary payments made by the Secretary on behalf of the State under this section for any month in a fiscal year; multiplied by

''(ii) the applicable rate for the fiscal year.

''(B) As used in subparagraph (A), the term 'applicable rate' means—

''(i) for fiscal year 1994, $1.67;

''(ii) for fiscal year 1995, $3.33;

''(iii) for fiscal year 1996, $5.00; and

''(iv) for fiscal year 1997 and each succeeding fiscal year, $5.00, or such different rate as the Secretary determines pursuant to criteria established in regulations is appropriate for the State, taking into account the complexity of the State's supplementary payment program.

''(C) All fees collected pursuant to this paragraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

''(3)(A) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this section.

''(B) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in subparagraph (A).

''(C) The additional services fee shall be payable in advance or by way of reimbursement.

''(4) All administration fees and additional services fees collected pursuant to this subsection shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.''.

(2) MANDATORY STATE SUPPLEMENTARY PAYMENTS.—Section 212(b)(3) of Public Law 93–66 (42 U.S.C. 1382 note) is amended—

(A) by inserting ''(A)'' after ''(3)'';

(B) by inserting '', plus an administration fee assessed in accordance with subparagraph (B) and any additional services fee charged in accordance with subparagraph (C)'' before the period; and

(C) by adding after and below the end the following:

''(B)(i) The Secretary shall assess each State an administration fee in an amount equal to—

''(I) the number of supplementary payments made by the Secretary on behalf of the State under this subsection for any month in a fiscal year; multiplied by

''(II) the applicable rate for the fiscal year.

''(ii) As used in clause (i), the term 'applicable rate' means—

''(I) for fiscal year 1994, $1.67;

''(II) for fiscal year 1995, $3.33;

''(III) for fiscal year 1996, $5.00; and

''(IV) for fiscal year 1997 and each succeeding fiscal year, $5.00, or such different rate as the Secretary determines pursuant to regulations established in regulations is appropriate for the State, taking into account the complexity of the State's supplementary payment program.

''(iii) All fees collected pursuant to this subparagraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

''(C)(i) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this subsection.

''(ii) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in clause (i).

''(iii) The additional services fee shall be payable in advance or by way of reimbursement.

''(D) All administration fees and additional services fees collected pursuant to this paragraph shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to supplementary payments made pursuant to section 1616(a) of the Social Security Act or section 212(a) of Public Law 93–66 for any calendar month beginning after September 30, 1993, and to services furnished after such date, regardless of whether regulations to implement such amendments have been promulgated by such date, or whether any agreement entered into under such section 1616(a) or such section 212(a) has been modified.

SEC. 13252. EXCLUSION FROM INCOME OF STATE RELOCATION ASSISTANCE.

Section 5035(c) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 1382a note; 104 Stat. 1388–225) is amended—

(1) by striking ''The amendments made by this section'' and inserting ''(1) The amendments made by subsection (b)''; and

(2) by adding at the end the following:

''(2) The amendments made by subsection (a) shall apply with respect to benefits for calendar months beginning on or after May 1, 1991.''.

SEC. 13253. PREVENTION OF ADVERSE EFFECTS ON ELIGIBILITY FOR, AND AMOUNT OF, 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) (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 INCOME OF HAZARDOUS DUTY PAY RECEIVED WHILE IN ACTIVE MILITARY SERVICE.—Section 1612(b) (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 2nd month that begins after the date of the enactment of this Act.

SEC. 13254. ELIGIBILITY FOR CHILDREN OF ARMED FORCES PERSONNEL RESIDING OUTSIDE THE UNITED STATES OTHER THAN IN FOREIGN COUNTRIES.

(a) IN GENERAL.—Section 1614(a)(1)(B)(ii) (42 U.S.C. 1382c(a)(1)(B)(ii)) is amended by striking ''the District of Columbia'' and all that follows to the period and inserting ''and who, for the month before the parent reported for such assignment, received a benefit under this title''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1993.

SEC. 13255. DEFINITION OF DISABILITY FOR CHILDREN UNDER AGE 18 APPLIED TO ALL INDIVIDUALS UNDER AGE 18.

(a) IN GENERAL.—Section 1614(a)(3)(A) (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 apply to determinations made on or after the date of the enactment of this Act.

SEC. 13256. VALUATION OF CERTAIN IN-KIND SUPPORT AND MAINTENANCE WHEN THERE IS A COST OF LIVING ADJUSTMENT IN BENEFITS.

(a) IN GENERAL.—Section 1611(c) (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 for months after the calendar year 1993.

SEC. 13257. EXCLUSION FROM INCOME OF CERTAIN AMOUNTS RECEIVED BY INDIANS FROM INTERESTS HELD IN TRUST.

(a) IN GENERAL.—Section 8 of the Act of October 19, 1973, (25 U.S.C. 1408) is amended by inserting '', and the first $2,000 per year of income received by individual Indians that is derived from such interests shall not be considered income,'' after ''resource''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 1993.

CHAPTER 4—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 13261. 50 PERCENT FEDERAL MATCH OF STATE ADMINISTRATIVE COSTS.

(a) IN GENERAL.—Section 403(a)(3) (42 U.S.C. 603(a)(3)) is amended by striking ''the sum of'' and all that follows through the end of subparagraph (D) and inserting ''50 percent of the total amounts expended during such quarter as the Secretary has found necessary for the proper and efficient administration of the State plan (in-

cluding any amounts expended by the State to carry out initial evaluations under section 486(a)),''.

(b) OPTIONAL USE OF CERTAIN PROCEDURES TO VERIFY IMMIGRATION STATUS OF AFDC APPLICANTS.—Section 1137(d) (42 U.S.C. 1320b–7(d)) is amended—

(1) in each of paragraphs (3) and (4)(B)(i), by inserting ''(or, in the case of the program specified in subsection (b)(1), may)'' after ''shall''; and

(2) in paragraph (4), by inserting ''(if required)'' after ''verified''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to payments made for calendar quarters beginning on or after April 1, 1994.

(2) DELAYED APPLICABILITY TO CERTAIN STATES.—

(A) IN GENERAL.—The Secretary of Health and Human Services may delay the applicability to a qualified State of the amendments made by subsection (a) until the 1st calendar quarter that begins after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this section.

(B) QUALIFIED STATE DEFINED.—As used in subparagraph (A), the term ''qualified State'' means a State that meets such criteria as the Secretary shall establish and apply uniformly, including whether the State legislature meets biennially and does not have a regular session scheduled in calendar year 1994.

SEC. 13262. DELAY IN EFFECTIVE DATE OF PENALTY FOR FAILURE TO MEET REQUIRED PARTICIPATION RATE FOR UNEMPLOYED PARENTS IN THE JOBS PROGRAM.

Section 403(l)(4)(B) (42 U.S.C. 603(l)(4)(B)) is amended—

(1) in clause (i), by striking ''1994'' and inserting ''1995'';

(2) in clause (ii), by striking ''1995'' and inserting ''1996'';

(3) in clause (iii), by striking ''1996'' and inserting ''1997''; and

(4) in clause (iv), by striking ''1997 and 1998'' and inserting ''1998 and 1999''.

SEC. 13263. REPORT TO THE CONGRESS WITH RESPECT TO PERFORMANCE STANDARDS IN THE JOBS PROGRAM.

Section 487(a) (42 U.S.C. 687(a)) is amended—

(1) by striking ''3'' and inserting ''4'';

(2) in paragraph (1), by inserting ''criteria for'' after ''develop'';

(3) in paragraph (2), by striking ''for'' and inserting ''with respect to''; and

(4) in the 2nd sentence, by striking ''under this subsection'' and inserting ''with respect to the program under this part''.

SEC. 13264. MEASUREMENT AND REPORTING OF WELFARE PARTICIPATION.

(a) CONGRESSIONAL POLICY.—The Congress hereby declares that—

(1) it is the policy and responsibility of the Federal Government to reduce the rate at which, and the degree to which, families depend on income from welfare programs, and the duration of welfare participation, to assist families toward self-sufficiency, and to increase the living standards of low-income families, consistent with other essential national goals;

(2) it is the policy of the United States to strengthen families and improve the life prospects of their children, 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 participation to improve their education and job skills, to obtain access to high quality child care and other 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 provide the public with generally accepted measures of welfare participation so that the public can track such participation over time and determine whether progress is being made in reducing the rate at which, and the degree to which, families depend on income from welfare programs, and the duration of welfare participation.

(b) DEVELOPMENT OF WELFARE PARTICIPATION MEASURES AND PREDICTORS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') in consultation with the Secretary of Agriculture shall develop—

(A) measures of—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation; and

(B) predictors of welfare participation.

(2) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this section, the Secretary shall provide an interim report containing conclusions resulting from such development, to—

(A) the Committee on Ways and Means of the House of Representatives;

(B) the Committee on Education and Labor of the House of Representatives;

(C) the Committee on Agriculture of the House of Representatives;

(D) the Committee on Energy and Commerce of the House of Representatives;

(E) the Committee on Finance of the Senate;

(F) the Committee on Labor and Human Resources of the Senate; and

(G) the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(c) ADVISORY BOARD ON WELFARE PARTICIPATION.—

(1) ESTABLISHMENT.—There is established an Advisory Board on Welfare Participation (in this section referred to 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 measures of the rate at which, and the degree to which, families depend on income from welfare

programs, and the duration of welfare participation; and

(B) providing advice on the development and presentation of the report required by subsection (d).

(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 Department of Health and Human Services 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.

(8) TERMINATION OF BOARD.—The Board shall be terminated at such time as the Secretary determines the duties described in subsection (c)(4) have been completed, but in any case prior to the submission of the 1st report required by subsection (d).

(d) ANNUAL WELFARE PARTICIPATION REPORTS.—

(1) PREPARATION.—The Secretary shall prepare annual reports on welfare participation in the United States.

(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 such report shall set forth, for each means-tested benefit program described in paragraph (2)—

(A) measures of—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation;

(B) trends in the measures;

(C) predictors of welfare participation;

(D) the causes of welfare participation;

(E) patterns of multiple program participation;

(F) such other information as the Secretary deems relevant; and

(G) 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—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation.

(4) SUBMISSION.—The Secretary shall submit such reports not later than 3 years after the date of the enactment of this section, and annually there-

after, to the committees specified in subsection (b)(2). Each such report shall be transmitted during the 1st 60 days of each regular session of the Congress.

SEC. 13265. NEW HOPE DEMONSTRATION PROJECT.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall provide for a demonstration project for a qualified program to be conducted in Milwaukee, Wisconsin, in accordance with this section.

(b) PAYMENTS.—For each calendar quarter in which there is a qualified program approved under this subsection, the Secretary shall pay to the operator of the qualified program, for no more than 20 calendar quarters, an amount equal to the aggregate amount that would otherwise have been payable to the State with respect to participants in the program for such calendar quarter, in the absence of the program, for cash assistance and child care under part A of title IV of the Social Security Act and for administrative expenses related to such assistance. In calculating the amount of such payment, the expenses of the program incurred in evaluating the effects of the program may be treated as amounts necessary for the proper and efficient administration of the program, for purposes of part A of title IV of such Act.

(c) DEMONSTRATION PROJECT DESCRIBED.—For purposes of this section, the term ''qualified program'' means a program operated—

(1) by The New Hope Project, Inc., a private, not-for-profit corporation incorporated under the laws of the State of Wisconsin (in this section referred to as the ''operator''), which offers low-income residents of Milwaukee, Wisconsin, employment, wage supplements, child care, health care, and counseling and training for job retention or advancement; and

(2) in accordance with an application submitted by the operator of the program and approved by the Secretary based on the Secretary's determination that the application satisfies the requirements of subsection (d).

(d) CONTENTS OF APPLICATION.—The operator of the qualified program shall provide, in its application to conduct a demonstration project for the program, that the following terms and conditions will be met:

(1) The operator will develop and implement an evaluation plan designed to provide reliable information on the impact and implementation of the program. The evaluation plan will include adequately

sized groups of project participants and control groups assigned at random.

(2) The operator will develop and implement a plan addressing the services and assistance to be provided by the program, the timing and determination of payments from the Secretary to the operator of the program, and the roles and responsibilities of the Secretary and the operator with respect to meeting the requirements of this paragraph.

(3) The operator will specify a methodology for determining expenditures to be paid to the operator by the Secretary, with assistance from the Secretary in calculating the amount that would otherwise have been payable to the State in the absence of the program, pursuant to subsection (b).

(4) The operator will issue an interim and final report on the results of the evaluation described in paragraph (1) to the Secretary at such times as required by the Secretary.

(e) EFFECTIVE DATE.—This section shall take effect on the 1st day of the 1st calendar quarter that begins after the date of enactment of this Act.

SEC. 13266. 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 ''October 1, 1992'' and inserting ''the date of the repeal of the limitations contained in section 1108(a) of the Social Security Act on payments to such jurisdictions for purposes of making maintenance payments under parts A and E of title IV of such Act''.

SEC. 13267. ADULT IN FAMILY OR HOUSEHOLD ALLOWED TO ATTEST TO CITIZENSHIP STATUS OF FAMILY OR HOUSEHOLD MEMBERS.

(a) IN GENERAL.—Section 1137(d)(1)(A) (42 U.S.C. 1320b–7(d)(1)(A)) is amended—

(1) by inserting ''(i)'' after ''(1)(A)'';

(2) by inserting ''(other than the aid to families with dependent children program under part A of title IV of this Act)'' after ''any program listed in subsection (b)''; and

(3) by adding at the end the following:

''(ii) The State shall require, as a condition of an individual's eligibility for benefits under the aid to families with dependent children program under part A of title IV of this Act, a declaration in writing, under penalty of perjury—

''(I) in the case of an individual who is an adult member of a family or household applying for or receiving such benefits, by such individual or another adult member of such family or household on such individual's behalf;

''(II) in the case of an individual who is a child, by an adult on the individual's behalf; or

''(III) in the case of an individual born into a family or household receiving such benefits, by an adult member of such individual's family or household on the individual's behalf no later than the next redetermination of eligibility of such family or household following the birth of such individual,

stating whether the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective with respect to benefits provided on or after October 1, 1993.

SEC. 13268. INCREASE IN STEPPARENT INCOME DISREGARD.

(a) IN GENERAL.—Section 402(a)(31) (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, 1993, and shall apply to payments under part A of title IV of the Social Security Act for fiscal year 1994 and such payments for succeeding fiscal years.

SEC. 13269. EXTENSION OF NEW YORK STATE CHILD SUPPORT DEMONSTRATION PROGRAM.

Section 9122(g)(1) of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note; 101 Stat. 1330–312) is amended by striking ''five'' and inserting ''10''.

SEC. 13270. EARLY CHILDHOOD DEVELOPMENT PROJECTS.

Section 501(a) of the Family Support Act of 1988 (42 U.S.C. 1315 note; 102 Stat. 2400) is amended by adding at the end the following:

''(4) For grants to States to conduct demonstration projects under this subsection, there are authorized to be appropriated not to exceed $3,000,000 for each of the fiscal years 1994 through 1998.''.

CHAPTER 5—UNEMPLOYMENT INSURANCE

SEC. 13271. TREATMENT OF SHORT-TIME COMPENSATION PROGRAMS.

(a) GENERAL RULE.—Section 3306 of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new subsection:

''(t) SHORT-TIME COMPENSATION PROGRAM.—For purposes of this chapter, the term 'short-time compensation program' means a program under which—

''(1) individuals whose workweeks have been reduced by at least 10 percent are eligible for unemployment compensation;

''(2) 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;

''(3) 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;

''(4) eligible employees may participate in an employer-sponsored training program to enhance

jobs skills if such program has been approved by the State agency;

''(5) there is a reduction in the number of hours worked by employees in lieu of temporary layoffs;

''(6) there is a plan of an employer (or an employers association which is party to a collective bargaining agreement) approved by the State agency consisting of factors in this subsection or other factors as the Secretary of Labor may find relevant; and

''(7) the employer continues to provide health benefits and pension benefits under a pension plan (as defined in section 3(35) of the Employee Retirement Income Security Act of 1974) to any employee whose workweek is reduced under such plan.

A short-time compensation program may also contain such other factors as the Secretary of Labor finds relevant.''

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (E) of section 3304(a)(4) of such Code is amended to read as follows:

''(E) amounts may be withdrawn for the payment of short-time compensation under a short-time compensation program approved by the Secretary of Labor:''.

(2) Paragraph (4) of section 3306(f) of such Code is amended to read as follows:

''(4) amounts may be withdrawn for the payment of short-time compensation under a short-time compensation program approved by the Secretary of Labor.''

(3) Section 303(a)(5) of the Social Security Act is amended by striking ''the payment of short-time compensation under a plan approved by the Secretary of Labor'' and inserting ''the payment of short-time compensation under a short-time compensation program (as defined in section 3306(t) of the Internal Revenue Code of 1986) approved by the Secretary of Labor''.

SEC. 13272. TECHNICAL AMENDMENT TO UNEMPLOYMENT TRUST FUND.

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 equal to 20 percent of the amount by which—

''(A) the transfers to such account pursuant to section 901(b)(2) during such month, exceed

''(B) the payments during such month from the employment security administration account pursuant to section 901(b)(3) and (d).

If for any month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.''

SEC. 13273. EXTENSION OF REPORTING DATE FOR ADVISORY COUNCIL.

In the case of the first Advisory Council on Unemployment Compensation established under section 908 of the Social Security Act, subsection (f) of such section 908 shall be applied—

(1) by substituting ''3rd year'' for ''2d year'' in paragraph (1), and

(2) by substituting ''February 1, 1995'' for ''February 1, 1994'' in paragraph (2).

SEC. 13274. CLARIFICATION OF EMERGENCY UNEMPLOYMENT BENEFITS PROVISIONS.

(a) IN GENERAL.—Subclauses (II) and (III) of section 102(b)(2)(A)(v) of the Emergency Unemployment Compensation Act of 1991 are amended to read as follows:

"(II) The requirements of this subclause are met for any week if the national rate of total unemployment (seasonally adjusted) for each of the 2 most recent calendar months (not averaged) for which data are published before the close of such week is less than 7 percent, and if the requirements of subclause (III) are not met for such week.

"(III) The requirements of this subclause are met for any week if the national rate of total unemployment (seasonally adjusted) for each of the 2 most recent calendar months (not averaged) for which data are published before the close of such week is less than 6.8 percent."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply as if included in the amendments made by section 101(b) of the Unemployment Compensation Amendments of 1992.

SEC. 13275. MODIFICATIONS TO EXTENDED UNEMPLOYMENT PROGRAM.

(a) INCREASE IN REIMBURSEMENT RATE.—Subsection (a) of section 204 of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by striking ''one-half'' and inserting ''75 percent''.

(b) REPEAL OF SPECIAL ELIGIBILITY REQUIREMENTS.—Subsection (a) of section 202 of such Act is amended—

(1) by striking paragraphs (3), (4), and (7),

(2) by redesignating paragraphs (5) and (6) as paragraphs (3) and (4), respectively, and

(3) by striking ''paragraphs (3), (4), and (5)'' in paragraph (4) (as redesignated by paragraph (1) of this subsection) and inserting ''paragraph (3)''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to weeks beginning after October 2, 1993.

(2) SPECIAL RULE.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not successive) between the date of the enactment of this Act and October 1, 1993, the amendment made by subsection (b) shall not be a requirement of the State law of such State before the date 30 calendar days

after the 1st day on which such legislature is in session on or after October 1, 1993.

SEC. 13276. EXTENSION OF CURRENT FEDERAL UNEMPLOYMENT RATE.

Section 3301 of the Internal Revenue Code of 1986 is amended—

(1) by striking ''1996'' in paragraph (1) and inserting ''1998'', and

(2) by striking ''1997'' in paragraph (2) and inserting ''1999''.

SEC. 13277. 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.''.

CHAPTER 6—TECHNICAL PROVISIONS

SEC. 13281. 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) REPEAL OF PROVISION INADVERTENTLY INCLUDED.—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.

(c) 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.'.''.

(d) AMENDMENT RELATED TO SECTION 5105(a)(1)(B).—The 2nd paragraph of section 1631(a) (42 U.S.C. 1383(a)) is amended by striking ''(A)(i) Payments'' and inserting ''(2)(A)(i) Payments''.

(e) AMENDMENTS RELATED TO SECTION 5105(b).—Section 1631(a)(2)(C) (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)''.

(f) AMENDMENTS RELATED TO SECTION 5107(a)(2)(B).—Section 1631(c)(1)(B) (42 U.S.C. 1383(c)(1)(B)) is amended by striking ''paragraph (1)'' each place such term appears and inserting ''subparagraph (A)''.

(g) AMENDMENT RELATED TO SECTION 5109(a)(2).—Section 1631 (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).

(h) 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).

(i) AMENDMENT RELATED TO SECTION 13101(d)(2).—Section 256(k)(2)(A) of the Balanced

Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking ''—'' the 2nd 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''.

(j) 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. 13282. TECHNICAL CORRECTIONS RELATED TO THE HUMAN RESOURCE AND INCOME SECURITY PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1989.

(a) AMENDMENT RELATING TO SECTION 8004(a).—Section 408(m)(2)(A) (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) (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) (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.

SEC. 13283. ELIMINATION OF OBSOLETE PROVISIONS RELATING TO TREATMENT OF THE EARNED INCOME TAX CREDIT.

(a) TREATMENT OF EITC AS EARNED INCOME.—Section 1612(a)(1) (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) (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. 13284. REDESIGNATION OF CERTAIN PROVISIONS.

Section 1631(e)(6) (42 U.S.C. 1383(e)(6)) is amended by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B), respectively.

Subtitle C—Medicare Program

SEC. 13400. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms ''OBRA–1986'', ''OBRA–1987'', ''OBRA–1989'', and ''OBRA–1990'' refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99–509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100–203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101–239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101–508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

Sec. 13400. References in subtitle; table of contents of subtitle.

CHAPTER 1—PROVISIONS RELATING TO PART A

SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE FOR SERVICES PROVIDED UNDER PART A

Sec. 13401. Inpatient hospital services and hospice care.
Sec. 13402. Limits on per diem routine service costs for extended care services.

SUBCHAPTER B—OTHER PROVISIONS RELATING TO PART A

Sec. 13411. Wage index provisions.
Sec. 13412. Transition for hospital outlier thresholds.
Sec. 13413. Essential access community hospital (EACH) amendments.
Sec. 13414. Rural health transition grant program extension.
Sec. 13415. Regional referral center extension.
Sec. 13416. Medicare-dependent, small rural hospital payment extension.
Sec. 13417. Extension of regional floor.
Sec. 13418. Extension of rural hospital demonstration.
Sec. 13419. Hemophilia pass-through extension.
Sec. 13420. State hospital payment programs.
Sec. 13421. Psychology services in hospitals.
Sec. 13422. Graduate medical education payments in hospital-owned community health centers.
Sec. 13423. Treatment of certain military facilities.
Sec. 13424. Epilepsy DRG.
Sec. 13425. Skilled nursing facility wage index.
Sec. 13426. Hospice notification to beneficiaries.
Sec. 13427. Reduction in part A premium for certain individuals with 30 or more quarters of Social Security coverage.
Sec. 13428. Periodic updates to salary equivalency guidelines for physical therapy and respiratory therapy services.
Sec. 13429. Extension of deadline for application for geographic classification for certain reclassified hospitals.
Sec. 13430. Clarification of DRG payment window expansion; miscellaneous and technical corrections.

CHAPTER 2—PROVISIONS RELATING TO PART B

SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE

Sec. 13431. Elimination of inflation update for physician and related professional services.
Sec. 13432. Elimination of cost-of-living adjustments for certain items and services.
Sec. 13433. Ambulatory surgical center services.
Sec. 13434. Other items and services under part B.

SUBCHAPTER B—PHYSICIANS' SERVICES

Sec. 13441. Reinstating separate payment for the interpretation of electrocardiograms (EKGs).
Sec. 13442. Payments for new physicians and practitioners.
Sec. 13443. Retaining payment for actual anesthesia time.
Sec. 13444. Geographic cost of practice index refinements.
Sec. 13445. Extra-billing.
Sec. 13446. Relative values for pediatric services.
Sec. 13447. Antigens under physician fee schedule.
Sec. 13448. Administration of claims relating to physicians' services.
Sec. 13449. Miscellaneous and technical corrections.

SUBCHAPTER C—AMBULATORY SURGICAL CENTER SERVICES

Sec. 13451. Designation of certain hospitals as eye or eye and ear hospitals.
Sec. 13452. Treatment of intraocular lenses.
Sec. 13453. Technical amendments.

SUBCHAPTER D—DURABLE MEDICAL EQUIPMENT

Sec. 13461. Certification of suppliers.
Sec. 13462. Prohibition against carrier forum shopping.
Sec. 13463. Restrictions on certain marketing and sales activities.
Sec. 13464. Anti-kickback clarification.
Sec. 13465. Limitations on beneficiary liability for noncovered services.
Sec. 13466. Adjustments for inherent reasonableness.
Sec. 13467. Treatment of nebulizers and aspirators.
Sec. 13468. Payment for ostomy supplies and other supplies.
Sec. 13469. Miscellaneous and technical corrections.

SUBCHAPTER E—OTHER PROVISIONS

Sec. 13471. Clarifying payments for medically directed certified registered nurse anesthetist services.
Sec. 13472. Extension of Alzheimer's disease demonstration projects.
Sec. 13473. Oral cancer drugs.
Sec. 13474. Part B premium for late enrollment.
Sec. 13475. Coverage of services of speech-language pathologists and audiologists.
Sec. 13476. Extension of municipal health service demonstration projects.
Sec. 13477. Treatment of certain Indian health programs and facilities as Federally-qualified health centers.
Sec. 13478. Miscellaneous and technical corrections.

SUBCHAPTER F—PART B PREMIUM

Sec. 13481. Part B premium.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

SUBCHAPTER A—ELIMINATION OF UPDATES

Sec. 13501. Elimination of cost-of-living update in per resident amounts for direct medical education.
Sec. 13502. Elimination of inflation update in cost limits for home health services.

SUBCHAPTER B—MEDICARE SECONDARY PAYER PROVISIONS

Sec. 13511. Extension of transfer of data.
Sec. 13512. 3-year extension of medicare secondary payer to disabled beneficiaries.
Sec. 13513. 3-year extension of 18-month rule for ESRD beneficiaries.
Sec. 13514. Medicare secondary payer reforms.

SUBCHAPTER C—PHYSICIAN OWNERSHIP AND REFERRAL

Sec. 13521. Application of medicare ban on self-referrals to all payers.
Sec. 13522. Extension of self-referral ban to additional specified services.
Sec. 13523. Exceptions for both ownership and compensation arrangements.
Sec. 13524. Exceptions related only to ownership or investment.

Sec. 13525. Exceptions related only to compensation arrangements.
Sec. 13526. Clarification concerning civil money penalty sanctions.
Sec. 13527. Requirements for group practice.
Sec. 13538. No Federal preemption of more restrictive State laws.
Sec. 13529. Miscellaneous provisions.
Sec. 13530. Effective dates.

SUBCHAPTER D—OTHER PROVISIONS

Sec. 13551. Direct graduate medical education.
Sec. 13552. Immunosuppressive drug therapy.
Sec. 13553. Reduction in payments for erythropoientin.
Sec. 13554. Qualified medicare beneficiary outreach.
Sec. 13555. Extension of social health maintenance organization demonstrations.
Sec. 13556. Hospice notification to home health beneficiaries.
Sec. 13557. Interest payments.
Sec. 13558. Peer review organizations.
Sec. 13559. Health maintenance organizations.
Sec. 13560. Medicare administration budget process.
Sec. 13561. Other provisions.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

Sec. 13571. Standards for medicare supplemental insurance policies.

CHAPTER 5—TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS

Sec. 13581. Treatment of certain State health care programs.

CHAPTER 1—PROVISIONS RELATING TO PART A

Subchapter A—Elimination of Inflation Update for Services Provided Under Part A

SEC. 13401. INPATIENT HOSPITAL SERVICES AND HOSPICE CARE.

Section 1886(b)(3)(B)(iii) (42 U.S.C. 1395ww(b)(3)(B)(iii)) is amended—

(1) by striking ''(iii) For purposes of this subparagraph'' and inserting ''(iii)(I) Except as provided in subclause (II), for purposes of this subparagraph'', and

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

''(II) For purposes of this subparagraph and section 1814(i)(1)(C)(ii), the 'market basket percentage increase', with respect to cost reporting periods and discharges occurring in fiscal year 1994 or 1995, is 0 percent.''.

SEC. 13402. LIMITS ON PER DIEM ROUTINE SERVICE COSTS FOR EXTENDED CARE SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the limits on per diem routine service costs for extended care services under section 1888 of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Other Provisions Relating to Part A

SEC. 13411. WAGE INDEX PROVISIONS.

(a) WAGE INDEX HOLD HARMLESS PROTECTION.—

(1) IN GENERAL.—Section 1886(d)(8)(C) (42 U.S.C. 1395ww(d)(8)(C)) is amended by adding at the end the following new clause:

''(iv) The application of subparagraph (B) or a decision of the Medicare Geographic Classification Review

Board or the Secretary under paragraph (1)) may not result in a reduction in an urban area's wage index if—

"(I) the urban area has a wage index below the wage index for rural areas in the State in which it is located; or

"(II) the urban area is located in a State that is composed of a single urban area.".

(2) NO STANDARDIZED AMOUNT ADJUSTMENT.—The Secretary of Health and Human Services shall not revise the fiscal year 1992 or fiscal year 1993 standardized amounts pursuant to subsections (d)(3)(B) and (d)(8)(D) of section 1886 of the Social Security Act to account for the amendment made by paragraph (1).

(3) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to discharges occurring—

(A) on or after October 1, 1991, in the case of hospitals located in an urban area described in section 1886(d)(8)(C)(iv)(I) of the Social Security Act (as added by paragraph (1)); and

(B) on or after the date of the enactment of this Act, in the case of hospitals located in an urban area described in section

1886(d)(8)(C)(iv)(II) of the Social Security Act (as added by paragraph (1)).

(b) UPDATING STANDARDS FOR TREATING RURAL COUNTIES AS URBAN COUNTIES BASED ON RATES OF COMMUTATION.—

(1) IN GENERAL.—Section 1886(d)(8)(B) (42 U.S.C. 1395ww(d)(8)(B)) is amended—

(A) by striking ''standards'' each place it appears and inserting ''standards most recently used'', and

(B) by striking ''published in the Federal Register on January 3, 1980''.

(2) HOLD HARMLESS FOR COUNTIES CURRENTLY TREATED AS URBAN.—Any hospital that is treated as being located in an urban metropolitan statistical area pursuant to section 1886(d)(8)(B) of the Social Security Act as of September 30, 1992, shall continue to be so treated notwithstanding the amendments made by paragraph (1).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) shall be effective on October 1, 1993.

(c) USE OF OCCUPATIONAL MIX IN GUIDELINES.—

(1) IN GENERAL.—Section 1886(d)(10)(D)(i)(I) (42 U.S.C. 1395ww(d)(10)(D)(i)(I)) is amended by

inserting ''(to the extent the Secretary determines appropriate)'' after ''taking into account''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the enactment of OBRA–1989.

SEC. 13412. TRANSITION FOR HOSPITAL OUTLIER THRESHOLDS.

Section 1886(d)(5)(A) (42 U.S.C. 1395ww(d)(5)(A)) is amended—

(1) in clause (i), by striking ''The Secretary'' and inserting ''For discharges occurring during fiscal years ending on or before September 30, 1997, the Secretary''; and

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

''(v) The Secretary shall provide that—

''(I) the day outlier percentage for fiscal year 1995 shall be 75 percent of the day outlier percentage for fiscal year 1994;

''(II) the day outlier percentage for fiscal year 1996 shall be 50 percent of the day outlier percentage for fiscal year 1994; and

''(III) the day outlier percentage for fiscal year 1997 shall be 25 percent of the day outlier percentage for fiscal year 1994.

"(vi) For purposes of this subparagraph, the term 'day outlier percentage' means, for a fiscal year, the percentage of the total additional payments made by the Secretary under this subparagraph for discharges in that fiscal year which are additional payments under clause (i).".

SEC. 13413. ESSENTIAL ACCESS COMMUNITY HOSPITAL (EACH) AMENDMENTS.

(a) INCREASING NUMBER OF PARTICIPATING STATES.—Section 1820(a)(1) (42 U.S.C. 1395i–4(a)(1)) is amended by striking "7" and inserting "9".

(b) TREATMENT OF INPATIENT HOSPITAL SERVICES PROVIDED IN RURAL PRIMARY CARE HOSPITALS.—

(1) IN GENERAL.—Section 1820(f)(1)(F) (42 U.S.C. 1395i–4(f)(1)(F)) is amended to read as follows:

"(F) subject to paragraph (4), provides not more than 6 inpatient beds (meeting such conditions as the Secretary may establish) for providing inpatient care to patients requiring stabilization before discharge or transfer to a hospital, except that the facility may not provide any inpatient hospital services—

"(i) to any patient whose attending physician does not certify that the patient may reasonably be expected to be dis-

charged or transferred to a hospital within 72 hours of admission to the facility; or

''(ii) consisting of surgery or any other service requiring the use of general anesthesia (other than surgical procedures specified by the Secretary under section 1833(i)(1)(A)), unless the attending physician certifies that the risk associated with transferring the patient to a hospital for such services outweighs the benefits of transferring the patient to a hospital for such services.''.

(2) LIMITATION ON AVERAGE LENGTH OF STAY.—Section 1820(f) (42 U.S.C. 1395i–4(f)) is amended by adding at the end the following new paragraph:

''(4) LIMITATION ON AVERAGE LENGTH OF INPATIENT STAYS.—The Secretary may terminate a designation of a rural primary care hospital under paragraph (1) if the Secretary finds that the average length of stay for inpatients at the facility during the previous year in which the designation was in effect exceeded 72 hours. In determining the compliance of a facility with the requirement of the previous sentence, there shall not be taken into account

periods of stay of inpatients in excess of 72 hours to the extent such periods exceed 72 hours because transfer to a hospital is precluded because of inclement weather or other emergency conditions.''.

(3) CONFORMING AMENDMENT.—Section 1814(a)(8) (42 U.S.C. 1395f(a)(8)) is amended by striking ''such services'' and all that follows and inserting ''the individual may reasonably be expected to be discharged or transferred to a hospital within 72 hours after admission to the rural primary care hospital.''.

(4) GAO REPORTS.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General shall submit reports to Congress on—

(A) the application of the requirements under section 1820(f) of the Social Security Act (as amended by this subsection) that rural primary care hospitals provide inpatient care only to those individuals whose attending physicians certify may reasonably be expected to be discharged within 72 hours after admission and maintain an average length of inpatient stay during a year that does not exceed 72 hours; and

(B) the extent to which such requirements have resulted in such hospitals providing inpatient care beyond their capabilities or have limited the ability of such hospitals to provide needed services.

(c) DESIGNATION OF HOSPITALS.—

(1) PERMITTING DESIGNATION OF HOSPITALS LOCATED IN URBAN AREAS.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i–4) is amended—

(i) by striking paragraph (1) of subsection (e) and redesignating paragraphs (2) through (6) as paragraphs (1) through (5); and

(ii) in subsection (e)(1)(A) (as redesignated by subparagraph (A))—

(I) by striking ''is located'' and inserting ''except in the case of a hospital located in an urban area, is located'',

(II) by striking '', (ii)'' and inserting ''or (ii)'',

(III) by striking ''or (iii)'' and all that follows through ''section,'', and

(IV) in subsection (i)(1)(B), by striking ''paragraph (3)'' and inserting ''paragraph (2)''.

(B) NO CHANGE IN MEDICARE PROSPECTIVE PAYMENT.—Section 1886(d)(5)(D) (42 U.S.C. 1395ww(d)(5)(D)) is amended—

(i) in clause (iii)(III), by inserting ''located in a rural area and'' after ''that is'', and

(ii) in clause (v), by inserting ''located in a rural area and'' after ''in the case of a hospital''.

(2) PERMITTING HOSPITALS LOCATED IN ADJOINING STATES TO PARTICIPATE IN STATE PROGRAM.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i–4) is amended—

(i) by redesignating subsection (k) as subsection (l); and

(ii) by inserting after subsection (j) the following new subsection:

''(k) ELIGIBILITY OF HOSPITALS NOT LOCATED IN PARTICIPATING STATES.—Notwithstanding any other provision of this section—

''(1) for purposes of including a hospital or facility as a member institution of a rural health network, a State may designate a hospital or facility that is not located in the State as an essential access community hospital or a rural primary care hospital if the hospital or facility is located in an adjoining State and is otherwise eligible for designation as such a hospital;

''(2) the Secretary may designate a hospital or facility that is not located in a State receiving a grant under subsection (a)(1) as an essential access community hospital or a rural primary care hospital if the hospital or facility is a member institution of a rural health network of a State receiving a grant under such subsection; and

''(3) a hospital or facility designated pursuant to this subsection shall be eligible to receive a grant under subsection (a)(2).''.

(B) CONFORMING AMENDMENTS.—(i) Section 1820(c)(1) (42 U.S.C. 1395i–4(c)(1)) is amended by striking ''paragraph (3)'' and inserting ''paragraph (3) or subsection (k)''.

(ii) Paragraphs (1)(A) and (2)(A) of section 1820(i) (42 U.S.C. 1395i–4(i)) are each amended—

(I) in clause (i), by striking ''(a)(1)'' and inserting ''(a)(1) (except as provided in subsection (k))'', and

(II) in clause (ii), by striking ''subparagraph (B)'' and inserting ''subparagraph (B) or subsection (k)''.

(d) SKILLED NURSING SERVICES IN RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(3) (42 U.S.C. 1395i–4(f)(3)) is amended by striking ''because the facility'' and all that follows and inserting the following: ''because, at the time the facility applies to the State for designation as a rural primary care hospital, there is in effect an agreement between the facility and the Secretary under section 1883 under which the facility's inpatient hospital facilities are used for the furnishing of extended care services, except that the number of beds used for the furnishing of such services may not exceed the total number of licensed inpatient beds at the time the facility applies to the State for such designation (minus the number of inpatient beds used for providing inpatient care pursuant to paragraph (1)(F)). For purposes of the previous sentence, the number of beds of the facility used for the furnishing of extended care services shall not include any beds of a unit of the facility that is licensed as a distinct-part skilled

nursing facility at the time the facility applies to the State for designation as a rural primary care hospital.''.

(e) PAYMENT FOR OUTPATIENT RURAL PRIMARY CARE HOSPITAL SERVICES.—

(1) IMPLEMENTATION OF PROSPECTIVE PAYMENT SYSTEM.—Section 1834(g) (42 U.S.C. 1395m(g)) is amended—

(A) in paragraph (1), by striking ''during a year before 1993'' and inserting ''during a year before the prospective payment system described in paragraph (2) is in effect''; and

(B) in paragraph (2), by striking ''January 1, 1993,'' and inserting ''January 1, 1996,''.

(2) NO USE OF CUSTOMARY CHARGE IN DETERMINING PAYMENT.—Section 1834(g)(1) (42 U.S.C. 1395m(g)(1)) is amended by adding at the end the following:

''The amount of payment shall be determined under either method without regard to the amount of the customary or other charge.''.

(f) CLARIFICATION OF PHYSICIAN STAFFING REQUIREMENT FOR RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(1)(H) (42 U.S.C. 1395i–4(f)(1)(H)) is amended by striking the period and inserting the following: '', except that in determining whether a facility meets

the requirements of this subparagraph, subparagraphs (E) and (F) of that paragraph shall be applied as if any reference to a 'physician' is a reference to a physician as defined in section 1861(r)(1).''.

(g) TECHNICAL AMENDMENTS RELATING TO PART A DEDUCTIBLE, COINSURANCE, AND SPELL OF ILLNESS.—(1) Section 1812(a)(1) (42 U.S.C. 1395d(a)(1)) is amended—

(A) by striking ''inpatient hospital services'' the first place it appears and inserting ''inpatient hospital services or inpatient rural primary care hospital services'';

(B) by striking ''inpatient hospital services'' the second place it appears and inserting ''such services''; and

(C) by striking ''and inpatient rural primary care hospital services''.

(2) Sections 1813(a) and 1813(b)(3)(A) (42 U.S.C. 1395e(a), 1395e(b)(3)(A)) are each amended by striking ''inpatient hospital services'' each place it appears and inserting ''inpatient hospital services or inpatient rural primary care hospital services''.

(3) Section 1813(b)(3)(B) (42 U.S.C. 1395e(b)(3)(B)) is amended by striking ''inpatient hos-

pital services'' and inserting ''inpatient hospital services, inpatient rural primary care hospital services''.

(4) Section 1861(a) (42 U.S.C. 1395x(a)) is amended—

(A) in paragraphs (1), by striking ''inpatient hospital services'' and inserting ''inpatient hospital services, inpatient rural primary care hospital services''; and

(B) in paragraph (2), by striking ''hospital'' and inserting ''hospital or rural primary care hospital''.

(h) AUTHORIZATION OF APPROPRIATIONS.—Section 1820(k) (42 U.S.C. 1395i–4(k)) is amended by striking ''1990, 1991, and 1992'' and inserting ''1990 through 1995''.

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

SEC. 13414. RURAL HEALTH TRANSITION GRANT PROGRAM EXTENSION.

Section 4005(e)(9) of OBRA–1987 is amended—

(1) by striking ''1989 and'' and inserting ''1989,''; and

(2) by striking ''1992'' and inserting ''1992 and $30,000,000 for each of fiscal years 1993 through 1997''.

SEC. 13415. REGIONAL REFERRAL CENTER EXTENSION.

(a) EXTENSION OF CLASSIFICATION THROUGH FISCAL YEAR 1994.—Effective on the date of the enactment of this Act, section 6003(d) of such Act (42 U.S.C. 1395ww note) is amended by striking ''October 1, 1992'' and inserting ''October 1, 1994''.

(b) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a rural referral center under section 1886(d)(5)(C) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than sec-

tion 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(c) REQUIRING LUMP-SUM RETROACTIVE PAYMENT FOR HOSPITALS LOSING CLASSIFICATION.—

(1) IN GENERAL.—In the case of an affected regional referral center (as described in paragraph (2)), the Secretary of Health and Human Services shall make a lump sum payment to the center equal to the difference between the aggregate payment made to the center under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (3) and the aggregate payment that would have been made to the center under such section if, during the period of applicability, the center was classified a regional referral center under section 1886(d)(5)(C) of such Act.

(2) AFFECTED CENTERS DESCRIBED.—In paragraph (1), an ''affected regional referral center'' is a hospital classified as regional referral center under section 1886(d)(5)(C) of the Social Security Act as of September 30, 1992, that was not classified as such a center after such date but would have been so classified if the reference in section 6003(d) of

OBRA–1989 to ''October 1, 1992,'' had been deemed a reference to ''October 1, 1994,''.

(3) PERIOD OF APPLICABILITY.—In paragraph (1), the ''period of applicability'' is the period that begins on October 1, 1992, and ends on the date of the enactment of this Act.

SEC. 13416. MEDICARE-DEPENDENT, SMALL RURAL HOSPITAL PAYMENT EXTENSION.

(a) EXTENSION OF ADDITIONAL PAYMENTS.—Effective on the date of the enactment of this Act, section 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is amended—

(1) in clause (i) in the matter preceding subclause (I)—

(A) by inserting ''(or portion thereof)'' after ''cost reporting period'', and

(B) by striking ''March 31, 1993,'' and all that follows and inserting the following: ''September 30, 1994, in the case of a subsection (d) hospital which is a medicare-dependent, small rural hospital, payment under paragraph (1)(A) shall be equal to the sum of the amount determined under clause (ii) and the amount determined under paragraph (1)(A)(iii).'';

(2) by redesignating clauses (ii) and (iii) as clauses (iii) and (iv); and

(3) by inserting after clause (i) the following new clause:

''(ii) The amount determined under this clause is

''(I) for discharges occurring during the first 3 12-month cost reporting periods that begin on or after April 1, 1990, the amount by which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii); and

''(II) for discharges occurring during any subsequent cost reporting period (or portion thereof), 50 percent of the amount by which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii).''.

(b) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a medicare-dependent, small rural hospital under section 1886(d)(5)(G)(i) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for

fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than section 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(c) REQUIRING LUMP-SUM RETROACTIVE PAYMENT.—

(1) IN GENERAL.—In the case of a hospital treated as a medicare dependent, small rural hospital under section 1886(d)(5)(G) of the Social Security Act, the Secretary of Health and Human Services shall make a lump sum payment to the hospital equal to the difference between the aggregate payment made to the hospital under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (2) and the aggregate payment that would have been made to the hospital under such section if, during the period

of applicability, section 1886(d)(5)(G) of such Act had been applied as if—

(A) the reference in clause (i) to ''March 31, 1993,'' had been deemed a reference to ''September 30, 1994,''; and

(B) the amendments made by subsection (a) had been in effect.

(2) PERIOD OF APPLICABILITY.—In paragraph (1), the ''period of applicability'' is, with respect to a hospital, the period that begins on the first day of the hospital's first 12-month cost reporting period that begins after April 1, 1992, and ends on the date of the enactment of this Act.

SEC. 13417. EXTENSION OF REGIONAL FLOOR.

Section 1886(d)(1)(A)(iii) (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking ''September 30, 1993'' and inserting ''September 30, 1996''.

SEC. 13418. EXTENSION OF RURAL HOSPITAL DEMONSTRATION.

Section 4008(i)(1) of OBRA–1990 is amended by adding at the end the following new sentence: ''The Secretary shall continue any such demonstration project until at least December 31, 1995.''.

SEC. 13419. HEMOPHILIA PASS-THROUGH EXTENSION.

Effective as if included in the enactment of OBRA–1989, section 6011(d) of such Act is amended by striking ''2 years after the date of enactment of this Act'' and inserting ''September 30, 1994''.

SEC. 13420. STATE HOSPITAL PAYMENT PROGRAMS.

In the case of a State hospital reimbursement system that meets the requirements of section 1814(b)(3) of the Social Security Act, no other provision of law shall be construed as preventing the system from providing that payment for services covered under the system be made on the basis of rates provided for under the system.

SEC. 13421. PSYCHOLOGY SERVICES IN HOSPITALS.

Section 1861(e)(4) (42 U.S.C. 1395x(e)(4)) is amended by striking ''physician;'' and inserting ''physician, except that a patient receiving qualified psychologist services (as defined in subsection (ii)) may be under the care of a clinical psychologist with respect to such services to the extent permitted under State law;''.

SEC. 13422. GRADUATE MEDICAL EDUCATION PAYMENTS IN HOSPITAL-OWNED COMMUNITY HEALTH CENTERS.

Section 1886(d)(5)(B)(iv) (42 U.S.C. 1395ww(d)(5)(B)(iv)) is amended by inserting after ''the hospital'' the following: ''or providing services at any entity receiving a grant under section 330 of the Public

Health Service Act that is under the ownership or control of the hospital (if the hospital incurs all, or substantially all, of the costs of the services furnished to the hospital by such interns and residents)''.

SEC. 13423. TREATMENT OF CERTAIN MILITARY FACILITIES.

(a) COVERAGE OF SERVICES PROVIDED IN CERTAIN UNIFORMED SERVICES TREATMENT FACILITIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services may not take any recoupment action to recover amounts that were paid by the United States under title XVIII of the Social Security Act to the facilities described in paragraph (2) (or to other individuals or entities with whom such facilities had entered into agreements to provide services under such title) for services provided during the period beginning October 1, 1986, and ending December 31, 1989, except to the extent that funds were obligated to the Uniformed Services Treatment Facilities program to fulfill such an action pursuant to title VI of the Department of Defense Appropriations Act, 1993.

(2) FACILITIES DESCRIBED.—The facilities referred to in paragraph (1) are the hospitals described in section 248c of title 42, United States

Code, that are located in Boston, Massachusetts; Baltimore, Maryland; and Seattle, Washington.

(b) STUDY OF JOINT MEDICAL FACILITIES.—

(1) STUDY.—The Secretary of Health and Human Services, in consultation with the Secretary of Defense and the Secretary of Veterans Affairs, shall conduct a study of the feasibility and desirability of establishing joint medical facilities among the Department of Defense, the Department of Veterans' Affairs, and other public and private entities, and shall include in such study an analysis of the need to make changes in the medicare and medicaid programs (including facility certification standards under such programs) in order to facilitate the establishment of such joint medical facilities.

(2) REPORT.—Not later than October 1, 1993, the Secretary of Health and Human Services shall submit a report to Congress on the study conducted under paragraph (1).

SEC. 13424. EPILEPSY DRG.

(a) IN GENERAL.—The Secretary of Health and Human Services shall review the diagnosis-related groups established pursuant to section 1886(d)(4) of the Social Security Act that are assigned to discharges of patients with intractable epilepsy, including patients whose admis-

sions involve intensive neurodiagnostic monitoring, and shall revise, for discharges occurring on or after October 1, 1994, the assignment of discharges to such groups as the Secretary considers appropriate to account for the resource requirements of such patients.

(b) CONSULTATION REQUIREMENTS.—In carrying out subsection (a), the Secretary shall consult with the Prospective Payment Assessment Commission and national organizations representing individuals with epilepsy or individuals and entities providing specialized medical services to such individuals related to the treatment of epilepsy.

SEC. 13425. SKILLED NURSING FACILITY WAGE INDEX.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall begin to collect data on employee compensation and paid hours of employment in skilled nursing facilities for the purpose of constructing a skilled nursing facility wage index adjustment to the routine service cost limits required under section 1888(a)(4) of the Social Security Act.

(b) PROPAC REPORT.—The Prospective Payment Assessment Commission shall, by March 1, 1994, study and report to the Congress on the impact of applying rou-

tine per diem cost limits for skilled nursing facilities on a regional basis.

SEC. 13426. HOSPICE NOTIFICATION TO BENEFICIARIES.

(a) HOSPITALS.—Section 1861(ee)(2)(D) (42 U.S.C. 1395x(ee)(2)(D)) is amended by inserting ‘‘, including hospice services,’’ after ‘‘post-hospital services’’.

(b) NURSING FACILITIES.—Section 1819(c)(1)(B) (42 U.S.C. 1395i–3(c)(1)(B)) is amended—

(1) by striking ‘‘and’’ at the end of clause (ii);

(2) by striking the period at the end of clause (iii) and inserting ‘‘; and’’; and

(3) by inserting after clause (iii) the following new clause:

‘‘(iv) inform each resident who is entitled to benefits under this title, orally and in writing at the time of admission to the facility, of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the facility to refer patients to hospice programs located outside such geographic area).’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 13427. REDUCTION IN PART A PREMIUM FOR CERTAIN INDIVIDUALS WITH 30 OR MORE QUARTERS OF SOCIAL SECURITY COVERAGE.

(a) IN GENERAL.—Section 1818(d) (42 U.S.C. 1395i–2(d)) is amended—

(1) in the second sentence of paragraph (2), by striking ''Such amount'' and inserting ''Subject to paragraph (4), the amount of an individual's monthly premium under this section''; and

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

''(4)(A) In the case of an individual described in subparagraph (B), the monthly premium for a month shall be reduced by the applicable reduction percent specified in the following table:

"For a month in:	**The applicable reduction percent is:**
1994	25 percent
1995	30 percent
1996	35 percent
1997	40 percent
1998 or subsequent year	45 percent.

''(B) An individual described in this subparagraph with respect to a month is an individual who establishes

to the satisfaction of the Secretary that, as of the last day of the previous month, the individual—

''(i) had at least 30 quarters of coverage under title II;

''(ii) was married (and had been married for the previous 1 year period) to an individual who had at least 30 quarters of coverage under such title;

''(iii) had been married to an individual for a period of at least 1 year (at the time of the individual's death) if at such time the individual had at least 30 quarters of coverage under such title; and

''(iv) is divorced from an individual and had been married to the individual for a period of at least 10 years (at the time of the divorce) if at such time the individual had at least 30 quarters of coverage under such title.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to monthly premiums under section 1818 of the Social Security Act for months beginning with January 1, 1994.

SEC. 13428. PERIODIC UPDATES TO SALARY EQUIVALENCY GUIDELINES FOR PHYSICAL THERAPY AND RESPIRATORY THERAPY SERVICES.

(a) IN GENERAL.—Section 1861(v)(5) (42 U.S.C. 1395x(v)(5)) is amended by adding at the end the following new subparagraph:

''(C) Using the most recent available data, the Secretary shall update, not less often than every 3 years, the salary equivalency guidelines used under subparagraph (A) with respect to physical therapy and respiratory therapy services.''.

(b) EFFECTIVE DATE.—The Secretary of Health and Human Services shall first update the salary equivalency guidelines, under the amendment made by subsection (a), by not later than December 31, 1993. Such updated guidelines shall apply to cost reporting periods beginning on or after July 1, 1993.

SEC. 13429. EXTENSION OF DEADLINE FOR APPLICATION FOR GEOGRAPHIC CLASSIFICATION FOR CERTAIN RECLASSIFIED HOSPITALS.

Notwithstanding section 1886(d)(10)(C)(ii) of the Social Security Act, a hospital may submit an application to the Medicare Geographic Classification Review Board requesting a change in geographic classification for fiscal year 1994 after the first day of fiscal year 1993 if—

(1) the hospital's geographic classification for fiscal year 1994 was changed from urban to rural as a result of the issuance of the Revised Statistical Definitions for Metropolitan Areas established by the Office of Management and Budget on December 28, 1992 (pursuant to OMB Bulletin No. 93-05); and

(2) the hospital submits the application not later than 60 days after the date of the enactment of this Act.

SEC. 13430. CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION; MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION.—The first sentence of section 1886(a)(4) (42 U.S.C. 1395ww(a)(4)) is further amended by striking ''and includes'' and inserting ''and (in the case of a subsection (d) hospital) includes''.

(b) TECHNICAL CORRECTION RELATING TO RESIDENT ASSESSMENT IN NURSING HOMES.—Section 1819(b)(3)(C)(i)(I) (42 U.S.C. 1395i–3(b)(3)(C)(i)(I)) is amended by striking ''not later than'' before ''14 days''.

(c) CLERICAL CORRECTIONS.—(1) Section 1814(i)(1)(C)(i) (42 U.S.C. 1395f(i)(1)(C)(i)) is amended by striking ''1990,,'' and inserting ''1990,''.

(2) Section 1816(f)(2)(A)(ii) (42 U.S.C. 1396h(f)(2)(A)(ii)) is amended by striking ''such agency'' and inserting ''such agency's''.

(3) Section 1886(d)(1)(A)(iii) (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking '', the sum of'' and inserting ''is equal to the sum of''.

CHAPTER 2—PROVISIONS RELATING TO PART B

Subchapter A—Elimination of Inflation Update

SEC. 13431. ELIMINATION OF INFLATION UPDATE FOR PHYSICIAN AND RELATED PROFESSIONAL SERVICES.

(a) NO INCREASE IN INDEX.—Section 1848(d)(3)(A) (42 U.S.C. 1395w–4(d)(3)(A)) is amended—

(1) in clause (i), by striking ''clause (iii)'' and inserting ''clauses (iii) and (iv)'', and

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

''(iv) NO INCREASE IN INDEX FOR 1994 OR 1995.—In applying clause (i) for services furnished on or after January 1, 1994, the percentage increase in the appropriate update index for each of 1994 and 1995 shall be 0 per cent.''.

(b) NO INCREASE IN MEI FOR 1994 AND 1995.—Section 1842(b)(4)(E) (42 U.S.C. 1395u(b)(4)(E)) is amended by adding at the end the following new clause:

''(vi) For purposes of this part for items and services furnished in 1994 or 1995, the percentage increase in the MEI is 0 percent.''.

SEC. 13432. ELIMINATION OF COST-OF-LIVING ADJUSTMENTS FOR CERTAIN ITEMS AND SERVICES.

(a) CLINICAL LABORATORY SERVICES.—Section 1833(h)(2)(A)(ii) (42 U.S.C. 1395l(h)(2)(A)(ii)) is amended—

(1) by striking ''and'' at the end of subclause (II),

(2) by striking the period at the end of subclause (III) and inserting '', and'', and

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

''(IV) the annual adjustment in the fee schedules determined under clause (i) for each of the years 1994 and 1995 shall be 0 percent.''.

(b) DURABLE MEDICAL EQUIPMENT.—Section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended—

(1) in subparagraph (A), as amended by 13469(a), by striking ''and'' at the end;

(2) in subparagraph (B)—

(A) by striking ''a subsequent year'' and inserting ''1993'', and

(B) by striking ''June of the previous year.'' and inserting ''June 1992,''; and

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

''(C) for 1994 and 1995, no percentage change, and

''(D) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.''.

(c) ORTHOTICS AND PROSTHETICS.—Section 1834(h)(4)(A) (42 U.S.C. 1395m(h)(4)(A)) is amended—

(1) in clause (i), by striking ''and'';

(2) in clause (ii), by striking ''a subsequent year'' and inserting ''1992 and 1993''; and

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

''(iii) for 1994 and 1995, 0 percent, and

''(iv) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (United

States city average) for the 12-month period ending with June of the previous year;''.

(d) REASONABLE CHARGE LIMITS FOR ENTERAL AND PARENTERAL NUTRIENTS, SUPPLIES AND EQUIPMENT.—In determining the amount of payment under part B of title XVIII of the Social Security Act during 1994 and 1995, the charges determined to be reasonable with respect to parenteral and enteral nutrients, supplies, and equipment may not exceed the charges determined to be reasonable with respect to such nutrients, supplies, and equipment during 1993.

SEC. 13433. AMBULATORY SURGICAL CENTER SERVICES.

(a) ELIMINATION OF INFLATION UPDATE.—The Secretary of Health and Human Services shall not provide for any inflation update in the payment amounts under subparagraphs (A) and (B) of section 1833(i)(2) of the Social Security Act for fiscal year 1994 or for fiscal year 1995.

(b) CONFORMING AMENDMENT.—Section 1833(i)(2)(C) (42 U.S.C. 1395l(i)(2)(C)), as added by section 13453(a)(2)(B), is amended by striking ''fiscal year 1995'' and inserting ''fiscal year 1996''.

SEC. 13434. OTHER ITEMS AND SERVICES UNDER PART B.

(a) RURAL HEALTH CLINIC SERVICES; FEDERALLY-QUALIFIED HEALTH CENTER SERVICES; COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—In determining the amount of payment made for rural health clinic services, Federally qualified health center services, or comprehensive outpatient rehabilitation facility services furnished under part B of title XVIII of the Social Security Act for services furnished on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the applicable limits used to determine the costs which are reasonable and related to the cost of furnishing such services under section 1833(a)(3) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(b) DIALYSIS SERVICES.—In determining the amount of payment made for dialysis services furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the payment amounts determined under section 1881(b)(2)(B) of such Act or the rates determined under section 1881(b)(7) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(c) OTHER PART B ITEMS AND SERVICES.—In determining the amount of payment made for an item or service furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, other than an item or service to which a preceding provision of (or amendment made by) this subchapter applies, the Secretary of Health and Human Services shall provide that any inflation update in the fee schedule amount for the item or service established under such part B of such title, or (if applicable) any applicable limit used to determine the actual charge, reasonable charge, or reasonable cost for the item or service under such part, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

Subchapter B—Physicians' Services

SEC. 13441. REINSTATING SEPARATE PAYMENT FOR THE INTERPRETATION OF ELECTROCARDIOGRAMS (EKGS).

(a) IN GENERAL.—Paragraph (3) of section 1848(b) (42 U.S.C. 1395w–4(b)) is amended to read as follows:

"(3) TREATMENT OF INTERPRETATION OF ELECTROCARDIOGRAMS.—The Secretary—

"(A) shall make separate payment under this section for the interpretation of electrocardiograms performed or ordered to be per-

formed as part of or in conjunction with a visit to or a consultation with a physician, and

''(B) shall adjust the relative values established for visits and consultations under subsection (c) so as not to include relative value units for interpretations of electrocardiograms in the relative value for visits and consultations.''.

(b) ASSURING BUDGET NEUTRALITY.—Section 1848(c)(2) (42 U.S.C. 1395w–4(c)(2)) is amended by adding at the end the following new subparagraph:

''(E) BUDGET NEUTRALITY ADJUSTMENTS.—The Secretary—

''(i) shall reduce the relative values for all services (other than anesthesia services) established under this paragraph (and, in the case of anesthesia services, the conversion factor established by the Secretary for such services) by such percentage as the Secretary determines to be necessary so that, beginning in 1996, the amendment made by section 13441(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section that exceed the amount

of such expenditures that would have been made if such amendment had not been made, and

''(ii) shall reduce the amounts determined under subsection (a)(2)(B)(i)(I) by such percentage as the Secretary determines to be required to assure that, taking into account the reductions made under clause (i), the amendment made by section 13441(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section in 1993 that exceed the amount of such expenditures that would have been made if such amendment had not been made.''.

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w–4) is amended—

(1) in subsection (a)(2)(B)(i)(I), by inserting ''and as adjusted under subsection (c)(2)(E)(ii)'' after ''for 1993'';

(2) in subsection (c)(2)(A)(i), by adding at the end the following: ''Such relative values are subject to adjustment under subparagraph (E)(i).''; and

(3) in subsection (i)(1)(B), by adding at the end ''including adjustments under subsection (c)(2)(E),''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after January 1, 1994.

SEC. 13442. PAYMENTS FOR NEW PHYSICIANS AND PRACTITIONERS.

(a) EQUAL TREATMENT OF NEW PHYSICIANS AND PRACTITIONERS.—(1) Section 1848(a) (42 U.S.C. 1395w–4(a)) is amended by striking paragraph (4).

(2) Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is amended by striking subparagraph (F).

(b) BUDGET NEUTRALITY ADJUSTMENT.—Notwithstanding any other provision of law, the Secretary of Health and Human Services shall reduce the following values and amounts for 1993 (to be applied for that year and subsequent years) by such uniform percentage as the Secretary determines to be required to assure that the amendments made by subsection (a) will not result in expenditures under part B of title XVIII of the Social Security Act in 1993 that exceed the amount of such expenditures that would have been made if such amendments had not been made:

(1) The relative values established under section 1848(c) of such Act for services (other than anesthesia services) and, in the case of anesthesia services, the conversion factor established under section 1848 of such Act for such services.

(2) The amounts determined under section 1848(a)(2)(B)(i)(I) of such Act.

(3) The prevailing charges or fee schedule amounts to be applied under such part for services of a health care practitioner (as defined in section 1842(b)(4)(F)(ii)(I) of such Act, as in effect before the date of the enactment of this Act).

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w–4), as amended by section 13441(c), is amended—

(1) in subsection (a)(2)(B)(i)(I), by inserting ''and section 13442(b) of the Omnibus Budget Reconciliation Act of 1993'' after ''(c)(2)(E)(ii)'' after ''for 1993'';

(2) in subsection (c)(2)(A)(i), by inserting ''and section 13442(b) of the Omnibus Budget Reconciliation Act of 1993'' after ''under subparagraph (E)(i)''; and

(3) in subsection (i)(1)(B), by inserting ''and section 13442(b) of the Omnibus Budget Reconcili-

ation Act of 1993'' after ''under subsection (c)(2)(E)''.

(d) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13443. RETAINING PAYMENT FOR ACTUAL ANESTHESIA TIME.

(a) PHYSICIANS' SERVICES.—Section 1848(b)(2)(B) (42 U.S.C. 1395w–4(b)(2)(B)) is amended by adding at the end the following: ''The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section.''.

(b) SERVICES OF CERTIFIED REGISTERED NURSE ANESTHETISTS.—Section 1833(l)(1)(B) (42 U.S.C. 1395l(l)(1)(B)) is amended by adding at the end the following: ''The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take apply to services furnished on or after the date of the enactment of this Act.

SEC. 13444. GEOGRAPHIC COST OF PRACTICE INDEX REFINEMENTS.

(a) REQUIRING CONSULTATION WITH REPRESENTATIVES OF PHYSICIANS IN REVIEWING GEOGRAPHIC ADJUSTMENT FACTORS.—Section 1848(e)(1)(C) (42 U.S.C. 1395w–4(e)(1)(C)) is amended by striking ''shall review'' and inserting ''shall, in consultation with appropriate representatives of physicians, review''.

(b) USE OF MOST RECENT DATA IN GEOGRAPHIC ADJUSTMENT.—Section 1848(e)(1) (42 U.S.C. 1395w–4(e)(1)) is amended by adding at the end the following new subparagraph:

> ''(D) USE OF RECENT DATA.—In establishing indices and index values under this paragraph, the Secretary shall use the most recent data available relating to practice expenses, malpractice expenses, and physician work effort in different fee schedule areas.''.

(c) DEADLINE FOR INITIAL REVIEW AND REVISION.—The Secretary of Health and Human Services shall first review and revise geographic adjustment factors under section 1848(e)(1)(C) of the Social Security Act by not later than January 1, 1995. Not later than April 1, 1994, the Secretary shall study and report to the Committee on Finance of the Senate and the Committee on Ways and Means and the Committee on Energy and Commerce

of the House of Representatives on the construction of the geographic cost of practice index under section 1848(e)(1)(A)(i) of such Act.

(d) REPORT ON REVIEW PROCESS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall study and report to the Committee on Finance of the Senate and the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives on—

(1) the data necessary to review and revise the indices established under section 1848(e)(1)(A) of the Social Security Act, including—

(A) the shares allocated to physicians' work effort, practice expenses (other than malpractice expenses), and malpractice expenses;

(B) the weights assigned to the input components of such shares; and

(C) the index values assigned to such components;

(2) any limitations on the availability of data necessary to review and revise such indices at least every three years;

(3) ways of addressing such limitations, with particular attention to the development of alternative

data sources for input components for which current index values are based on data collected less frequently than every three years; and

(4) the costs of developing more accurate and timely data.

(e) DEVELOPMENT OF CRITERIA FOR USE IN DETERMINING PAYMENT LOCALITIES.—The Physician Payment Review Commission shall conduct a study to develop criteria that would be used to refine the fee schedule areas that are used within States, in applying geographic adjustment factors for computing payment amounts, under section 1848 of the Social Security Act. The Commission shall include a report on such study in its recommendations submitted to the Congress under section 1845(b) of such Act in 1994.

SEC. 13445. EXTRA-BILLING.

(a) ENFORCEMENT AND UNIFORM APPLICATION.—

(1) ENFORCEMENT.—Paragraph (1) of section 1848(g) (42 U.S.C. 1395w–4(g)) is amended to read as follows:

''(1) LIMITATION ON ACTUAL CHARGES.—

''(A) IN GENERAL.—In the case of a nonparticipating physician or nonparticipating supplier or other person (as defined in section 1842(i)(2)) who does not accept payment on an

assignment-related basis for a physician's service furnished with respect to an individual enrolled under this part, the following rules apply:

"(i) APPLICATION OF LIMITING CHARGE.—No person may bill or collect an actual charge for the service in excess of the limiting charge described in paragraph (2) for such service.

"(ii) NO LIABILITY FOR EXCESS CHARGES.—No person is liable for payment of any amounts billed for the service in excess of such limiting charge.

"(iii) CORRECTION OF EXCESS CHARGES.—If such a physician, supplier, or other person bills, but does not collect, an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall reduce on a timely basis the actual charge billed for the service to an amount not to exceed the limiting charge for the service.

"(iv) REFUND OF EXCESS COLLECTIONS.—If such a physician, supplier, or other person collects an actual charge for a service in violation of clause (i), the phy-

sician, supplier, or other person shall provide on a timely basis a refund to the individual charged in the amount by which the amount collected exceeded the limiting charge for the service. The amount of such a refund shall be reduced to the extent the individual has an outstanding balance owed by the individual to the physician.

''(B) SANCTIONS.—If a physician, supplier, or other person—

''(i) knowingly and willfully bills or collects for services in violation of subparagraph (A)(i) on a repeated basis, or

''(ii) fails to comply with clause (iii) or (iv) of subparagraph (A) on a timely basis,

the Secretary may apply sanctions against the physician, supplier, or other person in accordance with paragraph (2) of section 1842(j). In applying this subparagraph, paragraph (4) of such section applies in the same manner as such paragraph applies to such section and any reference in such section to a physician is deemed also to include a reference to a supplier or other person under this subparagraph.

''(C) TIMELY BASIS.—For purposes of this paragraph, a correction of a bill for an excess charge or refund of an amount with respect to a violation of subparagraph (A)(i) in the case of a service is considered to be provided 'on a timely basis', if the reduction or refund is made not later than 30 days after the date the physician, supplier, or other person is notified by the carrier under this part of such violation and of the requirements of subparagraph (A).''.

(2) UNIFORM APPLICATION OF EXTRA-BILLING LIMITS TO PHYSICIANS' SERVICES.—

(A) IN GENERAL.—Section 1848(g)(2)(C) (42 U.S.C. 1395w–4(g)(2)(C)) is amended by inserting ''or for nonparticipating suppliers or other persons'' after ''nonparticipating physicians''.

(B) CONFORMING DEFINITION.—Section 1842(i)(2) (42 U.S.C. 1395u(i)(2)) is amended—

(i) by striking '', and the term'' and inserting ''; the term'', and

(ii) by inserting before the period at the end the following: ''; and the term 'nonparticipating supplier or other person'

means a supplier or other person (excluding a provider of services) that is not a participating physician or supplier (as defined in subsection (h)(1))''.

(b) PRE-PAYMENT SCREENING OF CLAIMS.—Subparagraph (G) of section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended to read as follows:

''(G) will, for a service that is furnished with respect to an individual enrolled under this part, that is not paid on an assignment-related basis, and that is subject to a limiting charge under section 1848(g)—

''(i) determine, prior to making payment, whether the amount billed for such service exceeds the limiting charge applicable under section 1848(g)(2);

''(ii) notify the physician, supplier, or other person periodically (but not less often than once every 30 days) of determinations that amounts billed exceeded such applicable limiting charges; and

''(iii) provide for prompt response to inquiries of physicians, suppliers, and other persons concerning the accuracy of such limiting charges for their services;''.

(c) INFORMATION ON EXTRA-BILLING LIMITS.—

(1) PART OF EXPLANATION OF MEDICARE BENEFITS.—Section 1842(h)(7) (42 U.S.C. 1395u(h)(7)) is amended—

(A) by striking ''and'' at the end of subparagraph (B),

(B) in subparagraph (C), by striking ''shall include'' and by striking the period at the end and inserting '', and'', and

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

''(D) in the case of services for which the billed amount exceeds the limiting charge imposed under section 1848(g), information regarding such applicable limiting charge (including information concerning the right to a refund under section 1848(g)(1)(A)(iv)).''.

(2) REPORT ON CHARGES IN EXCESS OF LIMITING CHARGE.—Section 1848(g)(6)(B) (42 U.S.C. 1395w–4(g)(6)(B)) is amended by inserting ''the extent to which actual charges exceed limiting charges, the number and types of services involved, and the average amount of excess charges and'' after ''report to the Congress''.

(d) APPLYING THE LIMITING CHARGE TO NONPHYSICIAN SERVICES PROVIDED UNDER THE PHYSICIAN FEE SCHEDULE.—Section 1848 (42 U.S.C. 1395w–4) is amended—

(1) in subsection (a)(3), by inserting ''AND SUPPLIERS'' after ''PHYSICIANS'', and by inserting ''or a nonparticipating supplier or other person'' after ''nonparticipating physician'' and by adding at the end the following: ''In the case of physicians' services (including services which the Secretary excludes pursuant to subsection (j)(3)) of a nonparticipating physician, supplier, or other person for which payment is made under this part on a basis other than the fee schedule amount, the payment shall be based on 95 percent of the payment basis for such services furnished by a participating physician, supplier, or other person.'';

(2) in subsection (g)(1)(A), as amended by subsection (a), in the matter before clause (i), by inserting ''(including services which the Secretary excludes pursuant to subsection (j)(3))'' after ''a physician's service'';

(3) in subsection (g)(2)(D), by inserting ''(or, if payment under this part is made on a basis other

than the fee schedule under this section, 95 percent of the other payment basis)'' after ''subsection (a)'';

(4) in subsection (g)(3)(B)—

(A) by inserting after the first sentence the following: '' No person is liable for payment of any amounts billed for such a service in violation of the previous sentence.'', and

(B) in the last sentence, by striking ''previous sentence'' and inserting ''first sentence'';

(5) in subsection (h)—

(A) by inserting ''or nonparticipating supplier or other person furnishing physicians' services (as defined in section 1848(j)(3))'' after ''physician'' the first place it appears,

(B) by inserting '', supplier, or other person'' after ''physician'' the second place it appears, and

(C) by inserting '', suppliers, and other persons'' after ''physicians'' the second place it appears; and

(6) in subsection (j)(3), by inserting '', except for purposes of subsections (a)(3), (g), and (h)'' after ''tests and''.

(e) CLARIFICATION OF MANDATORY ASSIGNMENT RULES FOR CERTAIN PRACTITIONERS.—

(1) IN GENERAL.—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by adding at the end the following new paragraph:

''(19)(A) Payment for any service furnished by a practitioner described in subparagraph (C) and for which payment may be made under this part on a reasonable charge or fee schedule basis may only be made under this part on an assignment-related basis.

''(B) A practitioner described in subparagraph (C) or other person may not bill (or collect any amount from) the individual or another person for any service described in subparagraph (A), except for deductible and coinsurance amounts applicable under this part. No person is liable for payment of any amounts billed for such a service in violation of the previous sentence. If a practitioner or other person knowingly and willfully bills (or collects an amount) for such a service in violation of such sentence, the Secretary may apply sanctions against the practitioner or other person in the same manner as the Secretary may apply sanctions against a physician in accordance with section 1842(j)(2) in the same manner as such section applies with respect to a physician. Paragraph (4) of section 1842(j) shall apply in this subparagraph in the same manner as such paragraph applies to such section.

"(C) A practitioner described in this subparagraph is any of the following:

"(i) A physician assistant, nurse practitioner, or clinical nurse specialist (as defined in section 1861(aa)(5)).

"(ii) A certified registered nurse anesthetist (as defined in section 1861(bb)(2)).

"(iii) A certified nurse-midwife (as defined in section 1861(gg)(2)).

"(iv) A clinical social worker (as defined in section 1861(hh)(1)).

"(v) A clinical psychologist (as defined by the Secretary for purposes of section 1861(ii)).

"(D) For purposes of this paragraph, a service furnished by a practitioner described in subparagraph (C) includes any services and supplies furnished as incident to the service as would otherwise be covered under this part if furnished by a physician or as incident to a physician's service.".

(2) CONFORMING AMENDMENTS.—

(A) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (l)(5), by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B);

(ii) by striking subsection (p); and

(iii) in subsection (r), by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(B) Section 1842(b)(12) (42 U.S.C. 1395u(b)(12)) is amended by striking subparagraph (C).

(f) MISCELLANEOUS AND TECHNICAL AMENDMENTS.—Section 1833 (42 U.S.C. 1395l) is amended—

(1) in subsection (a)(1), as amended by section 13479(e)(2)—

(A) by striking ''and'' before ''(O)'', and

(B) by inserting before the semicolon at the end the following: '', and (P) with respect to services described in clauses (i), (ii) and (iv) of section 1861(s)(2)(K), the amounts paid are subject to the provisions of section 1842(b)(12)''; and

(2) in subsection (h)(5)(D)—

(A) by striking ''paragraphs (2) and (3)'' and by inserting ''paragraph (2)'', and

(B) by adding at the end the following: ''Paragraph (4) of such section shall apply in this subparagraph in the same manner as such paragraph applies to such section.''.

(g) EFFECTIVE DATES.—

(1) ENFORCEMENT AND UNIFORM APPLICATION; MISCELLANEOUS AND TECHNICAL AMENDMENTS.—The amendments made by subsections (a), (d), and (f) shall apply to services furnished on or after the date of the enactment of this Act; except that such amendments made by subsections (a) and (d) shall not apply to services of a nonparticipating supplier or other person furnished before January 1, 1994.

(2) CARRIER DETERMINATIONS.—The amendments made by subsection (b) shall apply to contracts as of January 1, 1994.

(3) EOMBS.—The amendments made by subsection (c)(1) shall apply to explanations of benefits provided on or after January 1, 1994.

(4) REPORT.—The amendment made by subsection (c)(2) shall apply to reports for years beginning with 1994.

(5) PRACTITIONERS.—The amendments made by subsection (e) shall apply to services furnished on or after January 1, 1994.

SEC. 13446. RELATIVE VALUES FOR PEDIATRIC SERVICES.

(a) IN GENERAL.—The Secretary of Health and Human Services shall fully develop, by not later than July

1, 1994, relative values for the full range of pediatric physicians' services which are consistent with the relative values developed for other physicians' services under section 1848(c) of the Social Security Act. In developing such values, the Secretary shall conduct such refinements as may be necessary to produce appropriate estimates for such relative values.

(b) STUDY.—

(1) IN GENERAL.—The Secretary shall conduct a study of the relative values for pediatric and other services to determine whether there are significant variations in the resources used in providing similar services to different populations. In conducting such study, the Secretary shall consult with appropriate organizations representing pediatricians and other physicians.

(2) REPORT.—Not later than July 1, 1994, the Secretary shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include any appropriate recommendations regarding needed changes in coding or other payment policies to ensure that payments for pediatric services appropriately reflect the resources required to provide these services.

SEC. 13447. ANTIGENS UNDER PHYSICIAN FEE SCHEDULE.

(a) IN GENERAL.—Section 1848(j)(3) (42 U.S.C. 1395w–4(j)(3)) is amended by inserting ''(2)(G),'' after ''(2)(D),''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1995.

SEC. 13448. ADMINISTRATION OF CLAIMS RELATING TO PHYSICIANS' SERVICES.

(a) LIMITATION ON CARRIER USER FEES.—Section 1842(c) (42 U.S.C. 1395u(c)) is amended by adding at the end the following new paragraph:

''(4) Neither a carrier nor the Secretary may impose a fee under this title—

''(A) for the filing of claims related to physicians' services,

''(B) for an error in filing a claim relating to physicians' services or for such a claim which is denied,

''(C) for any appeal under this title with respect to physicians' services,

''(D) for applying for (or obtaining) a unique identifier under subsection (r), or

''(E) for responding to inquiries respecting physicians' services or for providing information with respect to medical review of such services.''.

(b) CLARIFICATION OF PERMISSIBLE SUBSTITUTE BILLING ARRANGEMENTS.—

(1) IN GENERAL.—Clause (D) of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)), as amended by section 13449(f), is amended to read as follows: ''(D) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (r)) and indicates that the claim meets the requirements of this clause for payment to the first physician''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to services furnished on or after the first day of the first month beginning

more than 60 days after the date of the enactment of this Act.

SEC. 13449. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) OVERVALUED PROCEDURES (SECTION 4101 OF OBRA–1990).—(1) Section 1842(b)(16)(B)(iii) (42 U.S.C. 1395u(b)(16)(B)(iii)) is amended—

(A) by striking ‘‘, simple and subcutaneous’’,

(B) by striking ‘‘; small’’ and inserting ‘‘and small’’,

(C) by striking ‘‘treatments;’’ the first place it appears and inserting ‘‘and’’,

(D) by striking ‘‘lobectomy;’’,

(E) by striking ‘‘enterectomy; colectomy; cholecystectomy;’’,

(F) by striking ‘‘; transurerethral resection’’ and inserting ‘‘and resection’’, and

(G) by striking ‘‘sacral laminectomy;’’.

(2) Section 4101(b)(2) of OBRA–1990 is amended—

(A) in the matter before subparagraph (A), by striking ‘‘1842(b)(16)’’ and inserting ‘‘1842(b)(16)(B)’’, and

(B) in subparagraph (B)—

(i) by striking ‘‘, simple and subcutaneous’’,

(ii) by striking ''(HCPCS codes 19160 and 19162)'' and inserting ''(HCPCS code 19160)'', and

(iii) by striking all that follows ''(HCPCS codes 92250'' and inserting ''and 92260).''.

(b) RADIOLOGY SERVICES (SECTION 4102 OF OBRA–1990).—(1) Section 1834(b)(4) (42 U.S.C. 1395m(b)(4)) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively.

(2) Section 1834(b)(4)(D) (42 U.S.C. 1395m(b)(4)(D)) is amended—

(A) in the matter before clause (i), by striking ''shall be determined as follows:'' and inserting ''shall, subject to clause (vii), be reduced to the adjusted conversion factor for the locality determined as follows:'',

(B) in clause (iv), by striking ''LOCAL ADJUSTMENT.—Subject to clause (vii), the conversion factor to be applied to'' and inserting ''ADJUSTED CONVERSION FACTOR.—The adjusted conversion factor for'',

(C) in clause (vii), by striking ''under this subparagraph'', and

(D) in clause (vii), by inserting ''reduced under this subparagraph by'' after ''shall not be''.

(3) Section 4102(c)(2) of OBRA–1990 is amended by striking ''radiology services'' and all that follows and inserting ''nuclear medicine services''.

(4) Section 4102(d) of OBRA–1990 is amended by striking ''new paragraph'' and inserting ''new subparagraph''.

(5) Section 1834(b)(4)(E) (42 U.S.C. 1395m(b)(4)(E)) is amended by inserting ''RULE FOR CERTAIN SCANNING SERVICES.—'' after ''(E)''.

(6) Section 1848(a)(2)(D)(iii) (42 U.S.C. 1395w–4(a)(2)(D)(iii)) is amended by striking ''that are subject to section 6105(b) of the Omnibus Budget Reconciliation Act of 1989'' and by striking ''provided under such section'' and inserting ''provided under section 6105(b) of the Omnibus Budget Reconciliation Act of 1989''.

(c) ANESTHESIA SERVICES (SECTION 4103 OF OBRA–1990).—(1) Section 4103(a) of OBRA–1990 is amended by striking ''REDUCTION IN FEE SCHEDULE'' and inserting ''REDUCTION IN PREVAILING CHARGES''.

(2) Section 1842(q)(1)(B) (42 U.S.C. 1395u(q)(1)(B)) is amended—

(A) in the matter before clause (i), by striking ''shall be determined as follows:'' and inserting ''shall, subject to clause (iv), be reduced to the ad-

justed prevailing charge conversion factor for the locality determined as follows:'', and

(B) in clause (iii), by striking ''Subject to clause (iv), the prevailing charge conversion factor to be applied in'' and inserting ''The adjusted prevailing charge conversion factor for''.

(d) ASSISTANTS AT SURGERY (SECTION 4107 OF OBRA–1990).—(1) Section 4107(c) of OBRA–1990 is amended by inserting ''(a)(1)'' after ''subsection''.

(2) Section 4107(a)(2) of OBRA–1990 is amended by adding at the end the following: ''In applying section 1848(g)(2)(D) of the Social Security Act for services of an assistant-at-surgery furnished during 1991, the recognized payment amount shall not exceed the maximum amount specified under section 1848(i)(2)(A) of such Act (as applied under this paragraph in such year).''.

(e) TECHNICAL COMPONENTS OF DIAGNOSTIC SERVICES (SECTION 4108 OF OBRA–1990).—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by redesignating paragraph (18), as added by section 4108(a) of OBRA–1990, as paragraph (17) and, in such paragraph, by inserting '', tests specified in paragraph (14)(C)(i),'' after ''diagnostic laboratory tests''.

(f) RECIPROCAL BILLING ARRANGEMENTS (SECTION 4110 OF OBRA–1990).—Section 1842(b)(6)(D) (42 U.S.C. 1395u(b)(6)(D)) is amended—

(1) by striking ''visit services (including emergency visits and related services)'' and inserting ''physicians' services (and services furnished incident to such services)'';

(2) by striking ''on an occasional, reciprocal basis'' and inserting ''under an arrangement that is informal and reciprocal or involves per diem or other fee-for-time compensation for services'';

(3) by striking ''visit'' in subclauses (i), (ii), and (iv); and

(4) in subclause (iii), by striking ''the claim'' and all that follows through the comma at the end and inserting ''the claim meets the requirements of this clause for payment to the first physician''.

(g) STUDY OF AGGREGATION RULE FOR CLAIMS OF SIMILAR PHYSICIAN SERVICES (SECTION 4113 OF OBRA–1990).—Section 4113 of OBRA–1990 is amended—

(1) by inserting ''of the Social Security Act'' after ''1869(b)(2)''; and

(2) by striking ''December 31, 1992'' and inserting ''December 31, 1993''.

(h) STATEWIDE FEE SCHEDULES (SECTION 4117 OF OBRA–1990).—Section 4117 of OBRA–1990 is amended—

(1) in subsection (a)—

(A) by striking ''IN GENERAL.—'', and

(B) by striking '', if the'' and all that follows through ''1991, ''; and

(2) by striking subsections (b), (c), and (d).

(i) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) The heading of section 1834(f) (42 U.S.C. 1395m(f)) is amended by striking ''FISCAL YEAR''.

(2)(A) Section 4105(b) of OBRA–1990 is amended—

(i) in paragraph (2), by striking ''amendments'' and inserting ''amendment'', and

(ii) in paragraph (3), by striking ''amendments made by paragraphs (1) and (2)'' and inserting ''amendment made by paragraph (1)''.

(B) Section 1848(f)(2)(C) (42 U.S.C. 1395w–4(f)(2)(C)) is amended by inserting ''PERFORMANCE STANDARD RATES OF INCREASE FOR FISCAL YEAR 1991.—'' after ''(C)''.

(C) Section 4105(d) of OBRA–1990 is amended by inserting ''PUBLICATION OF PERFORMANCE STANDARD RATES.—'' after ''(d)''.

(3) Section 1842(b)(4)(F) (42 U.S.C. 1395u(b)(4)(F)) is amended—

(A) in clause (i), by striking ''prevailing charge'' the first place it appears and inserting ''customary charge''; and

(B) in clause (ii)(III), by striking ''second, third, and fourth'' and inserting ''first, second, and third''.

(4) Section 1842(b)(4)(F)(ii)(I) (42 U.S.C. 1395u(b)(4)(F)(ii)(I)) is amended by striking ''respiratory therapist,''.

(5) Section 4106(c) of OBRA–1990 is amended by inserting ''of the Social Security Act'' after ''1848(d)(1)(B)''.

(6) Section 4114 of OBRA–1990 is amended by striking ''patients'' the second place it appears.

(7) Section 1848(e)(1)(C) (42 U.S.C. 1395w–4(e)(1)(C)) is amended by inserting ''date of the'' after ''since the''.

(8) Section 4118(f)(1)(D) of OBRA–1990 is amended by striking ''is amended''.

(9) Section 4118(f)(1)(N)(ii) of OBRA–1990 is amended by striking ''subsection (f)(5)(A)'' and inserting ''subsection (f)(5)(A))''.

(10) Section 1845(e) (42 U.S.C. 1395w–1(e)) is amended—

(A) by striking paragraph (2); and

(B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4).

(11) Section 4118(j)(2) of OBRA–1990 is amended by striking ''In section'' and inserting ''Section''.

(12)(A) Section 1848(i)(3) (42 U.S.C. 1395w–4(i)(3)) is amended by striking the space before the period at the end.

(B) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended—

(i) by striking ''apply to'' and inserting ''would otherwise apply to'', and

(ii) by inserting before the period at the end ''but for the application of section 1848(i)(3)''.

(j) EFFECTIVE DATE.—The amendments made by this section and the provisions of this section shall take effect as if included in the enactment of OBRA–1990.

Subchapter C—Ambulatory Surgical Center Services

SEC. 13451. DESIGNATION OF CERTAIN HOSPITALS AS EYE OR EYE AND EAR HOSPITALS.

(a) IN GENERAL.—Section 1833(i) (42 U.S.C. 1395l(i)) is amended—

(1) in subparagraph (B)(ii)—

(A) by striking ''the last sentence of this clause'' and inserting ''paragraph (4)'', and

(B) by striking the last sentence; and

(2) by inserting after paragraph (3) the following new paragraph:

''(4)(A) In the case of a hospital that—

''(i) makes application to the Secretary and demonstrates that it specializes in eye services or eye and ear services (as determined by the Secretary),

''(ii) receives more than 30 percent of its total revenues from outpatient services, and

''(iii) on October 1, 1987—

''(I) was an eye specialty hospital or an eye and ear specialty hospital, or

''(II) was operated as an eye or eye and ear unit (as defined in subparagraph (B)) of a general acute care hospital which, on the date of the application described in clause (i), operates less than 20 percent of the beds that the hospital operated on October 1, 1987, and has sold or otherwise disposed of a substantial portion of the hospital's other acute care operations,

the cost proportion and ASC proportion in effect under subclauses (I) and (II) of paragraph (2)(B)(ii) for cost reporting periods beginning in fiscal year 1988 shall remain in effect for cost reporting periods beginning on or after October 1, 1988, and before January 1, 1995.

''(B) For purposes of this subparagraph (A)(iii)(II), the term 'eye or eye and ear unit' means a physically separate or distinct unit containing separate surgical suites devoted solely to eye or eye and ear services.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to portions of cost reporting periods beginning on or after January 1, 1994.

SEC. 13452. TREATMENT OF INTRAOCULAR LENSES.

(a) EXTENSION OF CAP ON PAYMENTS THROUGH 1994.—

(1) IN GENERAL.—Section 4151(c)(3) of OBRA–1990 is amended by striking ''December 31, 1992'' and inserting ''December 31, 1994''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) this subsection shall be effective as if included in the enactment of OBRA–1990.

(b) STUDY OF COSTS OF INTRAOCULAR LENSES.—

(1) STUDY.—The Secretary of Health and Human Services shall conduct a study, based on recent data, of the acquisition costs to providers of

intraocular lenses provided to individuals enrolled under part B of the medicare program and shall include in the study an analysis of the impact of the availability of new technology lenses on such costs.

(2) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit a report on the study conducted under paragraph (1) to the Committee on Finance of the Senate and the Committees on Ways and Means and Energy and Commerce of the House of Representatives, and shall include in the report any recommendations the Secretary considers appropriate regarding the determination of payment amounts for intraocular lenses under part B of the medicare program.

SEC. 13453. TECHNICAL AMENDMENTS.

(a) PAYMENT AMOUNTS FOR SERVICES FURNISHED IN AMBULATORY SURGICAL CENTERS.—

(1) USE OF SURVEY TO DETERMINE INCURRED COSTS.—Section 1833(i)(2)(A)(i) (42 U.S.C. 1395l(i)(2)(A)(i)) is amended by striking the comma at the end and inserting the following: ‘‘, as determined in accordance with a survey (based upon a representative sample of procedures and facilities) taken not later than January 1, 1994, and every 5

years thereafter, of the actual audited costs incurred by such centers in providing such services,''.

(2) AUTOMATIC APPLICATION OF INFLATION ADJUSTMENT.—Section 1833(i)(2) (42 U.S.C. 1395l(i)(2)) is amended—

(A) in the second sentence of subparagraph (A) and the second sentence of subparagraph (B), by striking ''and may be adjusted by the Secretary, when appropriate,''; and

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

''(C) Notwithstanding the second sentence of subparagraph (A) or the second sentence of subparagraph (B), if the Secretary has not updated amounts established under such subparagraphs with respect to facility services furnished during a fiscal year (beginning with fiscal year 1995), such amounts shall be increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with March of the preceding fiscal year.''.

(3) CONSULTATION REQUIREMENT.—The second sentence of section 1833(i)(1) (42 U.S.C. 1395l(i)(1)) is amended by striking the period and inserting the following: '', in consultation with appropriate trade and professional organizations.''.

(b) ADJUSTMENTS TO PAYMENT AMOUNTS FOR NEW TECHNOLOGY INTRAOCULAR LENSES.—

(1) ESTABLISHMENT OF PROCESS FOR REVIEW OF AMOUNTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') shall develop and implement a process under which interested parties may request review by the Secretary of the appropriateness of the reimbursement amount provided under section 1833(i)(2)(A)(iii) of the Social Security Act with respect to a class of new technology intraocular lenses. For purposes of the preceding sentence, an intraocular lens may not be treated as a new technology lens unless it has been approved by the Food and Drug Administration.

(2) FACTORS CONSIDERED.—In determining whether to provide an adjustment of payment with respect to a particular lens under paragraph (1), the Secretary shall take into account whether use of the lens is likely to result in reduced risk of intraoperative or postoperative complication or trauma, accelerated postoperative recovery, reduced induced astigmatism, improved postoperative visual

acuity, more stable postoperative vision, or other comparable clinical advantages.

(3) NOTICE AND COMMENT.—The Secretary shall publish notice in the Federal Register from time to time (but no less often than once each year) of a list of the requests that the Secretary has received for review under this subsection, and shall provide for a 30-day comment period on the lenses that are the subjects of the requests contained in such notice. The Secretary shall publish a notice of his determinations with respect to intraocular lenses listed in the notice within 90 days after the close of the comment period.

(4) EFFECTIVE DATE OF ADJUSTMENT.—Any adjustment of a payment amount (or payment limit) made under this subsection shall become effective not later than 30 days after the date on which the notice with respect to the adjustment is published under paragraph (3).

(c) TECHNICAL CORRECTION RELATING TO BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—

(1) IN GENERAL.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking ''for reporting'' and inserting ''for portions of cost reporting''; and

(B) by striking ''and on or before'' and inserting ''and ending on or before''.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect as if included in the enactment of OBRA–1990.

(d) TECHNICAL CORRECTION RELATED TO CATARACT SURGERY.—Effective as if included in the enactment of OBRA–1990, section 4151(c)(3) of such Act is amended by striking ''for the insertion of an intraocular lens'' and inserting ''for an intraocular lens inserted''.

Subchapter D—Durable Medical Equipment

SEC. 13461. CERTIFICATION OF SUPPLIERS.

(a) REQUIREMENTS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

''(i) REQUIREMENTS FOR SUPPLIERS OF MEDICAL EQUIPMENT AND SUPPLIES.—

''(1) ISSUANCE AND RENEWAL OF SUPPLIER NUMBER.—

''(A) PAYMENT.—Except as provided in subparagraph (C), no payment may be made under this part after October 1, 1993, for items

furnished by a supplier of medical equipment and supplies unless such supplier obtains (and renews at such intervals as the Secretary may require) a supplier number.

''(B) STANDARDS FOR POSSESSING A SUPPLIER NUMBER.—A supplier may not obtain a supplier number unless—

''(i) for medical equipment and supplies furnished on or after October 1, 1993, and on or before December 31, 1994, the supplier meets standards prescribed by the Secretary; and

''(ii) for medical equipment and supplies furnished on or after January 1, 1995, the supplier meets revised standards prescribed by the Secretary (in consultation with representatives of suppliers of medical equipment and supplies, carriers, and consumers) that shall include requirements that the supplier—

''(I) comply with all applicable State and Federal licensure and regulatory requirements;

''(II) maintain a physical facility on an appropriate site;

1 ''(III) have proof of appropriate
2 liability insurance; and
3 ''(IV) meet such other require-
4 ments as the Secretary may specify.
5 ''(C) EXCEPTION FOR ITEMS FURNISHED
6 AS INCIDENT TO A PHYSICIAN'S SERVICE.—
7 Subparagraph (A) shall not apply with respect
8 to medical equipment and supplies furnished as
9 an incident to a physician's service.
10 ''(D) PROHIBITION AGAINST MULTIPLE
11 SUPPLIER NUMBERS.—The Secretary may not
12 issue more than one supplier number to any
13 supplier of medical equipment and supplies un-
14 less the issuance of more than one number is
15 appropriate to identify subsidiary or regional
16 entities under the supplier's ownership or con-
17 trol.
18 ''(E) PROHIBITION AGAINST DELEGATION
19 OF SUPPLIER DETERMINATIONS.—The Sec-
20 retary may not delegate (other than by contract
21 under section 1842) the responsibility to deter-
22 mine whether suppliers meet the standards nec-
23 essary to obtain a supplier number.
24 ''(2) CERTIFICATES OF MEDICAL NECESSITY.—

"(A) STANDARDIZED CERTIFICATES.—Not later than October 1, 1993, the Secretary shall, in consultation with carriers under this part, develop one or more standardized certificates of medical necessity (as defined in subparagraph (C)) for medical equipment and supplies for which the Secretary determines that such a certificate is necessary.

"(B) PROHIBITION AGAINST DISTRIBUTION BY SUPPLIERS OF CERTIFICATES OF MEDICAL NECESSITY.—

"(i) IN GENERAL.—Except as provided in clause (ii), a supplier of medical equipment and supplies may not distribute to physicians or to individuals entitled to benefits under this part for commercial purposes any completed or partially completed certificates of medical necessity on or after October 1, 1993.

"(ii) EXCEPTION FOR CERTAIN BILLING INFORMATION.—Clause (i) shall not apply with respect to a certificate of medical necessity for any item that is not contained on the list of potentially overused items developed by the Secretary under

subsection (a)(15)(A) to the extent that such certificate contains only information completed by the supplier of medical equipment and supplies identifying such supplier and the beneficiary to whom such medical equipment and supplies are furnished, a description of such medical equipment and supplies, any product code identifying such medical equipment and supplies, and any other administrative information (other than information relating to the beneficiary's medical condition) identified by the Secretary. In the event a supplier provides a certificate of medical necessity containing information permitted under this clause, such certificate shall also contain the fee schedule amount and the supplier's charge for the medical equipment or supplies being furnished prior to distribution of such certificate to the physician.

''(iii) PENALTY.—Any supplier of medical equipment and supplies who knowingly and willfully distributes a certificate of medical necessity in violation of clause (i) is subject to a civil money penalty in an

amount not to exceed $1,000 for each such certificate of medical necessity so distributed. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under this subparagraph in the same manner as they apply to a penalty or proceeding under section 1128A(a).

''(C) DEFINITION.—For purposes of this paragraph, the term 'certificate of medical necessity' means a form or other document containing information required by the Secretary to be submitted to show that a covered item is reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.

''(3) COVERAGE AND REVIEW CRITERIA.—

''(A) DEVELOPMENT AND ESTABLISHMENT.—Not later than January 1, 1995, the Secretary, in consultation with representatives of suppliers of medical equipment and supplies, individuals enrolled under this part, and appropriate medical specialty societies, shall develop and establish uniform national coverage and utilization review criteria for 200 items of medi-

cal equipment and supplies selected in accordance with the standards described in subparagraph (B). The Secretary shall publish the criteria as part of the instructions provided to fiscal intermediaries and carriers under this part and no further publication, including publication in the Federal Register, shall be required.

''(B) STANDARDS FOR SELECTING ITEMS SUBJECT TO CRITERIA.—The Secretary may select an item for coverage under the criteria developed and established under subparagraph (A) if the Secretary finds that—

''(i) the item is frequently purchased or rented by beneficiaries;

''(ii) the item is frequently subject to a determination that such item is not medically necessary; or

''(iii) the coverage or utilization criteria applied to the item (as of the date of the enactment of this subsection) is not consistent among carriers.

''(C) ANNUAL REVIEW AND EXPANSION OF ITEMS SUBJECT TO CRITERIA.—The Secretary shall annually review the coverage and utilization of items of medical equipment and supplies

to determine whether items not included among the items selected under subparagraph (A) should be made subject to uniform national coverage and utilization review criteria, and, if appropriate, shall develop and apply such criteria to such additional items.

''(4) DEFINITION.—The term 'medical equipment and supplies'' means—

''(A) durable medical equipment (as defined in section 1861(n));

''(B) prosthetic devices (as described in section 1861(s)(8));

''(C) orthotics and prosthetics (as described in section 1861(s)(9));

''(D) surgical dressings (as described in section 1861(s)(5));

''(E) such other items as the Secretary may determine; and

''(F) for purposes of paragraphs (1) and (3)—

''(i) home dialysis supplies and equipment (as described in section 1861(s)(2)(F)), and

''(ii) immunosuppressive drugs (as described in section 1861(s)(2)(J)).''.

(2) CONFORMING AMENDMENT.—Effective October 1, 1993, paragraph (16) of section 1834(a) (42 U.S.C. 1395m(a)) is repealed.

(b) REPORT ON EFFECT OF UNIFORM CRITERIA ON UTILIZATION OF ITEMS.—Not later than July 1, 1995, the Secretary shall submit a report to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate analyzing the impact of the uniform criteria established under section 1834(i)(3)(A) of the Social Security Act (as added by subsection (a)) on the utilization of items of medical equipment and supplies by individuals enrolled under part B of the medicare program.

(c) USE OF COVERED ITEMS BY DISABLED BENEFICIARIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services in consultation with representatives of suppliers of durable medical equipment under part B of the medicare program and individuals entitled to benefits under such program on the basis of disability, shall conduct a study of the effects of the methodology for determining payments for items of such equipment under such part on the ability of such individuals to obtain items of such equipment, including customized items.

(2) REPORT.—Not later than May 1, 1994, the Secretary shall submit a report to Congress on the study conducted under paragraph (1), and shall include in the report such recommendations as the Secretary considers appropriate to assure that disabled medicare beneficiaries have access to items of durable medical equipment.

(d) CRITERIA FOR TREATMENT OF ITEMS AS PROSTHETICS DEVICES OR ORTHOTICS AND PROSTHETICS.—Not later than July 1, 1994, the Secretary of Health and Human Services shall submit a report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate describing prosthetic devices or orthotics and prosthetics covered under part B of the medicare program that do not require individualized or custom fitting and adjustment to be used by a patient. Such report shall include recommendations for an appropriate methodology for determining the amount of payment for such items under such program.

SEC. 13462. PROHIBITION AGAINST CARRIER FORUM SHOPPING.

(a) IN GENERAL.—Section 1834(a)(12) (42 U.S.C. 1395m(a)(12)) is amended to read as follows:

"(12) USE OF CARRIERS TO PROCESS CLAIMS.—

"(A) DESIGNATION OF REGIONAL CARRIERS.—The Secretary may designate, by regulation under section 1842, one carrier for one or more entire regions to process all claims within the region for covered items under this section.

"(B) PROHIBITION AGAINST CARRIER SHOPPING.—(i) No supplier of a covered item may present or cause to be presented a claim for payment under this part unless such claim is presented to the appropriate regional carrier (as designated by the Secretary).

"(ii) For purposes of clause (i), the term 'appropriate regional carrier' means the carrier having jurisdiction over the geographic area that includes the permanent residence of the patient to whom the item is furnished.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items furnished on or after October 1, 1993.

(c) CLARIFICATION OF AUTHORITY TO DESIGNATE CARRIERS FOR OTHER ITEMS AND SERVICES.—Nothing in this subsection or the amendment made by this sub-

section may be construed to restrict the authority of the Secretary of Health and Human Services to designate regional carriers or modify claims jurisdiction rules with respect to items or services under part B of the medicare program that are not covered items under section 1834(a) of the Social Security Act or prosthetic devices or orthotics and prosthetics under section 1834(h) of such Act.

SEC. 13463. RESTRICTIONS ON CERTAIN MARKETING AND SALES ACTIVITIES.

(a) PROHIBITING UNSOLICITED TELEPHONE CONTACTS FROM SUPPLIERS OF DURABLE MEDICAL EQUIPMENT TO MEDICARE BENEFICIARIES.—

(1) IN GENERAL.—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

''(17) PROHIBITION AGAINST UNSOLICITED TELEPHONE CONTACTS BY SUPPLIERS.—

''(A) IN GENERAL.—A supplier of a covered item under this subsection may not contact an individual enrolled under this part by telephone regarding the furnishing of a covered item to the individual (other than a covered item the supplier has already furnished to the individual) unless—

"(i) the individual gives permission to the supplier to make contact by telephone for such purpose; or

"(ii) the supplier has furnished a covered item under this subsection to the individual during the 15-month period preceding the date on which the supplier contacts the individual for such purpose.

"(B) PROHIBITING PAYMENT FOR ITEMS FURNISHED SUBSEQUENT TO UNSOLICITED CONTACTS.—If a supplier knowingly contacts an individual in violation of subparagraph (A), no payment may be made under this part for any item subsequently furnished to the individual by the supplier.

"(C) EXCLUSION FROM PROGRAM FOR SUPPLIERS ENGAGING IN PATTERN OF UNSOLICITED CONTACTS.—If a supplier knowingly contacts individuals in violation of subparagraph (A) to such an extent that the supplier's conduct establishes a pattern of contacts in violation of such subparagraph, the Secretary shall exclude the supplier from participation in the programs under this Act, in accordance with

the procedures set forth in subsections (c), (f), and (g) of section 1128.''.

(2) REQUIRING REFUND OF AMOUNTS COLLECTED FOR DISALLOWED ITEMS.—Section 1834(a) (42 U.S.C. 1395m(a)), as amended by paragraph (1), is amended by adding at the end the following new paragraph:

''(18) REFUND OF AMOUNTS COLLECTED FOR CERTAIN DISALLOWED ITEMS.—

''(A) IN GENERAL.—If a nonparticipating supplier furnishes to an individual enrolled under this part a covered item for which no payment may be made under this part by reason of paragraph (17)(B), the supplier shall refund on a timely basis to the patient (and shall be liable to the patient for) any amounts collected from the patient for the item, unless—

''(i) the supplier establishes that the supplier did not know and could not reasonably have been expected to know that payment may not be made for the item by reason of paragraph (17)(B), or

''(ii) before the item was furnished, the patient was informed that payment under this part may not be made for that

item and the patient has agreed to pay for that item.

''(B) SANCTIONS.—If a supplier knowingly and willfully fails to make refunds in violation of subparagraph (A), the Secretary may apply sanctions against the supplier in accordance with section 1842(j)(2).

''(C) NOTICE.—Each carrier with a contract in effect under this part with respect to suppliers of covered items shall send any notice of denial of payment for covered items by reason of paragraph (17)(B) and for which payment is not requested on an assignment-related basis to the supplier and the patient involved.

''(D) TIMELY BASIS DEFINED.—A refund under subparagraph (A) is considered to be on a timely basis only if—

''(i) in the case of a supplier who does not request reconsideration or seek appeal on a timely basis, the refund is made within 30 days after the date the supplier receives a denial notice under subparagraph (C), or

''(ii) in the case in which such a reconsideration or appeal is taken, the re-

fund is made within 15 days after the date the supplier receives notice of an adverse determination on reconsideration or appeal.''.

(b) CONFORMING AMENDMENT.—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking ''Paragraph (12)'' and inserting ''Paragraphs (12) and (17)''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to items furnished after the expiration of the 60-day period that begins on the date of the enactment of this Act.

SEC. 13464. ANTI-KICKBACK CLARIFICATION.

(a) IN GENERAL.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a–7b(b)(3)(B)) is amended by inserting before the semicolon ''(except that in the case of a contract supply arrangement between any entity and a supplier of medical supplies and equipment (as defined in section 1834(i)(4), but not including items described in subparagraph (F) of such section), such employment shall not be considered bona fide to the extent that it includes tasks of a clerical and cataloging nature in transmitting to suppliers assignment rights of individuals eligible for benefits under part B of title XVIII, or performance of warehousing or stock inventory functions)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to services furnished on or after the first day of the first month that begins after the expiration of the 60-day period beginning on the date of the enactment of this Act.

SEC. 13465. LIMITATIONS ON BENEFICIARY LIABILITY FOR NONCOVERED SERVICES.

(a) IN GENERAL.—Section 1834(i) (42 U.S.C. 1395m(i)), as added by section 13461(a)(1), is amended—

(1) by redesignating paragraph (4) as paragraph (5), and

(2) by inserting after paragraph (3) the following new paragraph:

''(4) LIMITATION ON PATIENT LIABILITY.—If a supplier of medical equipment and supplies (as defined in paragraph (5))—

''(A) furnishes an item or service to a beneficiary for which no payment may be made by reason of paragraph (1);

''(B) furnishes an item or service to a beneficiary for which payment is denied in advance under subsection (a)(15); or

''(C) furnishes an item or service to a beneficiary for which payment is denied under section 1862(a)(1);

any expenses incurred for items and services furnished to an individual by such a supplier not on an assigned basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of subsection (a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such subsection.''.

(2) CONFORMING AMENDMENT.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a–7b(b)(3)(B)), as amended by section 13464(a), is amended by striking ''1834(i)(4)'' and inserting ''1834(i)(5)''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to items or services furnished on or after October 1, 1993.

SEC. 13466. ADJUSTMENTS FOR INHERENT REASONABLENESS.

(a) ADJUSTMENTS MADE TO FINAL PAYMENT AMOUNTS.—

(1) IN GENERAL.—Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by adding at

the end the following: ''In applying such provisions to payments for an item under this subsection, the Secretary shall make adjustments to the payment basis for the item described in paragraph (1)(B) if the Secretary determines (in accordance with such provisions and on the basis of prices and costs applicable at the time the item is furnished) that such payment basis is not inherently reasonable.''.

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

(b) ADJUSTMENT REQUIRED FOR CERTAIN ITEMS.—

(1) IN GENERAL.—In accordance with section 1834(a)(10)(B) of the Social Security Act (as amended by subsection (a)), the Secretary of Health and Human Services shall determine whether the payment amounts for the items described in paragraph (2) are not inherently reasonable, and shall adjust such amounts in accordance with such section if the amounts are not inherently reasonable.

(2) ITEMS DESCRIBED.—The items referred to in paragraph (1) are decubitus care equipment, transcutaneous electrical nerve stimulators, and any other items considered appropriate by the Secretary.

SEC. 13467. TREATMENT OF NEBULIZERS AND ASPIRATORS.

(a) IN GENERAL.—Section 1834(a)(3)(A) (42 U.S.C. 1395m(a)(3)(A)) is amended by striking ''ventilators, aspirators, IPPB machines, and nebulizers'' and inserting ''ventilators and IPPB machines''.

(b) PAYMENT FOR ACCESSORIES RELATING TO NEBULIZERS AND ASPIRATORS.—Section 1834(a)(2)(A) (42 U.S.C. 1395m(a)) is amended—

(1) by striking ''or'' at the end of clause (i),

(2) by adding ''or'' at the end of clause (ii), and

(3) by inserting after clause (ii) the following new clause:

''(iii) which is an accessory used in conjunction with a nebulizer or aspirator,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 13468. PAYMENT FOR OSTOMY SUPPLIES AND OTHER SUPPLIES.

(a) OSTOMY SUPPLIES, TRACHEOSTOMY SUPPLIES, AND UROLOGICALS.—

(1) IN GENERAL.—Section 1834(h)(1) (42 U.S.C. 1395m(h)(1)) is amended by adding at the end the following new subparagraph:

''(E) EXCEPTION FOR CERTAIN ITEMS.—Payment for ostomy supplies, tracheostomy

supplies, and urologicals shall be made in accordance with subparagraphs (B) and (C) of section 1834(a)(2).''.

(2) CONFORMING AMENDMENT.—Section 1834(h)(1)(B) (42 U.S.C. 1395m(h)(1)(B)) is amended by striking ''subparagraph (C),'' and inserting ''subparagraphs (C) and (E),''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

(b) SURGICAL DRESSINGS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m), as amended by section 13461(a), is amended by adding at the end the following new subsection:

''(j) PAYMENT FOR SURGICAL DRESSINGS.—

''(1) IN GENERAL.—Payment under this subsection for surgical dressings (described in section 1861(s)(5)) shall be made in a lump sum amount for the purchase of the item in an amount equal to 80 percent of the lesser of—

''(A) the actual charge for the item; or

''(B) a payment amount determined in accordance with the methodology described in subparagraphs (B) and (C) of subsection (a)(2)

(except that in applying such methodology, the national limited payment amount referred to in such subparagraphs shall be initially computed based on local payment amounts using average reasonable charges for the 12-month period ending December 31, 1992, increased by the covered item updates described in such subsection for 1993 and 1994).

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to surgical dressings that are—

''(A) furnished as an incident to a physician's professional service; or

''(B) furnished by a home health agency.''.

(2) CONFORMING AMENDMENT.—Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)), as amended by sections 13478(e)(2) and 13445(e)(1), is amended—

(A) by striking ''and'' before ''(P)'', and

(B) by inserting before the semicolon at the end the following: '', and (Q) with respect to surgical dressings, the amounts paid shall be the amounts determined under section 1834(j);''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

(c) REDUCTION IN PAYMENTS FOR TENS DEVICES.—

(1) IN GENERAL.—Section 1834(a)(1)(D) (42 U.S.C. 1395m(a)(1)(D)) is amended by striking ''15 percent'' the second place it appears and inserting ''45 percent''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to items furnished on or after January 1, 1994.

SEC. 13469. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) UPDATES TO PAYMENT AMOUNTS.—Subparagraph (A) of section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended to read as follows:

''(A) for 1991 and 1992, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year reduced by 1 percentage point; and''.

(b) TREATMENT OF POTENTIALLY OVERUSED ITEMS AND ADVANCED DETERMINATIONS OF COVERAGE.—

(1) IN GENERAL.—Effective on the date of the enactment of this Act, section 1834(a)(15) (42 U.S.C. 1395m(a)(15)) is amended to read as follows:

"(15) SPECIAL TREATMENT FOR POTENTIALLY OVERUSED ITEMS.—

"(A) DEVELOPMENT OF LIST OF ITEMS BY SECRETARY.—The Secretary shall develop and periodically update a list of items for which payment may be made under this subsection that are potentially overused, and shall include in such list seat-lift mechanisms, transcutaneous electrical nerve stimulators, motorized scooters, decubitus care mattresses, and any such other item determined by the Secretary to be potentially overused on the basis of any of the following criteria—

"(i) the item is marketed directly to potential patients;

"(ii) the item is marketed with an offer to potential patients to waive the costs of coinsurance associated with the item or is marketed as being available at no cost to policyholders of a medicare supplemental policy (as defined in section 1882(g)(1));

"(iii) the item has been subject to a consistent pattern of overutilization; or

"(iv) a high proportion of claims for payment for such item under this part may not be made because of the application of section 1862(a)(1).

"(B) ITEMS SUBJECT TO SPECIAL CARRIER SCRUTINY.—Payment may not be made under this part for any item contained in the list developed by the Secretary under subparagraph (A) unless the carrier has subjected the claim for payment for the item to special scrutiny or has followed the procedures described in paragraph (11)(C) with respect to the item.".

(2) ADVANCE DETERMINATION BY CARRIERS.—Effective January 1, 1994, section 1834(a)(11) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new subparagraph:

"(C) CARRIER DETERMINATIONS FOR CERTAIN ITEMS IN ADVANCE.—A carrier shall determine in advance whether payment for an item may not be made under this subsection because of the application of section 1862(a)(1) if—

"(i) the item is a customized item (other than inexpensive items specified by the Secretary); or

"(ii) the item is a specified covered item under subparagraph (B).".

(3) INCLUSION IN CARRIER PERFORMANCE EVALUATIONS.—Effective for standards applied for contract years beginning after the date of the enactment of this Act, section 1842(c) (42 U.S.C. 1395u(c)), as amended by section 13448(a), is amended by adding at the end the following new paragraph:

"(5) Each contract under this section which provides for the disbursement of funds, as described in subsection (a)(1)(B), shall require the carrier to meet criteria developed by the Secretary to measure the timeliness of carrier responses to requests for payment of items described in section 1834(a)(11)(C).".

(4) APPLICATION TO PROSTHETIC DEVICES AND ORTHOTICS AND PROSTHETICS.—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking "paragraph (10) and paragraph (11)" and inserting "paragraphs (10) and (11)".

(c) STUDY OF VARIATIONS IN DURABLE MEDICAL EQUIPMENT SUPPLIER COSTS.—

(1) COLLECTION AND ANALYSIS OF SUPPLIER COST DATA.—The Administration of the Health Care Financing Administration shall, in consultation with appropriate organizations, collect data on sup-

plier costs of durable medical equipment for which payment may be made under part B of the medicare program, and shall analyze such data to determine the proportions of such costs attributable to the service and product components of furnishing such equipment and the extent to which such proportions vary by type of equipment and by the geographic region in which the supplier is located.

(2) DEVELOPMENT OF GEOGRAPHIC ADJUSTMENT INDEX; REPORTS.—Not later than January 1, 1995—

(A) the Administrator shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the data collected and the analysis conducted under paragraph (1), and shall include in such report the Administrator's recommendations for a geographic cost adjustment index for suppliers of durable medical equipment under the medicare program and an analysis of the impact of such proposed index on payments under the medicare program; and

(B) the Comptroller General shall submit a report to the Committees on Energy and Com-

merce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate analyzing on a geographic basis the supplier costs of durable medical equipment under the medicare program.

(d) OXYGEN RETESTING.—Section 1834(a)(5)(E) (42 U.S.C. 1395m(a)(5)(E)) is amended by striking ''55'' and inserting ''56''.

(e) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) Section 4152(a)(3) of OBRA–1990 is amended by striking ''amendment made by subsection (a)'' and inserting ''amendments made by this subsection''.

(2) Section 4152(c)(2) of OBRA–1990 is amended by striking ''1395m(a)(7)(A)'' and inserting ''1395m(a)(7)''.

(3) Section 1834(a)(7)(A)(iii)(II) (42 U.S.C. 1395m(a)(7)(A)(iii)(II)) is amended by striking ''clause (v)'' and inserting ''clause (vi)''.

(4) Section 1834(a)(7)(C)(i) (42 U.S.C. 1395m(a)(7)(C)(i)) is amended by striking ''or paragraph (3)''.

(5) Section 1834(a)(3) (42 U.S.C. 1395m(a)(3)) is amended by striking subparagraph (D).

(6) Section 4153(c)(1) of OBRA–1990 is amended by striking ''1834(a)'' and inserting ''1834(h)''.

(7) Section 4153(d)(2) of OBRA–1990 is amended by striking ''Reconiliation'' and inserting ''Reconciliation''.

(8)(A) Section 1834(a) (42 U.S.C. 1395m(a)) is amended by striking paragraph (6).

(B) Section 1834(a) (42 U.S.C. 1395m(a)) is amended—

(i) in subparagraphs (A) and (B) of paragraph (1), by striking ''(2) through (7)'' each place it appears and inserting ''(2) through (5) and (7)'';

(ii) in paragraph (7), by striking ''(2) through (6)'' and inserting ''(2) through (5)'';

(iii) in paragraph (8), by striking ''paragraphs (6) and (7)'' each place it appears in the matter preceding subparagraph (A) and in subparagraph (C) and inserting ''paragraph (7)''; and

(iv) in paragraph (8)(A)(i), by striking ''described—'' and all that follows and inserting ''described in paragraph (7) equal to the average of the purchase prices on the claims submitted on an assignment-related basis for the unused item supplied during the 6-month period ending with December 1986.''.

(9) The amendments made by this subsection shall take effect as if included in the enactment of OBRA–1990.

Subchapter E—Other Provisions

SEC. 13471. CLARIFYING PAYMENTS FOR MEDICALLY DIRECTED CERTIFIED REGISTERED NURSE ANESTHETIST SERVICES.

(a) IN GENERAL.—Section 1833(l)(4)(B) (42 U.S.C. 1395l(l)(4)(B)) is amended to read as follows:

''(B) Except as provided in subparagraph (D), the conversion factor used to determine the amount paid under the fee schedule under this subsection for services furnished by a certified registered nurse anesthetist who is medically directed—

''(i) in a year after 1993 and before 1997, shall be $10.75, or

''(ii) in a subsequent calendar year, shall be the previous year's conversion factor increased by the update determined under section 1848(d)(3) for physician anesthesia services for that year.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13472. EXTENSION OF ALZHEIMER'S DISEASE DEMONSTRATION PROJECTS.

Section 9342 of OBRA–1986, as amended by section 4164(a)(2) of OBRA–1990, is amended—

(1) in subsection (c)(1), by striking ''4 years'' and inserting ''5 years''; and

(2) in subsection (f), —

(A) by striking ''$55,000,000'' and inserting ''$58,000,000'', and

(B) by striking ''$3,000,000'' and inserting ''$5,000,000''.

SEC. 13473. ORAL CANCER DRUGS.

(a) NEW COVERAGE OF CERTAIN SELF-ADMINISTERED ANTICANCER DRUGS.—Section 1861(s)(2) (42 U.S.C. 1395(s)(2)), as amended by section 13478(f)(8)(B), is amended—

(1) by striking ''and'' at the end of subparagraph (N);

(2) by adding ''and'' at the end of subparagraph (O); and

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

''(P) an oral drug (which is approved by the Federal Food and Drug Administration) prescribed for use as an anticancer chemotherapeutic agent for a given indication, and containing an active ingredi-

ent (or ingredients), which is the same indication and active ingredient (or ingredients) as a drug which the carrier determines would be covered pursuant to subparagraph (A) or (B) if the drug could not be self-administered;''.

(b) UNIFORM COVERAGE OF ''OFF-LABEL'' ANTICANCER DRUGS.—Section 1861(t) (42 U.S.C. 1395x(t)) is amended—

(1) by inserting ''(1)'' after ''(t)'';

(2) by striking ''(m)(5) of this section'' and inserting ''(m)(5) and paragraph (2)''; and

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

''(2)(A) For purposes of paragraph (1), the term 'drugs' also includes any drugs or biologicals used in an anticancer chemotherapeutic regimen for a medically accepted indication (as described in subparagraph (B)).

''(B) In subparagraph (A), the term 'medically accepted indication', with respect to the use of a drug, includes any use which has been approved by the Food and Drug Administration for the drug, and includes another use of the drug if—

''(i) the drug has been approved by the Food and Drug Administration, and

1 ''(ii) the carrier involved determines, based
2 upon guidance provided by the Secretary to carriers
3 for determining medically accepted uses of drugs,
4 that the use is medically accepted taking into ac-
5 count the uses of such drug which are—
6 ''(I) included (or approved for inclusion) in
7 one or more of the following compendia: the
8 American Hospital Formulary Service-Drug In-
9 formation, the American Medical Association
10 Drug Evaluations, and the United States Phar-
11 macopoeia-Drug Information; or
12 ''(II) supported by clinical evidence in peer
13 reviewed medical literature appearing in publi-
14 cations which have been specifically approved
15 for purposes of this paragraph by the Sec-
16 retary.''.
17 (c) STUDY OF MEDICARE COVERAGE OF PATIENT
18 CARE COSTS ASSOCIATED WITH CLINICAL TRIALS OF
19 NEW CANCER THERAPIES.—
20 (1) STUDY.—The Secretary of Health and
21 Human Services shall conduct a study of the effects
22 of expressly covering under the medicare program
23 the patient care costs for beneficiaries enrolled in
24 clinical trials of new cancer therapies, where the pro-
25 tocol for the trial has been approved by the National

Cancer Institute or meets similar scientific and ethical standards, including approval by an institutional review board. The study shall include—

(A) an estimate of the cost of such coverage, taking into account the extent to which medicare currently pays for such patient care costs in practice;

(B) an assessment of the extent to which such clinical trials represent the best available treatment for the patients involved and of the effects of participation in the trials on the health of such patients;

(C) an assessment of whether progress in developing new anticancer therapies would be assisted by medicare coverage of such patient care costs; and

(D) an evaluation of whether there should be special criteria for the admission of medicare beneficiaries (on account of their age or physical condition) to clinical trials for which medicare would pay the patient care costs.

(2) REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report on the study conducted under paragraph (1) to the

Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate. Such report shall include recommendations as to the coverage under the medicare program of patient care costs of beneficiaries enrolled in clinical trials of new cancer therapies.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to items furnished on or after January 1, 1994.

SEC. 13474. PART B PREMIUM PAYMENTS FOR LATE ENROLLMENT.

(a) LIMITATION ON MEDICARE PART B LATE ENROLLMENT PENALTY.—

(1) IN GENERAL.—Section 1839 (42 U.S.C. 1395r) is amended by adding at the end the following new subsection:

''(g) The percent increase in premiums under subsection (b) due to late enrollment under this part shall not exceed 25 percent in the case of an individual who is an annuitant described in subparagraph (A) or (B) of section 8901(3) of title 5, United States Code (including an individual or survivor described in section 8906(g)(2)(A) of such title) for a month if—

''(1) during the individual's initial enrollment period under section 1837(d)—

''(A) the individual was enrolled in a group health plan (as defined in section 1862(b)(1)(A)(v)) that provided coverage of items and services for which payment may be made under this part, and

''(B) the individual elected not to enroll (or to be deemed enrolled) under this section; and

''(2) due to a change of coverage under such plan, there is no coverage during the month under such plan with respect to items and services for which payment may be made under this part unless the individual is enrolled under this part.''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to premiums for months beginning with January 1992.

(b) PAYMENT OF PART B PREMIUM LATE ENROLLMENT PENALTIES BY STATES.—Section 1839 (42 U.S.C. 1395r), as amended by subsection (a), is further amended by adding at the end the following new subsection:

''(h)(1) Upon the request of a State, the Secretary may enter into an agreement with the State under which the State agrees to pay on a quarterly or other periodic basis to the Secretary (to be deposited in the Treasury

to the credit of the Federal Supplementary Medical Insurance Trust Fund) an amount equal to the amount of the part B late enrollment premium increases with respect to the premiums for eligible individuals (as defined in paragraph (3)(A)).

''(2) No part B late enrollment premium increase shall apply to an eligible individual for premiums for months for which the amount of such an increase is payable under an agreement under paragraph (1).

''(3) In this subsection:

''(A) The term 'eligible individual' means an individual who is enrolled under this part B and who is within a class of individuals specified in the agreement under paragraph (1).

''(B) The term 'part B late enrollment premium increase' means any increase in a premium as a result of the application of subsection (b).''.

SEC. 13475. COVERAGE OF SERVICES OF SPEECH-LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS.

(a) SERVICES DEFINED.—Section 1861 (42 U.S.C. 1395x), as amended by section 13478(f)(8)(E), is amended by inserting after subsection (kk) the following new subsection:

''Speech-Language Pathology Services; Audiology Services

''(ll)(1) The term 'speech-language pathology services' means such speech, language, and related function assessment and rehabilitation services furnished by a qualified speech-language pathologist as the speech-language pathologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law) as would otherwise be covered if furnished by a physician.

''(2) The term 'audiology services' means such hearing and balance assessment services furnished by a qualified audiologist as the audiologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law).

''(3) In this subsection:

''(A) The term 'qualified speech-language pathologist' means an individual with a master's or doctoral degree in speech-language pathology who has performed not less than 9 months of supervised full-time speech-language pathology services after obtaining such degree and who—

''(i) is licensed (or is otherwise certified) as a speech-language pathologist by the State in which the individual furnishes such services, or

''(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of speech-language pathologists, has successfully completed a national clinical competency examination in speech-language pathology approved by the Secretary.

''(B) The term 'qualified audiologist' means an individual with a master's or doctoral degree in audiology who has performed not less than 9 months of supervised full-time audiology services after obtaining such degree and who—

''(i) is licensed (or is otherwise certified) as an audiologist by the State in which the individual furnishes such services, or

''(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of audiologists, has successfully completed a national clinical competency examination in audiology approved by the Secretary.''.

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE TREATMENT OF SPEECH AND LANGUAGE SERVICES.—

(1) EXTENDED CARE SERVICES.—Section 1861(h)(3) (42 U.S.C. 1395x(h)(3)) is amended by striking ‘‘, occupational, or speech therapy’’ and inserting ‘‘or occupational therapy or speech-language pathology services’’.

(2) HOME HEALTH SERVICES.—Section 1861(m)(2) (42 U.S.C. 1395x(m)(2)) is amended by striking ‘‘, occupational, or speech therapy’’ and inserting ‘‘or occupational therapy or speech-language pathology services’’.

(3) OUTPATIENT PHYSICAL THERAPY SERVICES.—The fourth sentence of section 1861(p) (42 U.S.C. 1395x(p)) is amended by striking ‘‘speech pathology services’’ and inserting ‘‘speech-language pathology services’’.

(4) COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—Section 1861(cc)(1)(B) (42 U.S.C. 1395x(cc)(1)(B)) is amended by striking ‘‘speech pathology services’’ and inserting ‘‘speech-language pathology services’’.

(5) HOSPICE CARE.—Section 1861(dd)(1)(B) (42 U.S.C. 1395x(dd)(1)(B)) is amended by striking ‘‘therapy or speech-language pathology’’ and inserting ‘‘therapy, or speech-language pathology services’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994.

SEC. 13476. EXTENSION OF MUNICIPAL HEALTH SERVICE DEMONSTRATION PROJECTS.

Section 9215 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 6135 of OBRA–1989, is amended—

(1) by striking ''December 31, 1993'' and inserting ''December 31, 1997'', and

(2) in the second sentence, by inserting after ''beneficiary costs,'' the following: ''costs to the medicaid program and other payers, access to care, outcomes, beneficiary satisfaction, utilization differences among the different populations served by the projects,''.

SEC. 13477. TREATMENT OF CERTAIN INDIAN HEALTH PROGRAMS AND FACILITIES AS FEDERALLY-QUALIFIED HEALTH CENTERS.

(a) IN GENERAL.—Section 1861(aa)(4) (42 U.S.C. 1395x(aa)(4)) is amended—

(1) by striking ''or'' at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting ''; or''; and

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

''(D) is an outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act or by an urban Indian organization receiving funds under title V of the Indian Health Care Improvement Act.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13478. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) REVISION OF INFORMATION ON PART B CLAIMS FORMS.—Section 1833(q)(1) (42 U.S.C. 1395l(q)(1)) is amended—

(1) by striking ''provider number'' and inserting ''unique physician identification number''; and

(2) by striking ''and indicate whether or not the referring physician is an interested investor (within the meaning of section 1877(h)(5))''.

(b) CONSULTATION FOR SOCIAL WORKERS.—Effective with respect to services furnished on or after January 1, 1991, section 6113(c) of OBRA–1989 is amended—

(1) by inserting ''and clinical social worker services'' after ''psychologist services''; and

(2) by striking ''psychologist'' the second and third place it appears and inserting ''psychologist or clinical social worker''.

(c) REPORTS ON HOSPITAL OUTPATIENT PAYMENT.—(1) OBRA–1989 is amended by striking section 6137.

(2) Section 1135(d) (42 U.S.C. 1320b–5(d)) is amended—

(A) by striking paragraph (6); and

(B) in paragraph (7)—

(i) by striking ''systems'' each place it appears and inserting ''system''; and

(ii) by striking ''paragraphs (1) and (6)'' and inserting ''paragraph (1)''.

(d) RADIOLOGY AND DIAGNOSTIC SERVICES PROVIDED IN HOSPITAL OUTPATIENT DEPARTMENTS.—(1) Effective as if included in the enactment of OBRA–1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended—

(A) by striking ''1989'' and inserting ''1989 and for services described in subsection (a)(2)(E)(ii) furnished on or after January 1, 1992''; and

(B) by striking ''1842(b)'' and inserting ''1842(b) (or, in the case of services furnished on or after January 1, 1992, under section 1848)''.

(2) Effective as if included in the enactment of OBRA–1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended by striking ''January 1, 1989'' and inserting ''April 1, 1989''.

(e) PAYMENTS TO NURSE PRACTITIONERS IN RURAL AREAS (SECTION 4155 OF OBRA–1990).—(1) Section 1861(s)(2)(K)(iii) (42 U.S.C. 1395x(s)(2)(K)(iii)) is amended—

(A) by striking ''subsection (aa)(3)'' and inserting ''subsection (aa)(5)''; and

(B) by striking ''subsection (aa)(4)'' and inserting ''subsection (aa)(6)''.

(2) Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking ''and'' before ''(N)''; and

(B) with respect to the matter inserted by section 4155(b)(2)(B) of OBRA–1990—

(i) by striking ''(M)'' and inserting '', and (O)'', and

(ii) by transferring and inserting it (as amended) immediately before the semicolon at the end.

(3) Section 1833(r)(1) (42 U.S.C. 1395l(r)(1)) is amended—

(A) by striking ''ambulatory'' each place it appears and inserting ''or ambulatory''; and

(B) by striking ''center,'' and inserting ''center''.

(4) Section 1833(r)(2)(A) (42 U.S.C. 1395l(r)(2)(A)) is amended by striking ''subsection (a)(1)(M)'' and inserting ''subsection (a)(1)(O)''.

(5) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking ''subsection (s)(2)(K)(i)'' and inserting ''clauses (i) or (iii) of subsection (s)(2)(K)''.

(6) Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended by striking ''this Act'' and inserting ''this title''.

(7) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking ''1861(s)(2)(K)(i)'' and inserting ''1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)''.

(8) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking ''1861(s)(2)(K)(i)'' and inserting ''1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)''.

(f) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—

(1) IMMEDIATE ENROLLMENT IN PART B BY INDIVIDUALS COVERED BY AN EMPLOYMENT-BASED PLAN.—(A) Subparagraphs (A) and (B) of section

1837(i)(3) (42 U.S.C. 1395p(i)(3)) are each amended—

(i) by striking ''beginning with the first day of the first month in which the individual is no longer enrolled'' and inserting ''including each month during any part of which the individual is enrolled''; and

(ii) by striking ''and ending seven months later'' and inserting ''ending with the last day of the eighth consecutive month in which the individual is at no time so enrolled''.

(B) Paragraphs (1) and (2) of section 1838(e) (42 U.S.C. 1395q(e)) are amended to read as follows:

''(1) in any month of the special enrollment period in which the individual is at any time enrolled in a plan (specified in subparagraph (A) or (B), as applicable, of section 1837(i)(3)) or in the first month following such a month, the coverage period shall begin on the first day of the month in which the individual so enrolls (or, at the option of the individual, on the first day of any of the following three months), or

''(2) in any other month of the special enrollment period, the coverage period shall begin on the

first day of the month following the month in which the individual so enrolls.''.

(C) The amendments made by subparagraphs (A) and (B) shall take effect on the first day of the first month that begins after the expiration of the 120-day period that begins on the date of the enactment of this Act.

(2) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking ''for reporting'' and inserting ''for portions of cost reporting''; and

(B) by striking ''and on or before'' and inserting ''and ending on or before''.

(3) CLINICAL DIAGNOSTIC LABORATORY TESTS (SECTION 4154 OF OBRA–1990).—Section 4154(e)(5) of OBRA–1990 is amended by striking ''(1)(A)'' and inserting ''(1)(A),''.

(4) SEPARATE PAYMENT UNDER PART B FOR CERTAIN SERVICES (SECTION 4157 OF OBRA–1990).—Section 4157(a) of OBRA–1990 is amended by striking ''(a) SERVICES OF'' and all that follows through ''Section'' and inserting ''(a) TREATMENT

OF SERVICES OF CERTAIN HEALTH PRACTITIONERS.—Section''.

(5) CERTIFIED REGISTERED NURSE ANESTHETISTS (SECTION 4160 OF OBRA–1990).—Section 1833(l)(4)(B)(ii)(VII) (42 U.S.C. 1395l(l)(4)(B)(ii)(VII)) is amended by striking ''1997'' and inserting ''1996''.

(6) COMMUNITY HEALTH CENTERS AND RURAL HEALTH CLINICS (SECTION 4161 OF OBRA–1990).—(A) The fourth sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended—

(i) by striking ''certification'' the first place it appears and inserting ''approval''; and

(ii) by striking ''the Secretary's approval or disapproval of the certification'' and inserting ''Secretary's approval or disapproval''.

(B) Section 4161(a)(7)(B) of OBRA–1990 is amended by inserting ''and to the Committee on Finance of the Senate'' after ''Representatives''.

(7) SCREENING MAMMOGRAPHY (SECTION 4163 OF OBRA–1990).—Section 4163 of OBRA–1990 is amended—

(A) by adding at the end of subsection (d) the following new paragraph:

''(3) The amendment made by paragraph (2)(A)(iv) shall apply to screening pap smears performed on or after July 1, 1990.''; and

(B) in subsection (e), by striking ''The amendments'' and inserting ''Except as provided in subsection (d)(3), the amendments.''.

(8) INJECTABLE DRUGS FOR TREATMENT OF OSTEOPOROSIS.—

(A) CLARIFICATION OF DRUGS COVERED.—The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA–1990 is amended—

(i) in the matter preceding paragraph (1), by striking ''a bone fracture related to''; and

(ii) in paragraph (1), by striking ''patient'' and inserting ''individual has suffered a bone fracture related to post-menopausal osteoporosis and that the individual''.

(B) LIMITING COVERAGE TO DRUGS PROVIDED BY HOME HEALTH AGENCIES.—(i) The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA–1990 is

amended by striking ''if'' and inserting ''by a home health agency if''.

(ii) Section 1861(m)(5) (42 U.S.C. 1395x(m)(5)) is amended by striking ''but excluding'' and inserting ''and a covered osteoporosis drug (as defined in subsection (kk), but excluding other''.

(iii) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended—

(I) by adding ''and'' at the end of subparagraph (N), and

(II) by striking subparagraph (O) and redesignating subparagraph (P) as subparagraph (O).

(C) PAYMENT BASED ON REASONABLE COST.—Section 1833(a)(2) (42 U.S.C. 1395l(a)(2)) is amended—

(i) in subparagraph (A), by striking ''health services'' and inserting ''health services (other than covered osteoporosis drug (as defined in section 1861(kk)))'';

(ii) by striking ''and'' at the end of subparagraph (D);

(iii) by striking the semicolon at the end and inserting ''; and''; and

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

''(F) with respect to covered osteoporosis drug (as defined in section 1861(kk)) furnished by a home health agency, 80 percent of the reasonable cost of such service, as determined under section 1861(v);''.

(D) APPLICATION OF PART B DEDUCTIBLE.—Section 1833(b)(2) (42 U.S.C. 1395l(b)(2)) is amended by striking ''services'' and inserting ''services (other than covered osteoporosis drug (as defined in section 1861(kk)))''.

(E) COVERED OSTEOPOROSIS DRUG (SECTION 4156 OF OBRA–1990).—Section 1861 (42 U.S.C. 1395x) is amended, in the subsection (jj) inserted by section 4156(a)(2) of OBRA–1990, by striking ''(jj) The term'' and inserting ''(kk) The term''.

(9) OTHER MISCELLANEOUS AND TECHNICAL CORRECTIONS (SECTION 4164 OF OBRA–1990).—

(A) OWNERSHIP DISCLOSURE REQUIREMENTS.—(i) Section 1124A(a)(2)(A) (42 U.S.C. 1320a–3a(a)(2)(A)) is amended by striking ''of the Social Security Act''.

(ii) Section 4164(b)(4) of OBRA–1990 is amended by striking ''paragraph'' and inserting ''paragraphs''.

(B) DIRECTORY OF UNIQUE PHYSICIAN IDENTIFIER NUMBERS.—Section 4164(c) of OBRA–1990 is amended by striking ''publish'' and inserting ''publish, and shall periodically update,''.

(g) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendments made by this section shall take effect as if included in the enactment of OBRA–1990.

Subchapter F—Part B Premium

SEC. 13481. PART B PREMIUM.

Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

(1) in paragraph (1)(A), by inserting ''and for each month in 1996 and 1997'' after ''January 1991'', and

(2) in paragraph (2), by striking ''1991'' and inserting ''1998''.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

Subchapter A—Elimination of Updates

SEC. 13501. ELIMINATION OF COST-OF-LIVING UPDATE IN PER RESIDENT AMOUNTS FOR DIRECT MEDICAL EDUCATION.

Section 1886(h)(2)(D) (42 U.S.C. 1395ww(h)(2)(D)) is amended by inserting ''(other than in the case of cost reporting periods beginning during fiscal year 1994 or fiscal year 1995)'' after ''updated''.

SEC. 13502. ELIMINATION OF INFLATION UPDATE IN COST LIMITS FOR HOME HEALTH SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the per visit cost limits for home health services under section 1861(v)(1)(L) of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Medicare Secondary Payer Provisions

SEC. 13511. EXTENSION OF TRANSFER OF DATA.

(a) EXTENSION OF DATA MATCH PROGRAM.—

(1) Section 1862(b)(5)(C)(iii) of the Social Security Act (42 U.S.C. 1395y(b)(5)(C)(iii)) is amended by striking ''1995'' and inserting ''1998''.

(2) Section 6103(l)(12)(F) of the Internal Revenue Code of 1986 is amended—

(A) in clause (i), by striking ''1995'' and inserting ''1998'',

(B) in clause (ii)(I), by striking ''1994'' and inserting ''1997'', and

(C) in clause (ii)(II), by striking ''1995'' and inserting ''1998''.

(b) SECONDARY PAYER EXEMPTION FOR MEMBERS OF RELIGIOUS ORDERS.—Effective as if included in the enactment of OBRA–1989, section 6202(e)(2) of such Act is amended by adding at the end the following: ''Such amendment also shall apply to items and services furnished before such date with respect to secondary payer cases which the Secretary of Health and Human Services had not identified as of such date.''.

(c) PERMITTING THE USE OF MINIMUM INCOME THRESHOLDS.—

(1) Section 6103(l)(12)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting '', above an amount (if any) specified by the Secretary

of Health and Human Services,'' after ''section 3401(a))''.

(2) The matter in section 6103(l)(12)(B)(ii) of such Code preceding subclause (I) is amended by inserting '', above an amount (if any) specified by the Secretary of Health and Human Services,'' after ''wages''.

(3) The heading to section 6103(l)(12) of such Code is amended by striking ''TAXPAYER IDENTITY'' and inserting ''RETURN''.

SEC. 13512. 3-YEAR EXTENSION OF MEDICARE SECONDARY PAYER TO DISABLED BENEFICIARIES.

Section 1862(b)(1)(B)(iii) (42 U.S.C. 1395y(b)(1)(B)(iii)) is amended by striking ''1995'' and inserting ''1998''.

SEC. 13513. 3-YEAR EXTENSION OF 18-MONTH RULE FOR ESRD BENEFICIARIES.

Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended by striking ''1996'' and inserting ''1999''.

SEC. 13514. MEDICARE SECONDARY PAYER REFORMS.

(a) IMPROVING IDENTIFICATION OF MEDICARE SECONDARY PAYER SITUATIONS.—

(1) SURVEY OF BENEFICIARIES.—

(A) IN GENERAL.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended by adding at the end the following new subparagraph:

''(D) OBTAINING INFORMATION FROM BENEFICIARIES.—Before an individual applies for benefits under part A or enrolls under part B, the Administrator shall mail the individual a questionnaire to obtain information on whether the individual is covered under a primary plan and the nature of the coverage provided under the plan, including the name, address, and identifying number of the plan.''.

(B) DISTRIBUTION OF QUESTIONNAIRE BY CONTRACTOR.—The Secretary of Health and Human Services shall enter into an agreement with an entity not later than November 1, 1993, to distribute the questionnaire described in section 1862(b)(5)(D) of the Social Security Act (as added by subparagraph (A)).

(C) NO MEDICARE SECONDARY PAYER DENIAL BASED ON FAILURE TO COMPLETE QUESTIONNAIRE.—Section 1862(b)(2) (42 U.S.C. 1395y(b)(2)) is amended by adding at the end the following new subparagraph:

"(C) TREATMENT OF QUESTIONNAIRES.—The Secretary may not fail to make payment under subparagraph (A) solely on the ground that an individual failed to complete a questionnaire concerning the existence of a primary plan.".

(2) MANDATORY SCREENING BY PROVIDERS AND SUPPLIERS UNDER PART B.—

(A) IN GENERAL.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended by adding at the end the following new paragraph:

"(6) SCREENING REQUIREMENTS FOR PROVIDERS AND SUPPLIERS.—

"(A) IN GENERAL.—Notwithstanding any other provision of this title, no payment may be made for any item or service furnished under part B unless the entity furnishing such item or service completes (to the best of its knowledge and on the basis of information obtained from the individual to whom the item or service is furnished) the portion of the claim form relating to the availability of other health benefit plans.

"(B) PENALTIES.—An entity that knowingly, willfully, and repeatedly fails to complete

a claim form in accordance with subparagraph (A) or provides inaccurate information relating to the availability of other health benefit plans on a claim form under such subparagraph shall be subject to a civil money penalty of not to exceed $2,000 for each such incident. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).''.

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply with respect to items and services furnished on or after January 1, 1994.

(b) IMPROVEMENTS IN RECOVERY OF PAYMENTS FROM PRIMARY PAYERS.—

(1) SUBMISSION OF REPORTS ON EFFORTS TO RECOVER ERRONEOUS PAYMENTS.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816 (42 U.S.C. 1396h) is amended by adding at the end the following new subsection:

''(k) An agreement with an agency or organization under this section shall require that such agency or orga-

nization submit an annual report to the Secretary describing the steps taken to recover payments made for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).''.

(B) CARRIERS UNDER PART B.—Section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended—

(i) by striking ''and'' at the end of subparagraph (H); and

(ii) by inserting after subparagraph (H) the following new subparagraph:

''(I) will submit annual reports to the Secretary describing the steps taken to recover payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).''.

(2) REQUIREMENTS UNDER CARRIER PERFORMANCE EVALUATION PROGRAM.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816(f)(1)(A) (42 U.S.C. 1396h(f)(1)(A)) is amended by striking ''processing'' and inserting ''processing (including the agency's or organization's success in recovering payments made under this title for services for

which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)))''.

(B) CARRIERS UNDER PART B.—Section 1842(b)(2) (42 U.S.C. 1395u(b)(2)) is amended by adding at the end the following new subparagraph:

''(D) In addition to any other standards and criteria established by the Secretary for evaluating carrier performance under this paragraph relating to avoiding erroneous payments, the Secretary shall establish standards and criteria relating to the carrier's success in recovering payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).''.

(3) DEADLINE FOR REIMBURSEMENT BY PRIMARY PLANS.—

(A) IN GENERAL.—Section 1862(b)(2)(B)(i) (42 U.S.C. 1395y(b)(2)(B)(i)) is amended by adding at the end the following sentence: ''If reimbursement is not made to the appropriate Trust Fund before the expiration of the 60-day period that begins on the date such notice or other information is received, the Secretary may charge interest (beginning with the

date on which the notice or other information is received) on the amount of the reimbursement until reimbursement is made (at a rate determined by the Secretary in accordance with regulations of the Secretary of the Treasury applicable to charges for late payments).''.

(B) CONFORMING AMENDMENT.—The heading of clause (i) of section 1862(b)(2)(B) is amended to read as follows: ''REPAYMENT REQUIRED.—''.

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to payments for items and services furnished on or after the date of the enactment of this Act.

(4) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to contracts with fiscal intermediaries and carriers under title XVIII of the Social Security Act for years beginning with 1994.

(c) APPLICATION OF AGGREGATION RULES.—

(1) WORKING AGED.—Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)) is amended by adding at the end the following new clause:

''(vi) APPLICATION OF AGGREGATION RULES.—All employers treated as a single

employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as a single employer for purposes of this subparagraph.''.

(2) DISABLED INDIVIDUALS.—Section 5000(b)(2) of the Internal Revenue Code of 1986 (relating to large group health plans) is amended by adding at the end the following: ''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 paragraph.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect 90 days after the date of the enactment of this Act.

(d) APPLICATION OF EXCISE TAX TO FAILURE TO REIMBURSE FEDERAL GOVERNMENT.—

(1) IN GENERAL.—Section 5000(c) of the Internal Revenue Code of 1986 (relating to nonconforming group health plans) is amended by striking ''of section 1862(b)(1)'' and inserting ''of paragraph (1), or with the requirements of paragraph (2), of section 1862(b)''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to demands for repay-

ment issued after the date of the enactment of this Act.

(e) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The sentence in section 1862(b)(1)(C) added by section 4203(c)(1)(B) of OBRA–1990 is amended—

(A) by striking ''on or before'' and inserting ''before'', and

(B) by striking ''clauses (i) and (ii)'' and inserting ''this subparagraph''.

(2) Effective as if included in the enactment of OBRA–1989, section 1862(b)(1) is amended—

(A) in subparagraphs (A)(v) and (B)(iv)(II), by inserting '', without regard to section 5000(d) of such Code'' before the period at the end of each subparagraph;

(B) in subparagraph (A)(iii), by striking ''current calendar year or the preceding calendar year'' and inserting ''current calendar year and the preceding calendar year''; and

(C) in the matter in subparagraph (C) after clause (ii), by striking ''taking into account that'' and inserting ''paying benefits secondary to this title when''.

(3) Effective as if included in the enactment of OBRA–1989, section 1862(b)(5)(C)(i) (42 U.S.C. 1395y(b)(5)(C)(i)) is amended by striking ''6103(l)(12)(D)(iii)'' and inserting ''6103(l)(12)(E)(iii)''.

(4) Section 4203(c)(2) of OBRA–1990 is amended—

(A) by striking ''the application of clause (iii)'' and inserting ''the second sentence'';

(B) by striking ''on individuals'' and all that follows through ''section 226A of such Act'';

(C) in clause (ii), by striking ''clause'' and inserting ''sentence'';

(D) in clause (v), by adding ''and'' at the end; and

(E) in clause (vi)—

(i) by inserting ''of such Act'' after ''1862(b)(1)(C)'', and

(ii) by striking the period at the end and inserting the following: '', without regard to the number of employees covered by such plans.''.

(5) Section 4203(d) of OBRA–1990 is amended by striking ''this subsection'' and inserting ''this section''.

(6) Except as provided in paragraphs (2) and (3), the amendments made by this subsection shall be effective as if included in the enactment of OBRA–1990.

Subchapter C—Physician Ownership and Referral

SEC. 13521. APPLICATION OF MEDICARE BAN ON SELF-REFERRALS TO ALL PAYERS.

(a) IN GENERAL.—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in subsection (a)—

(A) in paragraph (1)(A), by striking ''for which payment otherwise may be made under this title'' and inserting ''for which a charge is imposed'', and

(B) in paragraph (1)(B), by striking ''under this title'';

(2) by amending paragraph (1) of subsection (g) to read as follows:

''(1) DENIAL OF PAYMENT.—No payment may be made under this title, under another Federal health care program, or under a State health care

program (as defined in section 1128(h)) for a designated health service for which a claim is presented in violation of subsection (a)(1)(B). No individual, third party payer, or other entity is liable for payment for designated health services for which a claim is presented in violation of such subsection.''; and

(3) in subsection (g)(3), by striking ''for which payment may not be made under paragraph (1)'' and inserting ''for which such a claim may not be presented under subsection (a)(1)''.

(b) CONFORMING AMENDMENT TO REPORTING REQUIREMENT.—Section 1877(f) (42 U.S.C. 1395nn(f)) is amended—

(1) by striking ''for which payment may be made under this title'' each place it appears and inserting ''for which a charge is imposed'', and

(2) by striking the third sentence.

SEC. 13522. EXTENSION OF SELF-REFERRAL BAN TO ADDITIONAL SPECIFIED SERVICES.

Section 1877 (42 U.S.C. 1395nn) is amended—

(1) by striking ''clinical laboratory service'', ''clinical laboratory services'', and ''CLINICAL LABORATORY SERVICES'' and inserting ''designated health service'', ''designated health services'', and

''DESIGNATED HEALTH SERVICES'', respectively, each place each appears in subsections (a)(1), (b)(2)(A)(ii), (b)(4), (d)(1), (d)(2), (d)(3), (f), (g)(1), and (h)(7)(B); and

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

''(i) DESIGNATED HEALTH SERVICES DEFINED.—In this section, the term 'designated health services' means any of the following items or services:

''(1) clinical laboratory services;

''(2) physical and occupational therapy services;

''(3) radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services;

''(4) radiation therapy services;

''(5) durable medical equipment;

''(6) parenteral and enteral nutrition equipment and supplies;

''(7) prosthetic devices and orthotics and prosthetics;

''(8) outpatient prescription drugs;

''(9) home infusion therapy services, home dialysis, and home health services;

''(10) ambulance services;

''(11) inpatient and outpatient hospital services;

''(12) comprehensive outpatient rehabilitation facility services;

''(13) contact lenses and eyeglasses; and

''(14) hearing aids.''.

SEC. 13523. EXCEPTIONS FOR BOTH OWNERSHIP AND COMPENSATION ARRANGEMENTS.

(a) MODIFICATION TO EXCEPTION FOR IN-OFFICE ANCILLARY SERVICES.—Section 1877(b)(2) (42 U.S.C. 1395nn(b)(2)) is amended—

(1) by inserting ''(other than durable medical equipment, parenteral and enteral nutrition equipment and supplies, and ambulance services)'' after ''services'' the first place it appears, and

(2) in subparagraph (A)(ii)(II), by striking ''centralized provision'' and inserting ''provision of some or all''.

(b) MODIFICATION OF RURAL PROVIDER EXCEPTION.—

(1) IN GENERAL.—Section 1877(b) (42 U.S.C. 1395nn(b)) is amended—

(A) by redesignating paragraph (5) as paragraph (6), and

(B) by inserting after paragraph (4) the following new paragraph:

''(5) RURAL PROVIDERS.—In the case of designated health services if—

''(A) the entity furnishing the services is in a rural area (as defined in section 1886(d)(2)(D)), and

''(B) substantially all of the services (as defined by the Secretary) furnished by the entity are furnished to individuals who reside in such a rural area.''.

(2) CONFORMING AMENDMENTS.—Section 1877(d) (42 U.S.C. 1395nn(d)) is amended—

(A) by striking paragraph (2), and

(B) by redesignating paragraph (3) as paragraph (2).

SEC. 13524. EXCEPTIONS RELATED ONLY TO OWNERSHIP OR INVESTMENT.

(a) PUBLICLY-TRADED SECURITIES.—Section 1877(c)(2) (42 U.S.C. 1395nn(c)(2)) is amended by striking ''total assets'' and inserting ''stockholder equity''.

(b) RURAL PROVIDERS.—For amendment to exception relation to rural providers, see section 13523(b).

SEC. 13525. EXCEPTIONS RELATED ONLY TO COMPENSATION ARRANGEMENTS.

(a) RENTAL OF OFFICE SPACE AND EQUIPMENT.—

(1) IN GENERAL.—Paragraph (1) of section 1877(e) (42 U.S.C. 1395nn(e)) is amended to read as follows:

''(1) RENTAL OF OFFICE SPACE; RENTAL OF EQUIPMENT.—

''(A) OFFICE SPACE.—Payments made by a lessee to a lessor for the use of premises if—

''(i) the lease is set out in writing, signed by the parties, and specifies the premises covered by the lease,

''(ii) the aggregate space rented or leased does not exceed that which is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

''(iii) the lease provides for a term of rental or lease for at least one year,

''(iv) the aggregate rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

''(v) the lease would be commercially reasonable even if no referrals were made between the parties,

''(vi) the lease covers all of the premises leased between the parties for the period of the lease, and

''(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.

''(B) EQUIPMENT.—Payments made by a lessee of equipment to the lessor of the equipment for the use of the equipment if—

''(i) the lease is set out in writing, signed by the parties, and specifies the equipment covered by the lease,

''(ii) the equipment rented or leased does not exceed that which is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

''(iii) the lease provides for a term of rental or lease of at least one year,

"(iv) the aggregate rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(v) the lease would be commercially reasonable even if no referrals were made between the parties,

"(vi) the lease covers all of the equipment leased between the parties for the period of the lease, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.".

(2) CONFORMING AMENDMENT.—Section 1877(h) (42 U.S.C. 1395nn(h)) is amended by striking paragraphs (5) and (6).

(b) BONA FIDE EMPLOYMENT RELATIONSHIPS.—Section 1877(e) (42 U.S.C. 1395nn(e)) is amended—

(1) in paragraph (2)—

(A) by striking ''EMPLOYMENT'' and all that follows through ''if'' and inserting ''BONA FIDE EMPLOYMENT RELATIONSHIPS.—Any amount paid by an employer to a physician (or immediate family member) who has a bona fide employment relationship with the employer for the provision of services if'';

(B) in subparagraphs (A), (B), and (D), by striking ''arrangement'' and inserting ''employment'';

(C) in subparagraph (C), by striking ''to the hospital''; and

(D) by adding at the end the following: ''Subparagraph (B)(ii) shall not be construed as prohibiting the payment of remuneration in the form of shares of overall profits or in the form of a productivity bonus based on services performed personally by the physician or family member, if the amount of the remuneration is not determined in a manner that takes into account directly the volume or value of any referrals by the referring physician.''; and

(2) in paragraph (5)(A), by striking ''in the same manner as they apply to a hospital''.

(c) PERSONAL SERVICE ARRANGEMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 1877(e) (42 U.S.C. 1395nn(e)) is amended to read as follows:

''(3) PERSONAL SERVICE ARRANGEMENTS.—Remuneration from an entity under an arrangement if—

''(A) the arrangement is set out in writing, signed by the parties, and specifies the services covered by the arrangement,

''(B) the arrangement covers all of the services to be provided by the physician (or family member) to the entity,

''(C) the aggregate services contracted for do not exceed those that are reasonable and necessary for the legitimate business purposes of the arrangement,

''(D) the term of the arrangement is for at least one year,

''(E) the compensation to be paid over the term of the arrangement is set in advance, does not exceed fair market value, and is not determined in a manner that takes into account directly or indirectly the volume or value of any referrals or other business generated between the parties,

"(F) the services to be performed under the arrangement do not involve the counseling or promotion of a business arrangement or other activity that violates any State or Federal law, and

"(G) the arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.".

(2) HEALTH SERVICES FURNISHED UNDER CERTAIN HOSPITAL ARRANGEMENTS.—Section 1877(e) (42 U.S.C. 1395nn(e)) is amended by adding at the end the following new paragraph:

"(7) CERTAIN GROUP PRACTICE ARRANGEMENTS WITH A HOSPITAL.—

"(A) IN GENERAL.—An arrangement between a hospital and a group for the provision of designated health services by the group but billed in the name of the hospital if—

"(i) the group would be a group practice, but for the fact that it bills for such services in the name of the hospital;

"(ii) with respect to services provided to an inpatient of the hospital, the arrangement is pursuant to the provision of

inpatient hospital services under section 1861(b)(3);

''(iii) the arrangement began before December 19, 1989, and has continued in effect without interruption since such date;

''(iv) the group provides substantially all of the designated health services furnished under the arrangement to the hospital's patients;

''(v) the arrangement is pursuant to an agreement that is set out in writing and that specifies the services to be provided by the parties and the compensation for services provided under the agreement;

''(vi) the compensation paid over the term of the agreement is consistent with fair market value and the compensation per unit of services is fixed in advance and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties;

''(vii) the compensation is provided pursuant to an agreement which would be

commercially reasonable even if no referrals were made to the entity; and

''(viii) the arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.''.

(d) PHYSICIAN RECRUITMENT.—Section 1877(e)(4) (42 U.S.C. 1395nn(e)(4)) is amended—

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

(2) by inserting before subparagraph (B), as so redesignated, the following new subparagraph:

''(A) the remuneration arrangement is set out in writing, signed by the parties, and specifies the benefits provided by the hospital, the terms under which the benefits are to be provided, and the obligations of the parties,''.

(e) ISOLATED TRANSACTIONS.—Section 1877(e)(5) (42 U.S.C. 1395nn(e)(5)) is amended—

(1) by striking ''ISOLATED'' and inserting ''ONE-TIME'',

(2) by striking ''isolated'' and inserting ''one-time'', and

(3) by inserting ''or practice'' after ''one-time sale of property''.

(f) NEW EXCEPTION FOR PAYMENTS BY PHYSICIAN.—Section 1877(e) (42 U.S.C. 1395nn(e)), as amended by subsection (c)(2), is further amended by adding at the end the following new paragraph:

''(8) PAYMENTS BY A PHYSICIAN FOR ITEMS AND SERVICES.—Payments made by a physician—

''(A) to a laboratory in exchange for the provision of clinical laboratory services, or

''(B) to an entity as compensation for other items or services if the items or services are furnished at a price that is consistent with fair market value.''.

SEC. 13526. CLARIFICATION CONCERNING CIVIL MONEY PENALTY SANCTIONS.

Section 1877(g)(3) (42 U.S.C. 1395nn(g)(3)) is amended by inserting ''(including a referring physician)'' after ''Any person''.

SEC. 13527. REQUIREMENTS FOR GROUP PRACTICE.

(a) ADDITIONAL REQUIREMENTS.—Section 1877(h)(4) (42 U.S.C. 1395nn(h)(4)) is amended—

(1) by striking ''and'' at the end of subparagraph (C);

(2) by redesignating subparagraphs (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (vii), respectively;

(3) by inserting ''(A)'' after ''.—'';

(4) by inserting after clause (iii), as so redesignated, the following:

''(iv) subject to subparagraph (B), no physician who is a member of the group receives compensation based on the volume or value of referrals by the physician;

''(v) there are no less than, on average, 5 physicians for each office location (as defined in subparagraph (C)), except where there is only a single office location for the entire group practice;

''(vi) members of the group personally conduct no less than 75 percent of the physician-patient encounters of the group practice; and''; and

(5) by adding at the end the following new subparagraphs:

''(B) A physician in a group practice may be paid a share of overall profits of the group or a productivity bonus (based on services personally performed or personally supervised by the physician or

by another physician in the group) so long as the share or bonus is not determined in any manner which is directly related to the volume or value of referrals by that physician.

''(C)(i) Except as provided in clauses (ii) through (iv), the term 'office location' means an office where physician services are offered to patients.

''(ii) Such term does not include a location consisting solely of a diagnostic facility, nursing facility, or treatment facility (such as a physical or occupational therapy center), or administrative services affiliated with the group practice.

''(iii) Any office location which is located immediately adjacent to another office location shall be treated as the same office location.

''(iv) The term 'office location' does not include an office located in a rural area (as defined in section 1886(d)(2)(D)) if at least 85 percent of the physician services at the location are provided to individuals who reside in such a rural area.''.

(b) USE OF BILLING NUMBERS, ETC.—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in subsection (b)(2)(B), by inserting ''under a billing number assigned to the group practice'' after ''member'',

(2) in subsection (h)(4)(A)(ii), as redesignated by subsection (a)(2), by inserting ''and under a billing number assigned to the group'' after ''in the name of the group'', and

(3) in subsection (h)(4)(A)(iii), as redesignated by subsection (a)(2), by striking ''by members of the group''.

(c) TREATMENT OF CERTAIN FACULTY PRACTICE PLANS.—The last sentence of section 1877(h)(4)(A) (42 U.S.C. 1395nn(h)(4)(A)), as redesignated by subsection (a)(2), is amended by inserting '', institution of higher education, or medical school'' after ''hospital''.

SEC. 13538. NO FEDERAL PREEMPTION OF MORE RESTRICTIVE STATE LAWS.

Section 1877 (42 U.S.C. 1395nn), as amended by section 13522(2), is amended by adding at the end the following new subsection:

''(j) NO FEDERAL PREEMPTION OF MORE RESTRICTIVE STATE LAWS.—Nothing in this section shall preempt provisions of State law—

''(1) that relate to referrals not covered by this section, or

''(2) that relate to referrals covered by this section and are more restrictive with respect to such referrals than the provisions of this section.''.

SEC. 13529. MISCELLANEOUS PROVISIONS.

(a) INDIRECT FINANCIAL RELATIONSHIPS.—The last sentence of section 1877(a)(2) (42 U.S.C. 1395nn(a)(2)) is amended by inserting before the period the following: ''and includes an interest in an entity that holds an ownership or investment in another entity''.

(b) MINOR REMUNERATION.—Section 1877(h)(1) (42 U.S.C. 1395nn(h)(1)) is amended—

(1) in subparagraph (A), by inserting before the period at the end the following: ''(other than an arrangement involving only remuneration described in subparagraph (C))'', and

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

''(C) Remuneration described in this subparagraph is any remuneration consisting of any of the following:

''(i) The forgiveness of amounts owed for inaccurate tests or procedures, mistakenly performed tests or procedures, or the correction of minor billing errors.

''(ii) The provision of items, devices, or supplies that are used solely to—

''(I) collect, transport, process, or store specimens for the entity providing the item, device, or supply, or

''(II) communicate the results of tests or procedures for such entity.''.

(c) REFERRING PHYSICIAN.—Section 1877(h)(7)(C) (42 U.S.C. 1395nn(h)(7)(C)) is amended—

(1) by inserting ''a request by a radiologist for diagnostic radiology services, and a request by a radiation oncologist for radiation therapy,'' after ''examination services,'', and

(2) by inserting '', radiologist, or radiation oncologist'' after ''pathologist'' the second place it appears.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—Section 1877 (42 U.S.C. 1395nn) is further amended—

(1) in the next to last sentence of subsection (f)—

(A) by striking ''provided'' and inserting ''furnished'', and

(B) by striking ''provides'' and inserting ''furnish'';

(2) in the last sentence of subsection (f)—

(A) by striking ''providing'' each place it appears and inserting ''furnishing'',

(B) by striking ''with respect to the providers'' and inserting ''with respect to the entities'', and

(C) by striking ''diagnostic imaging services of any type'' and inserting ''magnetic resonance imaging, computerized axial tomography scans, and ultrasound services''; and

(3) in subsection (a)(2)(B), by striking ''subsection (h)(1)(A)'' and inserting ''subsection (h)(1)''.

SEC. 13530. EFFECTIVE DATES.

(a) EXPANSION OF PAYERS AND SERVICES.—The amendments made by sections 13521 and 13522 shall apply with respect to a referral by a physician made on or after December 31, 1994.

(b) OTHER PROVISIONS.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by sections 13523 through 13529 shall apply to referrals made on or after January 1, 1992.

(2) DELAY IN EFFECTIVENESS FOR MORE RESTRICTIVE PROVISIONS.—The amendments made by the following sections shall apply with respect to a referral by a physician made on or after December 31, 1994:

(A) Section 13523(b) (relating to the rural provider exception).

(B) Section 13524(a) (relating to publicly-traded securities).

(C)(i) Section 13525(a) (relating to an exception for office rental and equipment), other than the exception relating to equipment.

(ii) Section 13525(c)(1) (relating to exception for personal services arrangements).

(iii) Section 13525(d) (relating to physician recruitment).

(D) Section 13526 (relating to civil money penalty).

(E) Section 13527 (relating to requirements for group practices), other than subsection (c) (relating to faculty plans).

(F) Section 13528 (relating to non-preemption).

(G) Section 13529(a) (relating to indirect financial relationships).

Subchapter D—Other Provisions

SEC. 13551. DIRECT GRADUATE MEDICAL EDUCATION.

(a) ADJUSTMENT IN GME BASE-YEAR COSTS OF FEDERAL INSURANCE CONTRIBUTIONS ACT.—

(1) IN GENERAL.—In determining the amount of payment to be made under section 1886(h) of the Social Security Act in the case of a hospital described in paragraph (2) for cost reporting periods beginning on or after October 1, 1992, the Secretary of Health and Human Services shall redetermine the approved FTE resident amount to reflect the amount that would have been paid the hospital if, during the hospital's base cost reporting period, the hospital had been liable for FICA taxes or for contributions to the retirement system of a State, a political subdivision of a State, or an instrumentality of such a State or political subdivision with respect to interns and residents in its medical residency training program.

(2) HOSPITALS AFFECTED.—A hospital described in this paragraph is a hospital that did not pay FICA taxes with respect to interns and residents in its medical residency training program during the hospital's base cost reporting period, but is required to pay FICA taxes or make contributions to a retirement system described in paragraph (1) with respect to such interns and residents because of the amendments made by section 11332(b) of OBRA–1990.

(3) DEFINITIONS.—In this subsection:

(A) The ''base cost reporting period'' for a hospital is the hospital's cost reporting period that began during fiscal year 1984.

(B) The term ''FICA taxes'' means, with respect to a hospital, the taxes under section 3111 of the Internal Revenue Code of 1986.

(b) PUBLICLY-FUNDED FAMILY PRACTICE RESIDENCY PROGRAMS.—

(1) IN GENERAL.—Section 1886(h)(5) (42 U.S.C. 1395ww(h)(5)) is amended by adding at the end the following new subparagraph:

''(I) ADJUSTMENTS FOR CERTAIN FAMILY PRACTICE RESIDENCY PROGRAMS.—

''(i) IN GENERAL.—In the case of an approved medical residency training program (meeting the requirements of clause (ii)) of a hospital which received payments from the United States, a State, or a political subdivision of a State or an instrumentality of such a State or political subdivision (other than payments under this title or a State plan under title XIX) for the program during the cost reporting period

that began during fiscal year 1984, the Secretary shall—

''(I) provide for an average amount under paragraph (2)(A) that takes into account the Secretary's estimate of the amount that would have been recognized as reasonable under this title if the hospital had not received such payments, and

''(II) reduce the payment amount otherwise provided under this subsection in an amount equal to the proportion of such program payments during the cost reporting period involved that is allocable to this title.

''(ii) ADDITIONAL REQUIREMENTS.—A hospital's approved medical residency program meets the requirements of this clause if—

''(I) the program is limited to training for family and community medicine;

''(II) the program is the only approved medical residency program of the hospital; and

''(III) the average amount determined under paragraph (2)(A) for the hospital (as determined without regard to the increase in such amount described in clause (i)(I)) does not exceed $10,000.''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to payments under section 1886(h) of the Social Security Act for cost reporting periods beginning on or after October 1, 1990.

(c) PREVENTIVE CARE RESIDENCIES.—

(1) ELIGIBILITY OF PREVENTIVE CARE RESIDENCY PROGRAMS FOR EXPANDED INITIAL RESIDENCY PERIODS.—Section 1886(h)(5)(F)(ii) (42 U.S.C. 1395ww(h)(5)(F)(ii)) is amended by inserting after ''fellowship program'' the following: ''or a preventive care residency or fellowship program''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to cost reporting periods beginning on or after October 1, 1993.

SEC. 13552. IMMUNOSUPPRESSIVE DRUG THERAPY.

Section 1861(s)(2)(J) (42 U.S.C. 1395x(s)(2)(J)) is amended by striking ''title, within'' and all that follows

and inserting the following: ''title, but only in the case of drugs furnished—

''(i) before 1994, within 12 months after the date of the transplant procedure,

''(ii) during 1994, within 18 months after the date of the transplant procedure,

''(iii) during 1995, within 24 months after the date of the transplant procedure,

''(iv) during 1996, within 30 months after the date of the transplant procedure, and

''(v) during any year after 1997, within 36 months after the date of the transplant procedure;''.

SEC. 13553. REDUCTION IN PAYMENTS FOR ERYTHROPOIENTIN.

(a) IN GENERAL.—Section 1881(b)(11)(B)(ii)(I) (42 U.S.C. 1395rr(b)(11)(B)(ii)(I)) is amended—

(1) by striking ''1991'' and inserting ''1994''; and

(2) by striking ''$11'' and inserting ''$10''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to erythropoietin furnished on or after January 1, 1994.

SEC. 13554. QUALIFIED MEDICARE BENEFICIARY OUTREACH.

The Secretary of Health and Human Services shall establish and implement a method for obtaining information from newly eligible medicare beneficiaries that may be used to determine whether such beneficiaries may be eligible for medical assistance for medicare cost-sharing under State medicaid plans as qualified medicare beneficiaries, and for transmitting such information to the State in which such a beneficiary resides.

SEC. 13555. EXTENSION OF SOCIAL HEALTH MAINTENANCE ORGANIZATION DEMONSTRATIONS.

(a) EXTENSION OF CURRENT WAIVERS.—Section 4018(b) of OBRA–1987, as amended by section 4207(b)(4)(B) of OBRA–1990, is amended—

(1) in paragraph (1) by striking ''December 31, 1995'' and inserting ''December 31, 1997''; and

(2) in paragraph (4) by striking ''March 31, 1996'' and inserting ''March 31, 1998''.

(b) EXPANSION OF DEMONSTRATIONS.—Section 2355 of the Deficit Reduction Act of 1984 is amended—

(1) in the last sentence of subsection (a) by striking ''12 months'' and inserting ''36 months''; and

(2) in subsection (b)(1)(B)—

(A) by striking ''or'' at the end of clause (iii); and

(B) by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following new clause:

''(iv) integrating acute and chronic care management for patients with end-stage renal disease through expanded community care case management services (and for purposes of a demonstration project conducted under this clause, any requirement under a waiver granted under this section that a project disenroll individuals who develop end-stage renal disease shall not apply); or''.

(c) EXPANSION OF NUMBER OF MEMBERS PER SITE.—The Secretary of Health and Human Services may not impose a limit of less than 12,000 on the number of individuals that may participate in a project conducted under section 2355 of the Deficit Reduction Act of 1984.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The section following section 4206 of OBRA–1990 is amended by striking ''SEC. 4027.''

and inserting ''SEC. 4207.'', and in this subtitle is referred to as section 4207 of OBRA–1990.

(2) Section 2355(b)(1)(B) of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B)(ii) of OBRA–1990, is amended—

(A) by striking ''12907(c)(4)(A)'' and inserting ''4207(b)(4)(B)(i)'', and

(B) by striking ''feasibilitly'' and inserting ''feasibility''.

(3) Section 4207(b)(4)(B)(iii)(III) of OBRA–1990 is amended by striking the period at the end and inserting a semicolon.

(4) Subsections (c)(3) and (e) of section 2355 of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B) of OBRA–1990, are each amended by striking ''12907(c)(4)(A)'' each place it appears and inserting ''4207(b)(4)(B)''.

(5) Section 4207(c)(2) of OBRA–1990 is amended by striking ''the Committee on Ways and Means'' each place it appears and inserting ''the Committees on Ways and Means and Energy and Commerce''.

(6) Section 4207(d) of OBRA–1990 is amended by redesignating the second paragraph (3) (relating to effective date) as paragraph (4).

(7) Section 4207(i)(2) of OBRA–1990 is amended—

(A) by striking the period at the end of clause (iii) and inserting a semicolon, and

(B) in clause (v), by striking ''residents'' and inserting ''patients''.

(8) Section 4207(j) of OBRA–1990 is amended by striking ''title'' each place it appears and inserting ''subtitle''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA–90.

SEC. 13556. HOSPICE NOTIFICATION TO HOME HEALTH BENEFICIARIES.

(a) IN GENERAL.—Section 1891(a)(1) (42 U.S.C. 1395bbb(a)(1)) is amended by adding at the end the following new subparagraph:

''(H) The right, in the case of a resident who is entitled to benefits under this title, to be fully informed orally and in writing (at the time of coming under the care of the agency) of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the

geographic area of the facility and it is not the common practice of the agency to refer patients to hospice programs located outside such geographic area).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 13557. INTEREST PAYMENTS.

(a) IN GENERAL.—Sections 1816(c)(2)(B)(ii)(IV) and 1842(c)(2)(B)(ii)(IV) of the Social Security Act shall be applied with respect to claims received in the 12-month period beginning October 1, 1992, by substituting ''30 calendar days'' for ''24 calendar days'' and ''17 calendar days''.

(b) EFFECTIVE DATE.—Subsection (a) shall be in effect during the period that begins on the date of the enactment of this Act and ends on September 30, 1993.

SEC. 13558. PEER REVIEW ORGANIZATIONS.

(a) REPEAL OF PRO PRECERTIFICATION REQUIREMENT FOR CERTAIN SURGICAL PROCEDURES.—

(1) IN GENERAL.—Section 1164 (42 U.S.C. 1320c–13) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 1154 (42 U.S.C. 1320c–3) is amended—

(i) in subsection (a), by striking paragraph (12), and

(ii) in subsection (d), by striking ''(and except as provided in section 1164)''.

(B) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(1)(D)(i), by striking '', or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)'';

(ii) in subsection (a)(1), by striking clause (G);

(iii) in subsection (a)(2)(A), by striking '', to items and services (other than clinical diagnostic laboratory tests) furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion),'';

(iv) in subsection (a)(2)(D)(i)—

(I) by striking ''basis,'' and inserting ''basis or'', and

(II) by striking '', or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)'';

(v) in subsection (a)(3), by striking ''and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion)''; and

(vi) in the first sentence of subsection (b), by striking ''(4)'' and all that follows through ''and (5)'' and inserting and (4)''.

(C) Section 1834(g)(1)(B) (42 U.S.C. 1395m(g)(1)(B)) is amended by striking ''and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion)''.

(D) Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(i) by adding ''or'' at the end of paragraph (14),

(ii) by striking ''; or'' at the end of paragraph (15) and inserting a period, and

(iii) by striking paragraph (16).

(E) The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395w(a)(2)(A)) is amended by striking '', with respect to items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion),''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to services provided on or after the date of the enactment of this Act.

(b) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) The third sentence of section 1156(b)(1) (42 U.S.C. 1320c–5(b)(1)) is amended by striking ''whehter'' and inserting ''whether''.

(2) Section 1154(a)(9)(B) (42 U.S.C. 1320c–3(a)(9)(B)) is amended by striking ''this subsection'' and inserting ''section 1156(a)''.

(3) Section 4205(d)(2)(B) of OBRA–1990 is amended by striking ''amendments'' and inserting ''amendment''.

(4) Section 1160(d) (42 U.S.C. 1320c–9(d)) is amended by striking ''subpena'' and inserting ''subpoena''.

(5) Section 4205(e)(2) of OBRA–1990 is amended by striking ''amendments'' and inserting ''amendment'' and by striking ''all''.

(6)(A) Except as provided in subparagraph (B), the amendments made by this subsection shall take effect as if included in the enactment of OBRA–1990.

(B) The amendment made by paragraph (2) (relating to the requirement on reporting of information to State licensing boards) shall take effect on the date of the enactment of this Act.

SEC. 13559. HEALTH MAINTENANCE ORGANIZATIONS.

(a) ADJUSTMENT IN MEDICARE CAPITATION PAYMENTS TO ACCOUNT FOR REGIONAL VARIATIONS IN APPLICATION OF SECONDARY PAYER PROVISIONS.—

(1) IN GENERAL.—Section 1876(a)(4) (42 U.S.C. 1395mm(a)(4)) is amended by adding at the end the following new sentence: ''In establishing the adjusted average per capita cost for a geographic area, the Secretary shall take into account the differences between the proportion of individuals in the

area with respect to whom there is a group health plan that is a primary plan (within the meaning of section 1862(b)(2)(A)) compared to the proportion of all such individuals with respect to whom there is such a group health plan.''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contracts entered into for years beginning with 1994.

(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—Section 4204(b) of OBRA–1990 is amended to read as follows:

''(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—(1)(A) Not later than October 1, 1993, the Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') shall submit a proposal to the Congress that provides for revisions to the payment method to be applied in years beginning with 1995 for organizations with a risk-sharing contract under section 1876(g) of the Social Security Act.

''(B) In proposing the revisions required under subparagraph (A) the Secretary shall consider—

''(i) the difference in costs associated with medicare beneficiaries with differing health status and demographic characteristics; and

''(ii) the effects of using alternative geographic classifications on the determinations of costs associated with beneficiaries residing in different areas.

''(2) Not later than 3 months after the date of submittal of the proposal under paragraph (1), the Comptroller General shall review the proposal and shall report to Congress on the appropriateness of the proposed modifications.''.

(c) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) Section 1876(a)(3) (42 U.S.C. 1395mm(a)(3)) is amended by striking ''subsection (c)(7)'' and inserting ''subsections (c)(2)(B)(ii) and (c)(7)''.

(2) Section 4204(c)(3) of OBRA–1990 is amended by striking ''for 1991'' and inserting ''for years beginning with 1991''.

(3) Section 4204(d)(2) of OBRA–1990 is amended by striking ''amendment'' and inserting ''amendments''.

(4) Section 1876(a)(1)(E)(ii)(I) (42 U.S.C. 1395mm(a)(1)(E)(ii)(I)) is amended by striking the comma after ''contributed to''.

(5) Section 4204(e)(2) of OBRA–1990 is amended by striking ''(which has a risk-sharing contract under section 1876 of the Social Security Act)''.

(6) Section 4204(f)(4) of OBRA–1990 is amended by striking ''final''.

(7) Section 1862(b)(3)(C) (42 U.S.C. 1395y(b)(3)(C)) is amended—

(A) in the heading, by striking ''PLAN'' and inserting ''PLAN OR A LARGE GROUP HEALTH PLAN'';

(B) by striking ''group health plan'' and inserting ''group health plan or a large group health plan'';

(C) by striking '', unless such incentive is also offered to all individuals who are eligible for coverage under the plan''; and

(D) by striking ''the first sentence of subsection (a) and other than subsection (b)'' and inserting ''subsections (a) and (b)''.

(8) The amendments made by this subsection shall take effect as if included in the enactment of OBRA–1990.

SEC. 13560. MEDICARE ADMINISTRATION BUDGET PROCESS.

(a) ADJUSTMENTS.—Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

"(E) MEDICARE ADMINISTRATIVE COSTS.—To the extent that appropriations are enacted that provide additional new budget authority (as compared with a base level of $1,526,000,000 for new budget authority) for the administration of the Medicare program by fiscal intermediaries and carriers pursuant to sections 1816 and 1842(a) of title XVIII of the Social Security Act, the adjustment for that year shall be that amount, but shall not exceed—

"(i) for fiscal year 1994, $198,000,000 in new budget authority and $198,000,000 in outlays; and

"(ii) for fiscal year 1995, $220,000,000 in new budget authority and $220,000,000 in outlays; and

the prior-year outlays resulting from these appropriations of budget authority and additional adjustments equal to the sum of the maximum adjustments that could have been made in preceding fiscal years under this subparagraph.".

(b) CONFORMING AMENDMENTS.—

(1) Section 603(a) of the Congressional Budget Act of 1974 is amended by striking "section

251(b)(2)(E)(i)'' and inserting ''section 251(b)(2)(F)(i)''.

(2) Section 606(d) of the Congressional Budget Act of 1974 is amended—

(A) in paragraph (1)(A) by striking ''section 251(b)(2)(E)(i)'' and inserting ''section 251(b)(2)(F)(i)''; and

(B) in paragraph (2), by inserting ''251(b)(2)(E),'' after ''251(b)(2)(D),''.

SEC. 13561. OTHER PROVISIONS.

(a) SURVEY AND CERTIFICATION REQUIREMENTS.—(1) Section 1864 (42 U.S.C. 1395aa) is amended—

(A) in subsection (e), by striking ''title'' and inserting ''title (other than any fee relating to section 353 of the Public Health Service Act)''; and

(B) in the first sentence of subsection (a), by striking ''1861(s) or'' and all that follows through ''Service Act,'' and inserting ''1861(s),''.

(2) An agreement made by the Secretary of Health and Human Services with a State under section 1864(a) of the Social Security Act may include an agreement that the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by the Secretary for the purpose of determining

whether a laboratory meets the requirements of section 353 of the Public Health Service Act.

(b) HOME DIALYSIS DEMONSTRATION TECHNICAL CORRECTION.—Section 4202 of OBRA–1990 is amended—

(1) in subsection (b)(1)(A), by striking ''home hemodialysis staff assistant'' and inserting ''qualified home hemodialysis staff assistant (as described in subsection (d))'';

(2) in subsection (b)(2)(B)(ii)(I), by striking ''(as adjusted to reflect differences in area wage levels);

(3) in subsection (c)(1)(A), by striking ''skilled''; and

(4) in subsection (c)(1)(E), by striking ''(b)(4)'' and inserting ''(b)(2)''.

(c) OTHER TECHNICAL AMENDMENTS.—(1) Section 1833 (42 U.S.C. 1395l) is amended by redesignating the subsection (r) added by section 4206(b)(2) of OBRA–1990 as subsection (s).

(2) Section 1866(f)(1) (42 U.S.C. 1395cc(f)(1)) is amended by striking ''1833(r)'' and inserting ''1833(s)''.

(3) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended by moving subparagraph (O), as redesignated by

section 13478(f)(8)(B)(iii)(II) of this title, two ems to the left.

(4) Section 1881(b)(1)(C) (42 U.S.C. 1395rr(b)(1)(C)) is amended by striking ''1861(s)(2)(Q)'' and inserting ''1861(s)(2)(P)''.

(5) Section 4201(d)(2) of OBRA–1990 is amended by striking ''(B) by striking'', ''(C) by striking'', and ''(3) by adding'' and inserting ''(i) by striking'', ''(ii) by striking'', and ''(B) by adding'', respectively.

(6)(A) Section 4207(a)(1) of OBRA–1990 is amended by adding closing quotation marks and a period after ''such review.''.

(B) Section 4207(a)(4) of OBRA–1990 is amended by striking ''this subsection'' and inserting ''paragraphs (2) and (3)''.

(C) Section 4207(b)(1) of OBRA–1990 is amended by striking ''section 3(7)'' and inserting ''section 601(a)(1)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA–1990.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

SEC. 13571. STANDARDS FOR MEDICARE SUPPLEMENTAL INSURANCE POLICIES.

(a) SIMPLIFICATION OF MEDICARE SUPPLEMENTAL POLICIES.—

(1) Section 4351 of OBRA–1990 is amended by striking ''(a) IN GENERAL.—''.

(2) Section 1882(p) (42 U.S.C. 1395ss(p)) is amended—

(A) in paragraph (1)(A)—

(i) by striking ''promulgates'' and inserting ''changes the revised NAIC Model Regulation (described in subsection (m)) to incorporate'',

(ii) by striking ''(such limitations, language, definitions, format, and standards referred to collectively in this subsection as 'NAIC standards')'', and

(iii) by striking ''included a reference to the NAIC standards'' and inserting ''were a reference to the revised NAIC Model Regulation as changed under this subparagraph (such changed regulation re-

ferred to in this section as the '1991 NAIC Model Regulation')'';

(B) in paragraph (1)(B)—

(i) by striking ''promulgate NAIC standards'' and inserting ''make the changes in the revised NAIC Model Regulation'',

(ii) by striking ''limitations, language, definitions, format, and standards described in clauses (i) through (iv) of such subparagraph (in this subsection referred to collectively as 'Federal standards')'' and inserting ''a regulation'', and

(iii) by striking ''included a reference to the Federal standards'' and inserting ''were a reference to the revised NAIC Model Regulation as changed by the Secretary under this subparagraph (such changed regulation referred to in this section as the '1991 Federal Regulation')'';

(C) in paragraph (1)(C)(i), by striking ''NAIC standards or the Federal standards'' and inserting ''1991 NAIC Model Regulation or 1991 Federal Regulation'';

(D) in paragraphs (1)(C)(ii)(I), (1)(E), (2), and (9)(B), by striking ''NAIC or Federal standards'' and inserting ''1991 NAIC Model Regulation or 1991 Federal Regulation'';

(E) in paragraph (2)(C), by striking ''(5)(B)'' and inserting ''(4)(B)'';

(F) in paragraph (4)(A)(i), by inserting ''or paragraph (6)'' after ''(B)'';

(G) in paragraph (4), by striking ''applicable standards'' each place it appears and inserting ''applicable 1991 NAIC Model Regulation or 1991 Federal Regulation'';

(H) in paragraph (6), by striking ''in regard to the limitation of benefits described in paragraph (4)'' and inserting ''described in clauses (i) through (iii) of paragraph (1)(A)'';

(I) in paragraph (7), by striking ''policyholder'' and inserting ''policyholders'';

(J) in paragraph (8), by striking ''after the effective date of the NAIC or Federal standards with respect to the policy, in violation of the previous requirements of this subsection'' and inserting ''on and after the effective date specified in paragraph (1)(C) (but subject to paragraph (10)), in violation of the applicable 1991

NAIC Model Regulation or 1991 Federal Regulation insofar as such regulation relates to the requirements of subsection (o) or (q) or clause (i), (ii), or (iii) of paragraph (1)(A)''; (K) in paragraph (9), by adding at the end the following new subparagraph:

''(D) Subject to paragraph (10), this paragraph shall apply to sales of policies occurring on or after the effective date specified in paragraph (1)(C).''; and

(L) in paragraph (10), by striking ''this subsection'' and inserting ''paragraph (1)(A)(i)''.

(b) GUARANTEED RENEWABILITY.—Section 1882(q) (42 U.S.C. 1395ss(q)) is amended—

(1) in paragraph (2), by striking ''paragraph (2)'' and inserting ''paragraph (4)'', and

(2) in paragraph (4), by striking ''the succeeding issuer'' and inserting ''issuer of the replacement policy''.

(c) ENFORCEMENT OF STANDARDS.—

(1) Section 1882(a)(2) (42 U.S.C. 1395ss(a)(2)) is amended—

(A) in subparagraph (A), by striking ''NAIC standards or the Federal standards''

and inserting ''1991 NAIC Model Regulation or 1991 Federal Regulation'', and

(B) by striking ''after the effective date of the NAIC or Federal standards with respect to the policy'' and inserting ''on and after the effective date specified in subsection (p)(1)(C)''.

(2) The sentence in section 1882(b)(1) added by section 4353(c)(5) of OBRA–1990 is amended—

(A) by striking ''The report'' and inserting ''Each report'',

(B) by inserting ''and requirements'' after ''standards'',

(C) by striking ''and'' after ''compliance,'', and

(D) by striking the comma after ''Commissioners''.

(3) Section 1882(g)(2)(B) (42 U.S.C. 1395ss(g)(2)(B)) is amended by striking ''Panel'' and inserting ''Secretary''.

(4) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended by striking ''the the Secretary'' and inserting ''the Secretary''.

(d) PREVENTING DUPLICATION.—

(1) Section 1882(d)(3)(A) (42 U.S.C. 1395ss(d)(3)(A)) is amended—

(A) by amending the first sentence to read as follows:

''(i) It is unlawful for a person to sell or issue to an individual entitled to benefits under part A or enrolled under part B of this title—

''(I) a health insurance policy with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled under this title or title XIX,

''(II) a medicare supplemental policy with knowledge that the individual is entitled to benefits under another medicare supplemental policy, or

''(III) a health insurance policy (other than a medicare supplemental policy) with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled, other than benefits to which the individual is entitled under a requirement of State or Federal law.'';

(B) by designating the second sentence as clause (ii) and, in such clause, by striking ''the previous sentence'' and inserting ''clause (i)'';

(C) by designating the third sentence as clause (iii) and, in such clause—

(i) by striking ''the previous sentence'' and inserting ''clause (i) with respect to

the sale of a medicare supplemental policy'', and

(ii) by striking ''and the statement'' and all that follows up to the period at the end; and

(D) by striking the last sentence.

(2) Section 1882(d)(3)(B) (42 U.S.C. 1395ss(d)(3)(B)) is amended—

(A) in clause (ii)(II), by striking ''65 years of age or older'',

(B) in clause (iii)(I), by striking ''another medicare'' and inserting ''a medicare'',

(C) in clause (iii)(I), by striking ''such a policy'' and inserting ''a medicare supplemental policy'',

(D) in clause (iii)(II), by striking ''another policy'' and inserting ''a medicare supplemental policy'', and

(E) by amending subclause (III) of clause (iii) to read as follows:

''(III) If the statement required by clause (i) is obtained and indicates that the individual is entitled to any medical assistance under title XIX, the sale of the policy is not in violation of clause (i) (insofar as such clause relates to such medical assistance), if a State medicaid plan

under such title pays the premiums for the policy, or, in the case of a qualified medicare beneficiary described in section 1905(p)(1), if the State pays less than the full amount of medicare cost-sharing as described in subparagraphs (B), (C), and (D) of section 1905(p)(3) for such individual.''.

(3)(A) Section 1882(d)(3)(C) (42 U.S.C. 1395ss(d)(3)(C)) is amended—

(i) by striking ''the selling'' and inserting ''(i) the sale or issuance'', and

(ii) by inserting before the period at the end the following: '', (ii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(I) (other than a medicare supplemental policy to an individual entitled to any medical assistance under title XIX) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual but only if (for policies sold or issued more than 60 days after the date the statements are published or promulgated under subparagraph (D)) there is disclosed in a prominent manner as part of (or together with) the application the applicable statement (specified under subpara-

graph (D)) of the extent to which benefits payable under the policy or plan duplicate benefits under this title, or (iii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(III) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual''.

(B) Section 1882(d)(3) (42 U.S.C. 1395ss(d)(3)) is amended by adding at the end the following:

''(D)(i) If—

''(I) within the 90-day period beginning on the date of the enactment of this subparagraph, the National Association of Insurance Commissioners develops (after consultation with consumer and insurance industry representatives) and submits to the Secretary a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and

1 ''(II) the Secretary approves all the statements
2 submitted as meeting the requirements of subclause
3 (I),
4 each such statement shall be (for purposes of subpara-
5 graph (C)) the statement specified under this subpara-
6 graph for the type of policy involved. The Secretary shall
7 review and approve (or disapprove) all the statements sub-
8 mitted under subclause (I) within 30 days after the date
9 of their submittal. Upon approval of such statements, the
10 Secretary shall publish such statements.
11 ''(ii) If the Secretary does not approve the statements
12 under clause (i) or the statements are not submitted with-
13 in the 90-day period specified in such clause, the Secretary
14 shall promulgate (after consultation with consumer and
15 insurance industry representatives and not later than 90
16 days after the date of disapproval or the end of such 90-
17 day period (as the case may be)) a statement for each
18 of the types of health insurance policies (other than medi-
19 care supplemental policies and including, as separate types
20 of policies, policies paying directly to the beneficiary fixed,
21 cash benefits) which are sold to persons entitled to health
22 benefits under this title, of the extent to which benefits
23 payable under the policy or plan duplicate benefits under
24 this title, and each such statement shall be (for purposes

of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved.''.

(C) The requirement of a disclosure under section 1882(d)(3)(C)(ii) of the Social Security Act shall not apply to an application made for a policy or plan before 60 days after the date of the Secretary of Health and Human Services publishes or promulgates all the statements under section 1882(d)(3)(D) of such Act.

(4) Subparagraphs (A) and (B) of section 1882(q)(5)(A) are amended by striking ''of the Social Security Act''.

(5) The second subsection (b) of section 4354 of OBRA–1990 (relating to effective date) is amended by redesignating such subsection as subsection (c).

(e) LOSS RATIOS AND REFUNDS OF PREMIUMS.—

(1) Section 1882(r) (42 U.S.C. 1395ss(r)) is amended—

(A) in paragraph (1), by striking ''or sold'' and inserting ''or renewed (or otherwise provide coverage after the date described in subsection (p)(1)(C))'';

(B) in paragraph (1)(A), by inserting ''for periods after the effective date of these provisions'' after ''the policy can be expected'';

(C) in paragraph (1)(A), by striking ''Commissioners,'' and inserting ''Commissioners)'';

(D) in paragraph (1)(B), by inserting before the period at the end the following: '', treating policies of the same type as a single policy for each standard package'';

(E) by adding at the end of paragraph (1) the following: ''For the purpose of calculating the refund or credit required under paragraph (1)(B) for a policy issued before the date specified in subsection (p)(1)(C), the refund or credit calculation shall be based on the aggregate benefits provided and premiums collected under all such policies issued by an insurer in a State (separated as to individual and group policies) and shall be based only on aggregate benefits provided and premiums collected under such policies after the date specified in section 13571(m)(4) of the Omnibus Budget Reconciliation Act of 1993.'';

(F) in the first sentence of paragraph (2)(A), by striking ''by policy number'' and inserting ''by standard package'';

(G) by striking the second sentence of paragraph (2)(A) and inserting the following: ''Paragraph (1)(B) shall not apply to a policy until 12 months following issue.'';

(H) in the last sentence of paragraph (2)(A), by striking ''in order'' and all that follows through ''are effective'';

(I) by adding at the end of paragraph (2)(A), the following new sentence: ''In the case of a policy issued before the date specified in subsection (p)(1)(C), paragraph (1)(B) shall not apply until 1 year after the date specified in section 13571(m)(4) of the Omnibus Budget Reconciliation Act of 1993.'';

(J) in paragraph (2), by striking ''policy year'' each place it appears and inserting ''calendar year'';

(K) in paragraph (4), by striking ''February'', ''disllowance'', ''loss-ratios'' each place it appears, and ''loss-ratio'' and inserting ''October'', ''disallowance'', ''loss ratios'', and ''loss ratio'', respectively;

(L) in paragraph (6)(A), by striking ''issues a policy in violation of the loss ratio requirements of this subsection'' and ''such violation'' and inserting ''fails to provide refunds or credits as required in paragraph (1)(B)'' and ''policy issued for which such failure occurred'', respectively; and

(M) in paragraph (6)(B), by striking ''to policyholders'' and inserting ''to the policyholder or, in the case of a group policy, to the certificate holder''.

(2) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended, in the matter after subparagraph (H), by striking ''subsection (F)'' and inserting ''subparagraph (F)''.

(3) Section 4355(d) of OBRA–1990 is amended by striking ''sold or issued'' and all that follows and inserting ''issued or renewed (or otherwise providing coverage after the date described in section 1882(p)(1)(C) of the Social Security Act) on or after the date specified in section 1882(p)(1)(C) of such Act.''.

(f) TREATMENT OF HMO'S.—

(1) Section 1882(g)(1) (42 U.S.C. 1395ss(g)(1)) is amended by striking ''a health

maintenance organization or other direct service organization'' and all that follows through ''1833'' and inserting ''an eligible organization (as defined in section 1876(b)) if the policy or plan provides benefits pursuant to a contract under section 1876 or an approved demonstration project described in section 603(c) of the Social Security Amendments of 1983, section 2355 of the Deficit Reduction Act of 1984, or section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 or, during the period beginning on the date specified in subsection (p)(1)(C) and ending on December 31, 1994, a policy or plan of an organization if the policy or plan provides benefits pursuant to an agreement under section 1833(a)(1)(A)''.

(2) Section 4356(b) of OBRA–1990 is amended by striking ''on the date of the enactment of this Act'' and inserting ''on the date specified in section 1882(p)(1)(C) of the Social Security Act''.

(g) PRE-EXISTING CONDITION LIMITATIONS.—Section 1882(s) (42 U.S.C. 1395ss(s)) is amended—

(1) in paragraph (2)(A), by striking ''for which an application is submitted'' and inserting ''in the case of an individual for whom an application is submitted prior to or'',

(2) in paragraph (2)(A), by striking ''in which the individual (who is 65 years of age or older) first is enrolled for benefits under part B'' and inserting ''as of the first day on which the individual is 65 years of age or older and is enrolled for benefits under part B'', and

(3) in paragraph (2)(B), by striking ''before it'' and inserting ''before the policy''.

(h) MEDICARE SELECT POLICIES.—

(1) Section 1882(t) (42 U.S.C. 1395ss(t)) is amended—

(A) in paragraph (1), by inserting ''medicare supplemental'' after ''If a'',

(B) in paragraph (1), by striking ''NAIC Model Standards'' and inserting ''1991 NAIC Model Regulation or 1991 Federal Regulation'',

(C) in paragraph (1)(A), by inserting ''or agreements'' after ''contracts'',

(D) in subparagraphs (E)(i) and (F) of paragraph (1), by striking ''NAIC standards'' and inserting ''standards in the 1991 NAIC Model Regulation or 1991 Federal Regulation'', and

(E) in paragraph (2), by inserting ''the issuer'' before ''is subject to a civil money penalty''.

(2) Section 1154(a)(4)(B) (42 U.S.C. 1320c–3(a)(4)(B)) is amended—

(A) by inserting ''that is'' after ''(or'', and

(B) by striking ''1882(t)'' and inserting ''1882(t)(3)''.

(i) HEALTH INSURANCE COUNSELING.—Section 4360 of OBRA–1990 is amended—

(1) in subsection (b)(2)(A)(ii), by striking ''Act'' and inserting ''Act)'';

(2) in subsection (b)(2)(D), by striking ''services'' and inserting ''counseling'';

(3) in subsection (b)(2)(I), by striking ''assistance'' and inserting ''referrals'';

(4) in subsection (c)(1), by striking ''and that such activities will continue to be maintained at such level'';

(5) in subsection (d)(3), by striking ''to the rural areas'' and inserting ''eligible individuals residing in rural areas'';

(6) in subsection (e)—

(A) by striking ''subsection (c) or (d)'' and inserting ''this section'',

(B) by striking ''and annually thereafter, issue an annual report'' and inserting ''and annually thereafter during the period of the grant, issue a report'',

(C) in paragraph (1), by striking ''Statewide'', and

(D) in subsection (f), by striking paragraph (2) and by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(7) by redesignating the second subsection (f) (relating to authorization of appropriations for grants) as subsection (g).

(j) TELEPHONE INFORMATION SYSTEM.—

(1) Section 1804 (42 U.S.C. 1395b–2) is amended—

(A) by adding at the end of the heading the following: ''; MEDICARE AND MEDIGAP INFORMATION'',

(B) by inserting ''(a)'' after ''1804.'', and

(C) by adding at the end the following new subsection:

''(b) The Secretary shall provide information via a toll-free telephone number on the programs under this title.''.

(2) Section 1882(f) (42 U.S.C. 1395ss(f)) is amended by adding at the end the following new paragraph:

''(3) The Secretary shall provide information via a toll-free telephone number on medicare supplemental policies (including the relationship of State programs under title XIX to such policies).''.

(3) Section 1889 is repealed.

(k) MAILING OF POLICIES.—Section 1882(d)(4) (42 U.S.C. 1395ss(d)(4)) is amended—

(1) in subparagraph (D), by striking '', if such policy'' and all that follows up to the period at the end, and

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

''(E) Subparagraph (A) shall not apply in the case of an issuer who mails or causes to be mailed a policy, certificate, or other matter solely to comply with the requirements of subsection (q).''.

(l) EFFECTIVE DATE.—The amendments made by this section shall be effective as if included in the enactment of OBRA–1990; except that—

(1) the amendments made by subsection (d)(1) shall take effect on the date of the enactment of this Act, but no penalty shall be imposed under section

1882(d)(3)(A) of the Social Security Act (for an action occurring after the effective date of the amendments made by section 4354 of OBRA–1990 and before the date of the enactment of this Act) with respect to the sale or issuance of a policy which is not unlawful under section 1882(d)(3)(A)(i)(II) of the Social Security Act (as amended by this section);

(2) the amendments made by subsection (d)(2)(A) and by subparagraphs (A), (B), and (E) of subsection (e)(1) shall be effective on the date specified in subsection (m)(4); and

(3) the amendment made by subsection (g)(2) shall take effect on January 1, 1994, and shall apply to individuals who attain 65 years of age or older on or after the effective date of section 1882(s)(2) of the Social Security Act (and, in the case of individuals who attained 65 years of age after such effective date and before January 1, 1994, and who were not covered under such section before January 1, 1994, the 6-month period specified in that section shall begin January 1, 1994).

(m) TRANSITION PROVISIONS.—

(1) IN GENERAL.—If the Secretary of Health and Human Services identifies a State as requiring a change to its statutes or regulations to conform its

regulatory program to the changes made by this section, the State regulatory program shall not be considered to be out of compliance with the requirements of section 1882 of the Social Security Act due solely to failure to make such change until the date specified in paragraph (4).

(2) NAIC STANDARDS.—If, within 6 months after the date of the enactment of this Act, the National Association of Insurance Commissioners (in this subsection referred to as the ''NAIC'') modifies its 1991 NAIC Model Regulation (adopted in July 1991) to conform to the amendments made by this section and to delete from section 15C the exception which begins with ''unless'', such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(3) SECRETARY STANDARDS.—If the NAIC does not make the modifications described in paragraph (2) within the period specified in such paragraph, the Secretary of Health and Human Services shall make the modifications described in such paragraph and such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(4) DATE SPECIFIED.—

(A) IN GENERAL.—Subject to subparagraph (B), the date specified in this paragraph for a State is the earlier of—

(i) the date the State changes its statutes or regulations to conform its regulatory program to the changes made by this section, or

(ii) 1 year after the date the NAIC or the Secretary first makes the modifications under paragraph (2) or (3), respectively.

(B) ADDITIONAL LEGISLATIVE ACTION REQUIRED.—In the case of a State which the Secretary identifies as—

(i) requiring State legislation (other than legislation appropriating funds) to conform its regulatory program to the changes made in this section, but

(ii) having a legislature which is not scheduled to meet in 1994 in a legislative session in which such legislation may be considered,

the date specified in this paragraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after Janu-

ary 1, 1994. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

CHAPTER 5—TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS

SEC. 13581. TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS.

Section 514(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(5)) is amended to read as follows:

''(5)(A) Except as provided in subparagraphs (B) and (C), subsection (a) shall not apply to the Hawaii Prepaid Health Care Act (Haw. Rev. Stat. §§ 393–1 through 393–51).

''(B) Nothing in subparagraph (A) shall be construed to exempt from subsection (a) any State tax law relating to employee benefits plans.

''(C) If the Secretary of Labor notifies the Governor of the State of Hawaii that as the result of an amendment to the Hawaii Prepaid Health Care Act enacted after October 5, 1992—

''(i) the proportion of the population with health care coverage under such Act is less than such proportion on such date, or

''(ii) the level of benefit coverage provided under such Act is less than the actuarial equivalent of such level of coverage on such date,

subparagraph (A) shall not apply with respect to the application of such amendment to such Act after the date of such notification.''.

TITLE XIV—REVENUE PROVISIONS

SEC. 14001. SHORT TITLE; ETC.

(a) SHORT TITLE.—This title may be cited as the ''Revenue Reconciliation Act of 1993''.

(b) AMENDMENT TO 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.

(c) SECTION 15 NOT TO APPLY.—Except in the case of the amendments made by section 14221 (relating to corporate rate increase), no amendment made by this title shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

1 (d) WAIVER OF ESTIMATED TAX PENALTIES.—No
2 addition to tax shall be made under section 6654 or 6655
3 of the Internal Revenue Code of 1986 for any period be-
4 fore April 16, 1994 (March 16, 1994, in the case of a
5 corporation), with respect to any underpayment to the ex-
6 tent such underpayment was created or increased by any
7 provision of this title.

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Subtitle A—Training and Investment Incentives

PART I—PROVISIONS RELATING TO EDUCATION AND TRAINING

SEC. 14101. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) PERMANENT EXTENSION OF EXCLUSION.—

(1) IN GENERAL.—Section 127 (relating to educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 103(a) of the Tax Extension Act of 1991 is hereby repealed.

(b) COORDINATION WITH SECTION 132.—Paragraph (8) of section 132(i) is amended to read as follows:

''(8) APPLICATION OF SECTION TO OTHERWISE TAXABLE EDUCATIONAL OR TRAINING BENEFITS.—Amounts paid or expenses incurred by the employer for education or training provided to the employee which are not excludable from gross income under section 127 shall be excluded from gross income under this section if (and only if) such amounts or expenses are a working condition fringe.''

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years ending after June 30, 1992.

(2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 1988.

(d) TRANSITION RULES.—

(1) WAIVER OF INTEREST AND PENALTIES.—No interest, penalty, or addition to tax shall be imposed or required to be paid solely by reason of a failure, before the date of the enactment of this Act, to treat educational assistance in a manner consistent with the provisions of section 103(a) of the Tax

Extension Act of 1991 (as in effect before the amendments made by subsection (a)).

(2) SPECIAL RULES FOR 1992.—

(A) EMPLOYMENT TAXES.—If—

(i) an employer provided an employee with educational assistance during the period beginning on July 1, 1992, and ending on December 31, 1992,

(ii) consistent with the provisions of section 103(a) of the Tax Extension Act of 1991 (as so in effect), such employer treated such assistance as taxable for purposes of any employment tax and as a result of such treatment there was an increase in taxable wages for purposes of such tax,

(iii) on or after the date of the enactment of this Act and before January 1, 1994, such employer pays such employee amounts which are taxable wages for purposes of such tax and which equal or exceed the increase referred to in clause (ii), and

(iv) such employee did not treat such assistance for purposes of such employment tax (or for purposes of chapter 1 of

the Internal Revenue Code of 1986 in the case of employment tax imposed by chapter 24 of such Code) in a manner inconsistent with the employer's treatment of such assistance,

the amendments made by subsection (a) shall not apply to such educational assistance for purposes of such employment tax, but, for purposes of applying such employment tax (and for purposes of the reporting requirements imposed by chapter 61 of such Code), the taxable wages of the employee referred to in clause (iii) shall be reduced by the amount of the increase referred to in clause (ii). For purposes of clause (iv), an employer may assume that the employee treated the assistance in a manner consistent with the employer's treatment unless such employer has actual knowledge to the contrary.

(B) REPORTING REQUIREMENT.—An employer shall separately report the amounts of any reduction under subparagraph (A) as nontaxable income on any returns or receipts required under chapter 61 of such Code for calendar year 1993.

(C) DEFINITIONS.—For purposes of this paragraph—

(i) EMPLOYMENT TAX.—The term ''employment tax'' means any tax imposed by subtitle C of such Code.

(ii) TAXABLE WAGES.—The term ''taxable wages''means—

(I) wages (as defined in section 3121(a) of such Code) in the case of the taxes imposed by chapter 21 of such Code,

(II) compensation (as defined in section 3231(e) of such Code) in the case of the taxes imposed by chapter 22 of such Code,

(III) wages (as defined in section 3306(b) of such Code) in the case of the taxes imposed by chapter 23 of such Code, and

(IV) wages (as defined in section 3401(a) of such Code) in the case of the taxes imposed by chapter 24 of such Code.

(3) INCOME TAX TREATMENT.—If—

(A) subparagraph (A) of paragraph (2) applies to any educational assistance referred to in such paragraph provided to any employee, and

(B) such employee included such assistance in his taxable income for purposes of the tax imposed by chapter 1 of such Code,

the amendments made by subsection (a) shall not apply to such assistance for purposes of such chapter 1, but the amount included in the gross income of such employee by reason of wages received from the employer referred to in subparagraph (A) of paragraph (2) during 1993 shall be reduced in the manner provided in such subparagraph (A).

SEC. 14102. TARGETED JOBS CREDIT.

(a) PERMANENT EXTENSION OF CREDIT.—

(1) IN GENERAL.—Subsection (c) of section 51 (relating to amount of targeted jobs credit) is amended by striking paragraph (4).

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to individuals who begin work for the employer after June 30, 1992.

(b) CREDIT FOR PARTICIPANTS IN APPROVED SCHOOL-TO-WORK PROGRAMS.—

(1) IN GENERAL.—Subparagraph (I) of section 51(d)(1) (defining members of targeted group) is amended to read as follows:

''(I) a qualified participant in an approved school-to-work program, or''.

(2) QUALIFIED PARTICIPANT IN AN APPROVED SCHOOL-TO-WORK PROGRAM.—Paragraph (10) of section 51(d) is amended to read as follows:

''(10) QUALIFIED PARTICIPANT IN AN APPROVED SCHOOL-TO-WORK PROGRAM DEFINED.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified participant in an approved school-to-work program' means any individual who is certified under an approved school-to-work program as—

''(i) having attained age 16 but not having attained age 21, and

''(ii) being enrolled in and making satisfactory progress in completing such approved school-to-work program.

''(B) LIMITATION ON NUMBER OF PARTICIPANTS.—

''(i) IN GENERAL.—Any individual who begins work for the employer during any calendar year shall not be treated as

a qualified participant in an approved school-to-work program unless the individual is certified under such program as an eligible participant with respect to such calendar year.

''(ii) LIMITATION ON CERTIFICATIONS.—The aggregate number of individuals certified under an approved school-to-work program as eligible participants with respect to any calendar year shall not exceed the portion of the national school-to-work program limitation for such calendar year allocated under subsection (l) to such program.

''(C) APPROVED SCHOOL-TO-WORK PROGRAM.—The term 'approved school-to-work program' means any program which—

''(i) is a planned program of structured job training designed to integrate academic instruction provided by an educational institution and work-based learning provided by an employer, and

''(ii) is approved by the Secretaries of Labor and Education.

"(D) LIMITATION ON AMOUNT OF WAGES TAKEN INTO ACCOUNT.—For purposes of applying this subpart to wages paid or incurred to any qualified participant in an approved school-to-work program, subsection (b)(3) shall be applied by substituting '$3,000' for '$6,000'.

"(E) WAGES.—In the case of remuneration attributable to services performed while the individual meets the requirements of subparagraph (A), wages, and unemployment insurance wages, shall be determined without regard to section 3306(c)(10)(C)."

(3) OVERALL LIMITATIONS.—Section 51 is amended by adding at the end thereof the following new subsection:

"(l) OVERALL LIMITATION ON APPROVED SCHOOL-TO-WORK PROGRAM PARTICIPANTS.—

"(1) IN GENERAL.—For purposes of subsection (d)(10), the national school-to-work program limitation—

"(A) for calendar year 1994 is 125,000,

"(B) for calendar year 1995 is 140,000,

"(C) for calendar year 1996 is 160,000,

"(D) for calendar year 1997 is 180,000, and

''(E) for calendar year 1998 and any subsequent calendar year is 200,000.

''(2) ALLOCATION TO STATES.—The national school-to-work program limitation for any calendar year shall be allocated among the States in proportion to the number of their eligible participants that are estimated to be served in approved school-to-work programs for that year. Such estimates shall be published by the Secretaries of Labor and Education before the beginning of the calendar year to which the allocation applies.

''(3) ALLOCATION TO APPROVED SCHOOL-TO-WORK PROGRAMS.—The portion of the national school-to-work program limitation for any calendar year which is allocated to any State shall be allocated among the approved school-to-work programs in such State in such manner as the Secretaries of Labor and Education shall prescribe.''

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply in the case of individuals who begin work for the employer after December 31, 1993.

PART II—INVESTMENT INCENTIVES

Subpart A—Research Credit

SEC. 14111. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 28(b) is amended by striking subparagraph (D).

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

SEC. 14112. MODIFICATION OF FIXED BASE PERCENTAGE FOR STARTUP COMPANIES.

(a) GENERAL RULE.—Clause (ii) of section 41(c)(3)(B) is amended to read as follows:

"(ii) FIXED-BASE PERCENTAGE.—In a case to which this subparagraph applies, the fixed-base percentage is—

"(I) 3 percent for each of the taxpayer's 1st 5 taxable years beginning after December 31, 1993, for which the taxpayer has qualified research expenses,

"(II) in the case of the taxpayer's 6th such taxable year, 1/6 of

the percentage which the aggregate qualified research expenses of the taxpayer for the 4th and 5th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

''(III) in the case of the taxpayer's 7th such taxable year, 1/3 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th and 6th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

''(IV) in the case of the taxpayer's 8th such taxable year, 1/2 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th, 6th, and 7th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

''(V) in the case of the taxpayer's 9th such taxable year, 2/3 of the percentage which the aggregate qualified

research expenses of the taxpayer for the 5th, 6th, 7th, and 8th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

''(VI) in the case of the taxpayer's 10th such taxable year, 5/6 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th, 6th, 7th, 8th, and 9th such taxable years is of the aggregate gross receipts of the taxpayer for such years, and

''(VII) for taxable years thereafter, the percentage which the aggregate qualified research expenses for any 5 taxable years selected by the taxpayer from among the 5th through the 10th such taxable years is of the aggregate gross receipts of the taxpayer for such selected years.''

(b) CONFORMING AMENDMENTS.—

(1) Clause (iii) of section 41(c)(3)(B) is amended by striking ''clause (i)'' and inserting ''clauses (i) and (ii)''.

(2) Subparagraph (D) of section 41(c)(3) is amended by striking ''subparagraph (A)'' and inserting ''subparagraphs (A) and (B)(ii)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

Subpart B—Capital Gain Provisions

SEC. 14113. 50-PERCENT EXCLUSION FOR GAIN FROM CERTAIN SMALL BUSINESS STOCK.

(a) GENERAL RULE.—Part I of subchapter P of chapter 1 (relating to capital gains and losses) is amended by adding at the end thereof the following new section:

''SEC. 1202. 50-PERCENT EXCLUSION FOR GAIN FROM CERTAIN SMALL BUSINESS STOCK.

''(a) 50–PERCENT EXCLUSION.—In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

''(b) PER-ISSUER LIMITATION ON TAXPAYER'S ELIGIBLE GAIN.—

''(1) IN GENERAL.—If the taxpayer has eligible gain for the taxable year from 1 or more dispositions of stock issued by any corporation, the aggregate amount of such gain from dispositions of stock is-

sued by such corporation which may be taken into account under subsection (a) for the taxable year shall not exceed the greater of—

''(A) $10,000,000 reduced by the aggregate amount of eligible gain taken into account under subsection (a) for prior taxable years and attributable to dispositions of stock issued by such corporation, or

''(B) 10 times the aggregate adjusted bases of qualified small business stock issued by such corporation and disposed of by the taxpayer during the taxable year.

For purposes of subparagraph (B), the adjusted basis of any stock shall be determined without regard to any addition to basis after the date on which such stock was originally issued.

''(2) ELIGIBLE GAIN.—For purposes of this subsection, the term 'eligible gain' means any gain from the sale or exchange of qualified small business stock held for more than 5 years.

''(3) TREATMENT OF MARRIED INDIVIDUALS.—

''(A) SEPARATE RETURNS.—In the case of a separate return by a married individual, paragraph (1)(A) shall be applied by substituting '$5,000,000' for '$10,000,000'.

''(B) ALLOCATION OF EXCLUSION.—In the case of any joint return, the amount of gain taken into account under subsection (a) shall be allocated equally between the spouses for purposes of applying this subsection to subsequent taxable years.

''(C) MARITAL STATUS.—For purposes of this subsection, marital status shall be determined under section 7703.

''(c) QUALIFIED SMALL BUSINESS STOCK.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this section, the term 'qualified small business stock' means any stock in a C corporation which is originally issued after December 31, 1992, if—

''(A) as of the date of issuance, such corporation is a qualified small business, and

''(B) except as provided in subsections (f) and (h), such stock is acquired by the taxpayer at its original issue (directly or through an underwriter)—

''(i) in exchange for money or other property (not including stock), or

''(ii) as compensation for services provided to such corporation (other than services performed as an underwriter of such stock).

''(2) ACTIVE BUSINESS REQUIREMENT; ETC.—

''(A) IN GENERAL.—Stock in a corporation shall not be treated as qualified small business stock unless, during substantially all of the taxpayer's holding period for such stock, such corporation meets the active business requirements of subsection (e) and such corporation is a C corporation.

''(B) SPECIAL RULE FOR CERTAIN SMALL BUSINESS INVESTMENT COMPANIES.—

''(i) WAIVER OF ACTIVE BUSINESS REQUIREMENT.—Notwithstanding any provision of subsection (e), a corporation shall be treated as meeting the active business requirements of such subsection for any period during which such corporation qualifies as a specialized small business investment company.

''(ii) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—For purposes of clause (i), the term 'specialized small busi-

ness investment company' means any eligible corporation (as defined in subsection (e)(4)) which is licensed to operate under section 301(d) of the Small Business Investment Act of 1958 (as in effect on May 13, 1993).

''(3) CERTAIN PURCHASES BY CORPORATION OF ITS OWN STOCK.—

''(A) REDEMPTIONS FROM TAXPAYER OR RELATED PERSON.—Stock acquired by the taxpayer shall not be treated as qualified small business stock if, at any time during the 4–year period beginning on the date 2 years before the issuance of such stock, the corporation issuing such stock purchased (directly or indirectly) any of its stock from the taxpayer or from a person related (within the meaning of section 267(b) or 707(b)) to the taxpayer.

''(B) SIGNIFICANT REDEMPTIONS.—Stock issued by a corporation shall not be treated as qualified business stock if, during the 2–year period beginning on the date 1 year before the issuance of such stock, such corporation made 1 or more purchases of its stock with an aggregate value (as of the time of the respective pur-

chases) exceeding 5 percent of the aggregate value of all of its stock as of the beginning of such 2–year period.

''(C) ACQUISITIONS BY RELATED PERSONS.—For purposes of this paragraph, the purchase by any person related (within the meaning of section 267(b) or 707(b)) to the issuing corporation of any stock in the issuing corporation shall be treated as a purchase by the issuing corporation.

''(d) QUALIFIED SMALL BUSINESS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified small business' means any domestic corporation which is a C corporation if—

''(A) the aggregate capitalization of such corporation (or any predecessor thereof) at all times on or after January 1, 1993, and before the issuance did not exceed $50,000,000,

''(B) the aggregate capitalization of such corporation immediately after the issuance (determined by taking into account amounts received in the issuance) does not exceed $50,000,000, and

''(C) such corporation agrees to submit such reports to the Secretary and to shareholders as the Secretary may require to carry out the purposes of this section.

''(2) AGGREGATE CAPITALIZATION.—For purposes of paragraph (1), the term 'aggregate capitalization' means the excess of—

''(A) the amount of cash and the aggregate adjusted bases of other property held by the corporation, over

''(B) the aggregate amount of the short-term indebtedness of the corporation.

For purposes of the preceding sentence, the term 'short-term indebtedness' means any indebtedness which, when incurred, did not have a term in excess of 1 year.

''(3) LOOK-THRU IN CASE OF SUBSIDIARIES.—In determining whether a corporation meets the requirements of this subsection—

''(A) stock and debt of any subsidiary (as defined in subsection (e)(5)(C)) held by such corporation shall be disregarded, and

''(B) such corporation shall be treated as holding its ratable share of the assets of such

subsidiary and as being liable for its ratable share of the indebtedness of such subsidiary.

''(e) ACTIVE BUSINESS REQUIREMENT.—

''(1) IN GENERAL.—For purposes of subsection (c)(2), the requirements of this subsection are met by a corporation for any period if during such period—

''(A) at least 80 percent (by value) of the assets of such corporation are used by such corporation in the active conduct of a qualified trade or business, and

''(B) such corporation is an eligible corporation.

''(2) SPECIAL RULE FOR CERTAIN ACTIVITIES.—For purposes of paragraph (1), if, in connection with any future qualified trade or business, a corporation is engaged in—

''(A) start-up activities described in section 195(c)(1)(A),

''(B) activities resulting in the payment or incurring of expenditures which may be treated as research and experimental expenditures under section 174, or

''(C) activities with respect to in-house research expenses described in section 41(b)(4),

assets used in such activities shall be treated as used in the active conduct of a qualified trade or business. Any determination under this paragraph shall be made without regard to whether a corporation has any gross income from such activities at the time of the determination.

''(3) QUALIFIED TRADE OR BUSINESS.—For purposes of this subsection, the term 'qualified trade or business' means any trade or business other than—

''(A) any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any other trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees,

''(B) any banking, insurance, financing, leasing, investing, or similar business,

''(C) any farming business (including the business of raising or harvesting trees),

''(D) any business involving the production or extraction of products of a character with re-

spect to which a deduction is allowable under section 613 or 613A, and

''(E) any business of operating a hotel, motel, restaurant, or similar business.

''(4) ELIGIBLE CORPORATION.—For purposes of this subsection, the term 'eligible corporation' means any domestic corporation; except that such term shall not include—

''(A) a DISC or former DISC,

''(B) a corporation with respect to which an election under section 936 is in effect,

''(C) a regulated investment company, real estate investment trust, or REMIC, and

''(D) a cooperative.

''(5) STOCK IN OTHER CORPORATIONS.—

''(A) LOOK-THRU IN CASE OF SUBSIDIARIES.—For purposes of this subsection, stock and debt in any subsidiary corporation shall be disregarded and the parent corporation shall be deemed to own its ratable share of the subsidiary's assets, and to conduct its ratable share of the subsidiary's activities.

''(B) PORTFOLIO STOCK OR SECURITIES.—A corporation shall be treated as failing to meet the requirements of paragraph (1) for any pe-

riod during which more than 10 percent of the value of its assets (in excess of liabilities) consists of stock or securities in other corporations which are not subsidiaries of such corporation (other than assets described in paragraph (6)).

''(C) SUBSIDIARY.—For purposes of this paragraph, a corporation shall be considered a subsidiary if the parent owns more than 50 percent of the combined voting power of all classes of stock entitled to vote, or more than 50 percent in value of all outstanding stock, of such corporation.

''(6) WORKING CAPITAL.—For purposes of paragraph (1)(A), any assets which—

''(A) are held as a part of the reasonably required working capital needs of a qualified trade or business of the corporation, or

''(B) are held for investment and are reasonably expected to be used within 2 years to finance future research and experimentation in a qualified trade or business or increases in working capital needs of a qualified trade or business,

shall be treated as used in the active conduct of a qualified trade or business. For periods after the

corporation has been in existence for at least 2 years, in no event may more than 50 percent of the assets of the corporation qualify as used in the active conduct of a qualified trade or business by reason of this paragraph.

''(7) MAXIMUM REAL ESTATE HOLDINGS.—A corporation shall not be treated as meeting the requirements of paragraph (1) for any period during which more than 10 percent of the total value of its assets consists of real property which is not used in the active conduct of a qualified trade or business. For purposes of the preceding sentence, the ownership of, dealing in, or renting of real property shall not be treated as the active conduct of a qualified trade or business.

''(8) COMPUTER SOFTWARE ROYALTIES.—For purposes of paragraph (1), rights to computer software which produces active business computer software royalties (within the meaning of section 543(d)(1)) shall be treated as an asset used in the active conduct of a trade or business.

''(f) STOCK ACQUIRED ON CONVERSION OF PREFERRED STOCK.—If any stock in a corporation is acquired solely through the conversion of other stock in such cor-

poration which is qualified small business stock in the hands of the taxpayer—

''(1) the stock so acquired shall be treated as qualified small business stock in the hands of the taxpayer, and

''(2) the stock so acquired shall be treated as having been held during the period during which the converted stock was held.

''(g) TREATMENT OF PASS-THRU ENTITIES.—

''(1) IN GENERAL.—If any amount included in gross income by reason of holding an interest in a pass-thru entity meets the requirements of paragraph (2)—

''(A) such amount shall be treated as gain described in subsection (a), and

''(B) for purposes of applying subsection (b), such amount shall be treated as gain from a disposition of stock in the corporation issuing the stock disposed of by the pass-thru entity and the taxpayer's proportionate share of the adjusted basis of the pass-thru entity in such stock shall be taken into account.

''(2) REQUIREMENTS.—An amount meets the requirements of this paragraph if—

''(A) such amount is attributable to gain on the sale or exchange by the pass-thru entity of stock which is qualified small business stock in the hands of such entity (determined by treating such entity as an individual) and which was held by such entity for more than 5 years, and

''(B) 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 stock and at all times thereafter before the disposition of such stock by such pass-thru entity.

''(3) LIMITATION BASED ON INTEREST ORIGINALLY HELD BY TAXPAYER.—Paragraph (1) shall not apply to any amount to the extent such amount exceeds the amount to which paragraph (1) 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 small business stock was acquired.

''(4) 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.

"(h) CERTAIN TAX-FREE AND OTHER TRANSFERS.—For purposes of this section—

"(1) IN GENERAL.—In the case of a transfer described in paragraph (2), the transferee shall be treated as—

"(A) having acquired such stock in the same manner as the transferor, and

"(B) having held such stock during any continuous period immediately preceding the transfer during which it was held (or treated as held under this subsection) by the transferor.

"(2) DESCRIPTION OF TRANSFERS.—A transfer is described in this subsection if such transfer is—

"(A) by gift,

"(B) at death, or

"(C) from a partnership to a partner of stock with respect to which requirements similar to the requirements of subsection (g) are met at the time of the transfer (without regard to the 5-year holding period requirement).

"(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of section 1244(d)(2) shall apply for purposes of this section.

"(4) INCORPORATIONS AND REORGANIZATIONS INVOLVING NONQUALIFIED STOCK.—

"(A) IN GENERAL.—In the case of a transaction described in section 351 or a reorganization described in section 368, if qualified small business stock is exchanged for other stock which would not qualify as qualified small business stock but for this subparagraph, such other stock shall be treated as qualified small business stock acquired on the date on which the exchanged stock was acquired.

"(B) LIMITATION.—This section shall apply to gain from the sale or exchange of stock treated as qualified small business stock by reason of subparagraph (A) only to the extent of the gain which would have been recognized at the time of the transfer described in subparagraph (A) if section 351 or 368 had not applied at such time.

"(C) SUCCESSIVE APPLICATION.—For purposes of this paragraph, stock treated as qualified small business stock under subparagraph

(A) shall be so treated for subsequent transactions or reorganizations, except that the limitation of subparagraph (B) shall be applied as of the time of the first transfer to which subparagraph (A) applied.

''(D) CONTROL TEST.—Except in the case of a transaction described in section 368, this paragraph shall apply only if, immediately after the transaction, the corporation issuing the stock owns directly or indirectly stock representing control (within the meaning of section 368(c)) of the corporation whose stock was exchanged.

''(i) BASIS RULES.—For purposes of this section—

''(1) STOCK EXCHANGED FOR PROPERTY.—In the case where the taxpayer transfers property (other than money or stock) to a corporation in exchange for stock in such corporation—

''(A) such stock shall be treated as having been acquired by the taxpayer on the date of such exchange, and

''(B) the basis of such stock in the hands of the taxpayer shall in no event be less than the fair market value of the property exchanged.

''(2) TREATMENT OF CONTRIBUTIONS TO CAPITAL.—If the adjusted basis of any qualified small business stock is adjusted by reason of any contribution to capital after the date on which such stock was originally issued, in determining the amount of the adjustment by reason of such contribution, the basis of the contributed property shall in no event be treated as less than its fair market value on the date of the contribution.

''(j) TREATMENT OF CERTAIN SHORT POSITIONS.—

''(1) IN GENERAL.—If the taxpayer has an offsetting short position with respect to any qualified small business stock, subsection (a) shall not apply to any gain from the sale or exchange of such stock unless—

''(A) such stock was held by the taxpayer for more than 5 years as of the first day on which there was such a short position, and

''(B) the taxpayer elects to recognize gain as if such stock were sold on such first day for its fair market value.

''(2) OFFSETTING SHORT POSITION.—For purposes of paragraph (1), the taxpayer shall be treated as having an offsetting short position with respect to any qualified small business stock if—

''(A) the taxpayer has made a short sale of substantially identical property,

''(B) the taxpayer has acquired an option to sell substantially identical property at a fixed price, or

''(C) to the extent provided in regulations, the taxpayer has entered into any other transaction which substantially reduces the risk of loss from holding such qualified small business stock.

For purposes of the preceding sentence, any reference to the taxpayer shall be treated as including a reference to any person who is related (within the meaning of section 267(b) or 707(b)) to the taxpayer.

''(k) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the avoidance of the purposes of this section through split-ups, shell corporations, partnerships, or otherwise.''

(b) ONE-HALF OF EXCLUSION TREATED AS PREFERENCE FOR MINIMUM TAX.—

(1) IN GENERAL.—Subsection (a) of section 57 (relating to items of tax preference) is amended by

adding at the end thereof the following new paragraph:

''(8) EXCLUSION FOR GAINS ON SALE OF CERTAIN SMALL BUSINESS STOCK.—An amount equal to one-half of the amount excluded from gross income for the taxable year under section 1202.''

(2) CONFORMING AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) is amended by striking ''and (6)'' and inserting ''(6), and (8)''.

(c) PENALTY FOR FAILURE TO COMPLY WITH REPORTING REQUIREMENTS.—Section 6652 is amended by inserting before the last subsection thereof the following new subsection:

''(k) FAILURE TO MAKE REPORTS REQUIRED UNDER SECTION 1202.—In the case of a failure to make a report required under section 1202(d)(1)(C) which contains the information required by such section on the date prescribed therefor (determined with regard to any extension of time for filing), there shall be paid (on notice and demand by the Secretary and in the same manner as tax) by the person failing to make such report, an amount equal to $50 for each report with respect to which there was such a failure. In the case of any failure due to negligence or intentional disregard, the preceding sentence shall be applied by substituting '$100' for '$50'. In the

case of a report covering periods in 2 or more years, the penalty determined under preceding provisions of this subsection shall be multiplied by the number of such years.''

(d) CONFORMING 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 1202 shall not be allowed.''

(B) Subparagraph (B) of section 172(d)(4) is amended by inserting '', (2)(B),'' after ''paragraph (1)''.

(2) 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

1202(a), proper adjustment shall be made for any exclusion allowable to the estate or trust under section 1202. In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income).''

(3) Paragraph (3) of section 643(a) is amended by adding at the end thereof the following new sentence: ''The exclusion under section 1202 shall not be taken into account.''

(4) Paragraph (4) of section 691(c) is amended by striking ''1201, and 1211'' and inserting ''1201, 1202, and 1211''.

(5) 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 1202 and'' after ''except that''.

(6) The table of sections for part I of subchapter P of chapter 1 is amended by adding after the item relating to section 1201 the following new item:

''Sec. 1202. 50-percent exclusion for gain from certain small business stock.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to stock issued after December 31, 1992.

SEC. 14114. ROLLOVER OF GAIN FROM SALE OF PUBLICLY TRADED SECURITIES INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.

(a) IN GENERAL.—Part III of subchapter O of chapter 1 (relating to common nontaxable exchanges) is amended by adding at the end the following new section:

"SEC. 1044. ROLLOVER OF PUBLICLY TRADED SECURITIES GAIN INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.

''(a) NONRECOGNITION OF GAIN.—In the case of the sale of any publicly traded securities with respect to which the taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

''(1) the cost of any common stock or partnership interest in a specialized small business investment company purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

''(2) any portion of such cost previously taken into account under this section.

This section shall not apply to any gain which is treated as ordinary income for purposes of this subtitle.

''(b) LIMITATIONS.—

''(1) LIMITATION ON INDIVIDUALS.—In the case of an individual, the amount of gain which may

be excluded under subsection (a) for any taxable year shall not exceed the lesser of—

''(A) $50,000, or

''(B) $500,000, reduced by the amount of gain excluded under subsection (a) for all preceding taxable years.

''(2) LIMITATION ON C CORPORATIONS.—In the case of a C corporation, the amount of gain which may be excluded under subsection (a) for any taxable year shall not exceed the lesser of—

''(A) $250,000, or

''(B) $1,000,000, reduced by the amount of gain excluded under subsection (a) for all preceding taxable years.

''(3) SPECIAL RULES FOR MARRIED INDIVIDUALS.—For purposes of this subsection—

''(A) SEPARATE RETURNS.—In the case of a separate return by a married individual, paragraph (1) shall be applied by substituting '$25,000' for '$50,000' and '$250,000' for '$500,000'.

''(B) ALLOCATION OF GAIN.—In the case of any joint return, the amount of gain excluded under subsection (a) for any taxable year shall be allocated equally between the

spouses for purposes of applying this subsection to subsequent taxable years.

''(C) MARITAL STATUS.—For purposes of this subsection, marital status shall be determined under section 7703.

''(4) SPECIAL RULES FOR C CORPORATION.—For purposes of this subsection—

''(A) all corporations which are members of the same controlled group of corporations (within the meaning of section 52(a)) shall be treated as 1 taxpayer, and

''(B) any gain excluded under subsection (a) by a predecessor of any C corporation shall be treated as having been excluded by such C corporation.

''(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) PUBLICLY TRADED SECURITIES.—The term 'publicly traded securities' means securities which are traded on an established securities market.

''(2) PURCHASE.—The term 'purchase' has the meaning given such term by section 1043(b)(4).

''(3) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—The term 'specialized small busi-

ness investment company' means any partnership or corporation which is licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958 (as in effect on May 13, 1993).

''(4) CERTAIN ENTITIES NOT ELIGIBLE.—This section shall not apply to any estate, trust, partnership, or S corporation.

''(d) BASIS ADJUSTMENTS.—If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any common stock or partnership interest in any specialized small business investment company which is purchased by the taxpayer during the 60-day period described in subsection (a). This subsection shall not apply for purposes of section 1202.''

(b) CONFORMING AMENDMENT.—Paragraph (24) of section 1016(a) is amended—

(1) by striking ''section 1043'' and inserting ''section 1043 or 1044'', and

(2) by striking ''section 1043(c)'' and inserting ''section 1043(c) or 1044(d), as the case may be''.

(c) CLERICAL AMENDMENT.—The table of sections for part III of subchapter O of chapter 1 is amended by adding at the end the following new item:

''Sec. 1044. Rollover of publicly traded securities gain into specialized small business investment companies.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to sales on and after the date of the enactment of this Act, in taxable years ending on and after such date.

Subpart C—Modifications To Minimum Tax Depreciation Rules

SEC. 14115. MODIFICATION TO MINIMUM TAX DEPRECIATION RULES.

(a) GENERAL RULE.—Paragraph (1) of section 56(a) (relating to depreciation) is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

''(B) TREATMENT OF CERTAIN PERSONAL PROPERTY PLACED IN SERVICE AFTER 1993.—

''(i) IN GENERAL.—In the case of any property to which this subparagraph applies, the depreciation deduction allowable under section 167 shall be determined as provided in section 168(a), except that the method of depreciation used shall be—

''(I) the 120 percent declining balance method switching to the straight line method for the 1st tax-

able year for which using the straight line method with respect to the adjusted basis as of the beginning of the year will yield a higher allowance, or

''(II) the straight line method in the case of property for which the applicable depreciation method under section 168(a) is the straight line method.

''(ii) PROPERTY TO WHICH SUBPARAGRAPH APPLIES.—This subparagraph shall apply to any tangible property placed in service after December 31, 1993, except that this subparagraph shall not apply to—

''(I) any residential rental property or nonresidential real property (within the meaning of section 168(e)), and

''(II) any other property for which the depreciation deduction provided by section 167(a) for purposes of the regular tax is computed under the alternative depreciation system of section 168(g).

"(iii) COORDINATION WITH SUBPARAGRAPH (A).—Subparagraph (A) shall not apply to any property to which this subparagraph applies."

(b) ELIMINATION OF ACE DEPRECIATION ADJUSTMENT.—Clause (i) of section 56(g)(4)(A) (relating to depreciation adjustments for computing adjusted current earnings) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to any property to which subsection (a)(1)(B) applies, and the depreciation deduction with respect to such property shall be determined under the rules of subsection (a)(1)(B).".

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 168(b) is amended to read as follows:

"(2) SPECIAL RULE FOR DECLINING BALANCE METHOD IN CERTAIN CASES.—

"(A) 150 PERCENT METHOD FOR CERTAIN PROPERTY.—Paragraph (1) shall be applied by substituting '150 percent' for '200 percent' in the case of—

"(i) any 15-year or 20-year property, or

"(ii) any property used in a farming business (within the meaning of section 263A(e)(4)).

"(B) ELECTION TO USE MINIMUM TAX METHOD.—In the case of any property (other than property described in paragraph (3)) with respect to which the taxpayer elects under paragraph (5) to have the provisions of this subparagraph apply, paragraph (1) shall be applied by substituting '120 percent' for '200 percent' (and subparagraph (A) of this paragraph shall not apply)."

(2) Paragraph (5) of section 168(b) is amended by striking "paragraph (2)(C)" and inserting "paragraph (2)(B)".

(3) Subsection (c) of section 168 is amended—

(A) by striking paragraph (2), and

(B) by striking so much of such subsection as precedes the table contained in paragraph (1) and inserting the following:

"(c) APPLICABLE RECOVERY PERIOD.—For purposes of this section, the applicable recovery period shall be determined in accordance with the following table:".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 1993.

(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 (D)(i) thereof (as redesignated by subsection (a) of this section).

Subpart D—Increase in Expense Treatment for Small Businesses

SEC. 14116. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended by striking ''$10,000'' and inserting ''$25,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1992.

PART III—TAX-EXEMPT BOND PROVISIONS

SEC. 14121. HIGH-SPEED INTERCITY RAIL FACILITY BONDS EXEMPT FROM STATE VOLUME CAP.

(a) IN GENERAL.—Paragraph (4) of section 146(g) (relating to exemption for certain bonds) is amended by striking ''75 percent of''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to bonds issued after December 31, 1993.

SEC. 14122. PERMANENT EXTENSION OF 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.

PART IV—EXPANSION AND SIMPLIFICATION OF EARNED INCOME TAX CREDIT

SEC. 14131. EXPANSION AND SIMPLIFICATION OF EARNED INCOME TAX 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 the earned income amount.

''(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 the earned income amount, 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 the phaseout amount.

''(b) PERCENTAGES AND AMOUNTS.—For purposes of subsection (a)—

"(1) PERCENTAGES.—The credit percentage and the phaseout percentage shall be determined as follows:

"(A) IN GENERAL.—In the case of taxable years beginning after 1994:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	34.37	16.16
2 or more qualifying children	39.66	19.83
No qualifying children	7.65	7.65

"(B) TRANSITIONAL PERCENTAGES.—In the case of a taxable year beginning in 1994:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	26.60	16.16
2 or more qualifying children	31.59	15.79
No qualifying children	7.65	7.65

"(2) AMOUNTS.—The earned income amount and the phaseout amount shall be determined as follows:

"(A) IN GENERAL.—In the case of taxable years beginning after 1994:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
1 qualifying child	$6,000	$11,000
2 or more qualifying children	$8,500	$11,000
No qualifying children	$4,000	$5,000

"(B) TRANSITIONAL AMOUNTS.—In the case of a taxable year beginning in 1994:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
1 qualifying child	$7,750	$11,000
2 or more qualifying children	$8,500	$11,000
No qualifying children	$4,000	$5,000".

(b) ELIGIBLE INDIVIDUAL.—Subparagraph (A) of section 32(c)(1) (defining eligible individual) is amended to read as follows:

"(A) IN GENERAL.—The term 'eligible individual' means—

"(i) any individual who has a qualifying child for the taxable year, or

"(ii) any other individual who does not have a qualifying child for the taxable year, if—

"(I) such individual's principal place of abode is in the United States for more than one-half of such taxable year,

"(II) such individual (or, if the individual is married, the individual's spouse) has attained age 22 before the close of the taxable year, and

''(III) such individual (or, if the individual is married, the individual's spouse) is not a dependent for whom a deduction is allowable under section 151 to another taxpayer for any taxable year beginning in the same calendar year as such taxable year.''

(c) INFLATION ADJUSTMENTS.—Section 32(i) (relating to inflation adjustments) is amended—

(1) by striking paragraphs (1) and (2) and inserting the following new paragraph:

''(1) IN GENERAL.—In the case of any taxable year beginning after 1994, each dollar amount contained in subsection (b)(2)(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 the calendar year in which the taxable year begins, by substituting 'calendar year 1993' for 'calendar year 1992'.'', and

(2) by redesignating paragraph (3) as paragraph (2).

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (D) of section 32(c)(3) is amended—

(A) by striking ''clause (i) or (ii)'' in clause (iii) and inserting ''clause (i)'',

(B) by striking clause (ii), and

(C) by redesignating clause (iii) as clause (ii).

(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) Subsection (b) of section 3507 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

''(2) certifies that the employee has 1 or more qualifying children (within the meaning of section 32(c)(3)) for such taxable year,''.

(5) 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 credit percentage in effect under section 32(b)(1) for an eligible individual with 1 qualifying child and with earned income not in excess of the earned income amount in effect under section 32(b)(2) for such an eligible individual, which

''(ii) phases out at the phaseout percentage in effect under section 32(b)(1) for such an eligible individual between the phaseout amount in effect under section 32(b)(2) for such an eligible individual and the amount of earned income at which the credit under section 32(a) phases out for such an eligible individual, or''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

PART V—INCENTIVES FOR INVESTMENT IN REAL ESTATE

Subpart A—Extension of Qualified Mortgage Bonds and Low-Income Housing Credit

SEC. 14141. PERMANENT EXTENSION OF 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 subsections (i) and (j) as subsections (h) and (i), respectively.

(c) EFFECTIVE DATES.—

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

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

SEC. 14142. PERMANENT EXTENSION OF LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Section 42 (relating to low-income housing credit) is amended by striking subsection (o).

(b) HOME ASSISTANCE NOT TO RESULT IN CERTAIN BUILDINGS BEING FEDERALLY SUBSIDIZED.—Paragraph (2) of section 42(i) (relating to determination of whether building is federally subsidized) is amended by adding at the end thereof the following new subparagraph:

''(E) BUILDINGS RECEIVING HOME ASSISTANCE.—Assistance provided under the HOME Investment Partnerships Act (as in effect on the date of the enactment of this subparagraph) with respect to any building shall not be taken under subparagraph (D) if 40 percent or more of the residential units in the building are occupied by individuals whose income is 50 percent or less of area median gross income. Subsection (d)(5)(C) shall not apply to any building to which the preceding sentence applies.''.

(c) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply to periods after June 30, 1992.

(2) The amendment made by subsection (b) shall apply to periods after the date of the enactment of this Act.

Subpart B—Modification of Passive Loss Rules

SEC. 14143. 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, 1993.

Subpart C—Provisions Relating To Real Estate Investments by Pension Funds

SEC. 14144. 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 (or complex of buildings) 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 if—

"(I) a qualified organization acquires property described in clause (iii) from a financial institution and any gain recognized by the financial institution with respect to the property is ordinary income,

"(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 present value (determined as of the time of the sale and by using the applicable Federal rate determined under section 1274(d)) of the maximum amount payable pursuant to the financing that is determined by reference to the revenue, income, or profits derived from the property cannot exceed 30 percent of the total purchase price of the property (including the contingent payments).

"(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) (or any government agency or corporation succeeding to the rights or interest of such person).

"(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 DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to acquisitions on or after January 1, 1994.

(2) SMALL LEASES.—The provisions of section 514(c)(9)(G)(i) of the Internal Revenue Code of 1986 shall, in addition to any leases to which the provisions apply by reason of paragraph (1), apply to leases entered into on or after January 1, 1994.

SEC. 14145. REPEAL OF SPECIAL TREATMENT OF PUBLICLY TREATED PARTNERSHIPS.

(a) GENERAL RULE.—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)''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to partnership years beginning on or after January 1, 1994.

SEC. 14146. 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 otherwise disqualifying 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 on or after January 1, 1994.

SEC. 14147. 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 (or any government agency or corporation succeeding to the rights or interests of the conservator or receiver),

''(ii) such property is designated by the organization within the 9-month period beginning on the date of its acquisition as property held for sale, except that not more than one-half (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, the aggregate expenditures on improvements and development activities included in the basis of the property are (or were) not in excess of 20 percent of the net selling price of 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 January 1, 1994.

SEC. 14148. 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—

(1) by striking ''all gains on'' and inserting ''all gains or losses recognized, in connection with the organization's investment activities, from'',

(2) by striking '', written by the organization in connection with its investment activities,'' and

(3) by inserting ''or real property and all gains or losses from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale, or lease of real property in connection with the organization's investment activities'' before the period.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received on or after January 1, 1994.

SEC. 14149. 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 (less direct expenses related thereto) 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 (less direct expenses related thereto) 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 own more than 10 per-

cent 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, 1993.

Subpart D—Discharge of Indebtedness

SEC. 14150. EXCLUSION FROM GROSS INCOME FOR INCOME FROM DISCHARGE OF QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.

(a) IN GENERAL.—Paragraph (1) of section 108(a) (relating to income from discharge of indebtedness) is amended by striking ''or'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', or'', and by adding at the end the following new subparagraph:

''(D) in the case of a taxpayer other than a C corporation, the indebtedness discharged is qualified real property business indebtedness.''

(b) QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.—Section 108 is amended by inserting after subsection (b) the following new subsection:

''(c) TREATMENT OF DISCHARGE OF QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.—

''(1) BASIS REDUCTION.—

''(A) IN GENERAL.—The amount excluded from gross income under subparagraph (D) of subsection (a)(1) shall be applied to reduce the basis of the depreciable real property of the taxpayer.

''(B) CROSS REFERENCE.—For provisions making the reduction described in subparagraph (A), see section 1017.

''(2) LIMITATIONS.—

''(A) INDEBTEDNESS IN EXCESS OF VALUE.—The amount excluded under subparagraph (D) of subsection (a)(1) with respect to any qualified real property business indebtedness shall not exceed the excess (if any) of—

''(i) the outstanding principal amount of such indebtedness (immediately before the discharge), over

''(ii) the fair market value of the real property described in paragraph (3)(A) (as

of such time), reduced by the outstanding principal amount of any other qualified real property business indebtedness secured by such property (as of such time).

''(B) OVERALL LIMITATION.—The amount excluded under subparagraph (D) of subsection (a)(1) shall not exceed the aggregate adjusted bases of depreciable real property (determined after any reductions under subsections (b) and (g)) held by the taxpayer immediately before the discharge (other than depreciable real property acquired in contemplation of such discharge).

''(3) QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.—The term 'qualified real property business indebtedness' means indebtedness which—

''(A) was incurred or assumed by the taxpayer in connection with real property used in a trade or business and is secured by such real property,

''(B) was incurred or assumed before January 1, 1993, or if incurred or assumed on or after such date, is qualified acquisition indebtedness, and

''(C) with respect to which such taxpayer makes an election to have this paragraph apply. Such term shall not include qualified farm indebtedness. Indebtedness under subparagraph (B) shall include indebtedness resulting from the refinancing of indebtedness under subparagraph (B) (or this sentence), but only to the extent it does not exceed the amount of the indebtedness being refinanced.

''(4) QUALIFIED ACQUISITION INDEBTEDNESS.—For purposes of paragraph (3)(B), the term 'qualified acquisition indebtedness' means, with respect to any real property described in paragraph (3)(A), indebtedness incurred or assumed to acquire, construct, reconstruct, or substantially improve such property.

''(5) REGULATIONS.—The Secretary shall issue such regulations as are necessary to carry out this subsection, including regulations preventing the abuse of this subsection through cross-collateralization or other means.''

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (A) of section 108(a)(2) is amended by striking ''and (C)'' and inserting '', (C), and (D)''.

(2) Subparagraph (B) of section 108(a)(2) is amended to read as follows:

''(B) INSOLVENCY EXCLUSION TAKES PRECEDENCE OVER QUALIFIED FARM EXCLUSION AND QUALIFIED REAL PROPERTY BUSINESS EXCLUSION.—Subparagraphs (C) and (D) of paragraph (1) shall not apply to a discharge to the extent the taxpayer is insolvent.''

(3) Subsection (d) of section 108 is amended—

(A) by striking ''subsections (a), (b), and (g)'' in paragraphs (6) and (7)(A) and inserting ''subsections (a), (b), (c), and (g)'',

(B) by striking ''SUBSECTIONS (a), (b), AND (g)'' in the subsection heading and inserting ''CERTAIN PROVISIONS'', and

(C) by striking ''SUBSECTIONS (a), (b), AND (g)'' in the headings of paragraphs (6) and (7)(A) and inserting ''CERTAIN PROVISIONS''.

(4) Subparagraph (B) of section 108(d)(7) is amended by adding at the end thereof the following new sentence: ''The preceding sentence shall not apply to any discharge to the extent that subsection (a)(1)(D) applies to such discharge.''

(5) Subparagraph (A) of section 108(d)(9) is amended by inserting ''or under paragraph (3)(B) of subsection (c)'' after ''subsection (b)''.

(6) Paragraph (2) of section 1017(a) is amended by striking ''or (b)(5)'' and inserting '', (b)(5), or (c)(1)''.

(7) Subparagraph (A) of section 1017(b)(3) is amended by inserting ''or (c)(1)'' after ''subsection (b)(5)''.

(8) Section 1017(b)(3) is amended by adding at the end the following new subparagraph:

''(F) SPECIAL RULES FOR QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.—In the case of any amount which under section 108(c)(1) is to be applied to reduce basis—

''(i) depreciable property shall only include depreciable real property for purposes of subparagraphs (A) and (C),

''(ii) subparagraph (E) shall not apply, and

''(iii) in the case of property taken into account under section 108(c)(2)(B), the reduction with respect to such property shall be made as of the time immediately

before disposition if earlier than the time under subsection (a).''

(9) Paragraph (1) of section 703(b) is amended by striking ''subsection (b)(5)'' and inserting ''subsection (b)(5) or (c)(3)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges after December 31, 1992, in taxable years ending after such date.

Subpart E—Increase in Recovery Period for Nonresidential Real Property

SEC. 14151. 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 ..... 39 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 February 25, 1993.

(2) EXCEPTION.—The amendments made by this section shall not apply to property placed in service by the taxpayer before January 1, 1994, if—

(A) the taxpayer or a qualified person entered into a binding written contract to purchase or construct such property before February 25, 1993, or

(B) the construction of such property was commenced by or for the taxpayer or a qualified person before February 25, 1993.

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.

PART VI—LUXURY TAX

SEC. 14161. 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, fire-fighting, 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 1992, 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 1991' for 'calendar year 1992' 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.

"(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).

The price of any part or accessory (and its installation) to which paragraph (1) does not apply by rea-

son of this paragraph shall not be taken into account under paragraph (2)(A).

''(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, 1993.

SEC. 14162. 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), as in effect on the day before the date of the enactment of this Act, is amended—

(1) by striking ''or'' at the end of subparagraph (A),

(2) by redesignating subparagraph (B) as subparagraph (C),

(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'', and

(4) by inserting after subparagraph (C) the following flush sentence:

''The price of any part or accessory (and its installation) to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2)(A).''

(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.

(c) PERIOD FOR FILING CLAIMS.—If refund or credit of any overpayment of tax resulting from the application of the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-year period.

SEC. 14163. TAX ON DIESEL FUEL USED IN NONCOMMERCIAL BOATS.

(a) GENERAL RULE.—

(1) Paragraph (2) of section 4092(a) (defining diesel fuel) is amended by striking ''or a diesel-powered train'' and inserting '', a diesel-powered train, or 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 noncommercial 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 there-

of 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 January 1, 1994.

PART VII—OTHER CHANGES

SEC. 14171. ALTERNATIVE MINIMUM TAX TREATMENT OF CONTRIBUTIONS OF APPRECIATED PROPERTY.

(a) REPEAL OF TAX PREFERENCE.—Subsection (a) of section 57 (as amended by section 14113) is amended by striking paragraph (6) (relating to appreciated property charitable deduction) and by redesignating paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(b) EFFECT ON ADJUSTED CURRENT EARNINGS.—Paragraph (4) of section 56(g) is amended by adding at the end thereof the following new subparagraph:

''(J) TREATMENT OF CHARITABLE CONTRIBUTIONS.—Notwithstanding subparagraphs (B) and (C), no adjustment related to the earnings and profits effects of any charitable contribution shall be made in computing adjusted current earnings.''

(c) CONFORMING AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) (as amended by section 14113) is amended by striking ''(5), (6), and (8)'' and inserting ''(5), and (7)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after June 30, 1992, except that in the case of any contribution of capital gain property which is not tangible personal property, such amendments shall apply only if the contribution is made after December 31, 1992.

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

procedure only to items with significant artistic or cultural value, and recommendations for legislative action needed to implement the proposed procedure.

SEC. 14172. CERTAIN TRANSFERS TO RAILROAD RETIREMENT ACCOUNT MADE PERMANENT.

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. 14173. TEMPORARY EXTENSION OF DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—

(1) EXTENSION.—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, 1993''.

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 110(a) of the Tax Extension Act of 1991 is hereby repealed.

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

(b) DETERMINATION OF ELIGIBILITY FOR EMPLOYER-SPONSORED HEALTH PLAN.—

(1) IN GENERAL.—Paragraph (2)(B) of section 162(l) is amended to read as follows:

''(B) OTHER COVERAGE.—Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1992.

Subtitle B—Revenue Increases

PART I—PROVISIONS AFFECTING INDIVIDUALS

Subpart A—Rate Increases

SEC. 14201. INCREASE IN TOP MARGINAL RATE UNDER SECTION 1.

(a) GENERAL RULE.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (e) and inserting the following:

''(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

''(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

''(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If taxable income is:	**The tax is:**
Not over $36,900	15% of taxable income.
Over $36,900 but not over $89,150.	$5,535, plus 28% of the excess over $36,900.
Over $89,150 but not over $140,000.	$20,165, plus 31% of the excess over $89,150.
Over $140,000	$35,928.50, plus 36% of the excess over $140,000.

''(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If taxable income is:	**The tax is:**
Not over $29,600	15% of taxable income.
Over $29,600 but not over $76,400.	$4,440, plus 28% of the excess over $29,600.
Over $76,400 but not over $127,500.	$17,544, plus 31% of the excess over $76,400.
Over $127,500	$33,385, plus 36% of the excess over $127,500.

''(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section

7703) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $22,100	15% of taxable income.
Over $22,100 but not over $53,500.	$3,315, plus 28% of the excess over $22,100.
Over $53,500 but not over $115,000.	$12,107, plus 31% of the excess over $53,500.
Over $115,000	$31,172, plus 36% of the excess over $115,000.

''(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $18,450	15% of taxable income.
Over $18,450 but not over $44,575.	$2,767.50, plus 28% of the excess over $18,450.
Over $44,575 but not over $70,000.	$10,082.50, plus 31% of the excess over $44,575.
Over $70,000	$17,964.25, plus 36% of the excess over $70,000.

''(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of—

''(1) every estate, and

''(2) every trust,

taxable under this subsection a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $1,500	15% of taxable income.
Over $1,500 but not over $3,500	$225, plus 28% of the excess over $1,500.

"If taxable income is:	The tax is:
Over $3,500 but not over $5,500 ..	$785, plus 31% of the excess over $3,500.
Over $5,500	$1,405, plus 36% of the excess over $5,500.''

(b) CONFORMING AMENDMENTS.—

(1) Section 531 is amended by striking ''28 percent'' and inserting ''36 percent''.

(2) Section 541 is amended by striking ''28 percent'' and inserting ''36 percent''.

(3)(A) Subsection (f) of section 1 is amended—

(i) by striking ''1990'' in paragraph (1) and inserting ''1993'', and

(ii) by striking ''1989'' in paragraph (3)(B) and inserting ''1992''.

(B) Subsection (f) of section 1 is amended by adding at the end thereof the following new paragraph:

''(7) SPECIAL RULE FOR CERTAIN BRACKETS.—

''(A) CALENDAR YEAR 1994.—In prescribing the tables under paragraph (1) which apply with respect to taxable years beginning in calendar year 1994, the Secretary shall make no adjustment to the dollar amounts at which the 36 percent rate bracket begins or at which the 39.6 percent rate begins under any table contained in subsection (a), (b), (c), (d), or (e).

"(B) LATER CALENDAR YEARS.—In prescribing tables under paragraph (1) which apply with respect to taxable years beginning in a calendar year after 1994, the cost-of-living adjustment used in making adjustments to the dollar amounts referred to in subparagraph (A) shall be determined under paragraph (3) by substituting '1993' for '1992'."

(C) Subparagraph (C) of section 41(e)(5) is amended by striking "1989" each place it appears and inserting "1992".

(D) Subparagraph (B) of section 63(c)(4) is amended by striking "1989" and inserting "1992".

(E) Subparagraph (B) of section 68(b)(2) is amended by striking "1989" and inserting "1992".

(F) Subparagraph (B) of section 132(f)(6) is amended by striking ", determined by substituting" and all that follows down through the period at the end thereof and inserting a period.

(G) Subparagraphs (A)(ii) and (B)(ii) of section 151(d)(4) are each amended by striking "1989" and inserting "1992".

(H) Clause (ii) of section 513(h)(2)(C) is amended by striking "1989" and inserting "1992".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14202. SURTAX ON HIGH-INCOME TAXPAYERS.

(a) GENERAL RULE.—

(1) Subsection (a) of section 1 (as amended by section 14201) is amended by striking the last item in the table contained therein and inserting the following:

Over $140,000 but not over $250,000.	$35,928.50, plus 36% of the excess over $140,000.
Over $250,000	$75,528.50, plus 39.6% of the excess over $250,000.''

(2) Subsection (b) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over $127,500 but not over $250,000.	$33,385, plus 36% of the excess over $127,500.
Over $250,000	$77,485, plus 39.6% of the excess over $250,000.''

(3) Subsection (c) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over $115,000 but not over $250,000.	$31,172, plus 36% of the excess over $115,000.
Over $250,000	$79,772, plus 39.6% of the excess over $250,000.''

(4) Subsection (d) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over $70,000 but not over $125,000.	$17,964.25, plus 36% of the excess over $70,000.
Over $125,000	$37,764.25, plus 39.6% of the excess over $125,000.''

(5) Subsection (e) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over $5,500 but not over $7,500 ..	$1,405, plus 36% of the excess over $5,500.
Over $7,500	$2,125, plus 39.6% of the excess over $7,500.''

(b) TECHNICAL AMENDMENT.—Sections 531 and 541 (as amended by section 14201) are each amended by striking ''36 percent'' and inserting ''39.6 percent''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14203. MODIFICATIONS TO ALTERNATIVE MINIMUM TAX RATES AND EXEMPTION AMOUNTS.

(a) INCREASE IN RATE.—Paragraph (1) of section 55(b) (defining tentative minimum tax) is amended to read as follows:

''(1) AMOUNT OF TENTATIVE TAX.—

''(A) NONCORPORATE TAXPAYERS.—

''(i) IN GENERAL.—In the case of a taxpayer other than a corporation, the tentative minimum tax for the taxable year is the sum of—

''(I) 26 percent of so much of the taxable excess as does not exceed $175,000, plus

''(II) 28 percent of so much of the taxable excess as exceeds $175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

''(ii) TAXABLE EXCESS.—For purposes of clause (i), the term 'taxable excess' means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

''(iii) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, clause (i) shall be applied by substituting '$87,500' for '$175,000' each place it appears. For purposes of the preceding sentence, marital status shall be determined under section 7703.

"(B) CORPORATIONS.—In the case of a corporation, the tentative minimum tax for the taxable year is—

"(i) 20 percent of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, reduced by

"(ii) the alternative minimum tax foreign tax credit for the taxable year."

(b) INCREASE IN EXEMPTION AMOUNTS.—Paragraph (1) of section 55(d) (defining exemption amount) is amended—

(1) by striking "$40,000" in subparagraph (A) and inserting "$45,000",

(2) by striking "$30,000" in subparagraph (B) and inserting "$33,750", and

(3) by striking "$20,000" in subparagraph (C) and inserting "$22,500".

(c) CONFORMING AMENDMENTS.—

(1) The last sentence of section 55(d)(3) is amended by striking "$155,000 or (ii) $20,000" and inserting "$165,000 or (ii) $22,500".

(2)(A) Subparagraph (A) of section 897(a)(2) is amended by striking "the amount determined under section 55(b)(1)(A) shall not be less than 21

percent of'' and inserting ''the taxable excess for purposes of section 55(b)(1)(A) shall not be less than''.

(B) The heading for paragraph (2) of section 897(a) is amended by striking ''21-PERCENT''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14204. OVERALL LIMITATION ON ITEMIZED DEDUCTIONS FOR HIGH-INCOME TAXPAYERS MADE PERMANENT.

Subsection (f) of section 68 (relating to overall limitation on itemized deductions) is hereby repealed.

SEC. 14205. PHASEOUT OF PERSONAL EXEMPTION OF HIGH-INCOME TAXPAYERS MADE PERMANENT.

Section 151(d)(3) (relating to phaseout of personal exemption) is amended by striking subparagraph (E).

SEC. 14206. PROVISIONS TO PREVENT CONVERSION OF ORDINARY INCOME TO CAPITAL GAIN.

(a) INTEREST EMBEDDED IN FINANCIAL TRANSACTIONS.—

(1) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1258. RECHARACTERIZATION OF GAIN FROM CERTAIN FINANCIAL TRANSACTIONS.

''(a) GENERAL RULE.—In the case of any gain—

''(1) which (but for this section) would be treated as gain from the sale or exchange of a capital asset, and

''(2) which is recognized on the disposition of any property which was held as part of a conversion transaction,

such gain (to the extent such gain does not exceed the applicable imputed income amount) shall be treated as ordinary income.

''(b) APPLICABLE IMPUTED INCOME AMOUNT.—For purposes of subsection (a), the term 'applicable imputed income amount' means, with respect to any disposition referred to in subsection (a), an amount equal to—

''(1) the amount of interest which would have accrued on the taxpayer's net investment in the conversion transaction for the period ending on the date of such disposition (or, if earlier, the date on which the requirements of subsection (c) ceased to be satisfied) at a rate equal to 120 percent of the applicable rate, reduced by

''(2) the amount treated as ordinary income under subsection (a) with respect to any prior dis-

position of property which was held as a part of such transaction.

The Secretary shall by regulations provide for such reductions in the applicable imputed income amount as may be appropriate by reason of amounts capitalized under section 263(g), ordinary income received, or otherwise.

''(c) CONVERSION TRANSACTION.—For purposes of this section, the term 'conversion transaction' means any of the following where substantially all of the taxpayer's expected return from the transaction is attributable to the time value of the taxpayer's net investment in such transaction:

''(1) The holding of any property (whether or not actively traded), and the entering into a contract to sell such property (or substantially identical property) at a price determined in accordance with such contract, but only if such property was acquired and such contract was entered into on a substantially contemporaneous basis.

''(2) Any applicable straddle.

''(3) Any other transaction which is marketed or sold as producing capital gains.

''(4) Any other transaction specified in regulations prescribed by the Secretary.

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

"(1) APPLICABLE STRADDLE.—The term 'applicable straddle' means any straddle (within the meaning of section 1092(c)); except that the term 'personal property' shall include stock.

"(2) APPLICABLE RATE.—The term 'applicable rate' means—

"(A) the applicable Federal rate determined under section 1274(d) (compounded semiannually) as if the conversion transaction were a debt instrument, or

"(B) if the term of the conversion transaction is indefinite, the Federal short-term rates in effect under section 6621(b) during the period of the conversion transaction (compounded daily).

"(3) TREATMENT OF PROPERTY WITH BUILT-IN LOSS.—

"(A) IN GENERAL.—If any property with a built-in loss becomes part of a conversion transaction—

"(i) for purposes of applying this subtitle to such property for periods after such property becomes part of such transaction,

the adjusted basis of such property shall be its fair market value as of the time it became part of such transaction, except that

''(ii) upon the disposition of such property in a transaction in which gain or loss is recognized, such built-in loss shall be recognized and shall have a character determined without regard to this section.

''(B) BUILT-IN LOSS.—For purposes of subparagraph (A), the term 'built-in loss' means the excess (if any) of the adjusted basis of any property over its fair market value (determined as of the date on which such property became part of such transaction).

''(4) PROPERTY TAKEN INTO ACCOUNT AT FAIR MARKET VALUE.—In determining the taxpayer's net investment in any conversion transaction, there shall be included the fair market value of any property which becomes part of such transaction (determined as of the date on which such property became part of such transaction).''

(2) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is

amended by adding at the end thereof the following new item:

"Sec. 1258. Recharacterization of gain from certain financial transactions."

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to conversion transactions entered into after April 30, 1993.

(b) REPEAL OF CERTAIN EXCEPTIONS TO MARKET DISCOUNT RULES.—

(1) MARKET DISCOUNT BONDS ISSUED ON OR BEFORE JULY 18, 1984.—The following provisions are hereby repealed:

(A) Section 1276(e).

(B) Section 1277(d).

(2) TAX-EXEMPT OBLIGATIONS.—

(A) IN GENERAL.—Paragraph (1) of section 1278(a) (defining market discount bond) is amended—

(i) by striking clause (ii) of subparagraph (B) and redesignating subclauses (iii) and (iv) of such subparagraph as clauses (ii) and (iii), respectively,

(ii) by redesignating subparagraph (C) as subparagraph (D), and

(iii) by inserting after subparagraph (B) the following new subparagraph:

"(C) SECTION 1277 NOT APPLICABLE TO TAX-EXEMPT OBLIGATIONS.—For purposes of section 1277, the term 'market discount bond' shall not include any tax-exempt obligation (as defined in section 1275(a)(3))."

(B) CONFORMING AMENDMENT.—Sections 1276(a)(4) and 1278(b)(1) are each amended by striking "sections 871(a)" and inserting "sections 103, 871(a),".

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations purchased (within the meaning of section 1272(d)(1) of the Internal Revenue Code of 1986) after April 30, 1993.

(c) TREATMENT OF STRIPPED PREFERRED STOCK.—

(1) IN GENERAL.—Section 305 is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) TREATMENT OF PURCHASER OF STRIPPED PREFERRED STOCK.—

"(1) IN GENERAL.—If any person purchases after April 30, 1993 any stripped preferred stock, then such person, while holding such stock, shall include in gross income amounts equal to the amounts

which would have been so includible if such stripped preferred stock were a bond issued on the purchase date and having original issue discount equal to the excess, if any, of—

''(A) the redemption price for such stock, over

''(B) the price at which such person purchased such stock.

The preceding sentence shall also apply in the case of any person whose basis in such stock is determined by reference to the basis in the hands of such purchaser.

''(2) BASIS ADJUSTMENTS.—Appropriate adjustments to basis shall be made for amounts includible in gross income under paragraph (1).

''(3) TAX TREATMENT OF PERSON STRIPPING STOCK.—If any person strips the rights to 1 or more dividends from any stock described in paragraph (5)(B) and after April 30, 1993 disposes of such dividend rights, for purposes of paragraph (1), such person shall be treated as having purchased the stripped preferred stock on the date of such disposition for a purchase price equal to such person's adjusted basis in such stripped preferred stock.

''(4) AMOUNTS TREATED AS ORDINARY INCOME.—Any amount included in gross income under paragraph (1) shall be treated as ordinary income.

''(5) STRIPPED PREFERRED STOCK.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'stripped preferred stock' means any stock described in subparagraph (B) if there has been a separation in ownership between such stock and any dividend on such stock which has not become payable.

''(B) DESCRIPTION OF STOCK.—Stock is described in this subsection if such stock—

''(i) is limited and preferred as to dividends and does not participate in corporate growth to any significant extent, and

''(ii) has a fixed redemption price.

''(6) PURCHASE.—For purposes of this subsection, the term 'purchase' means—

''(A) any acquisition of stock, where

''(B) the basis of such stock is not determined in whole or in part by the reference to the adjusted basis of such stock in the hands of the person from whom acquired.''

(2) COORDINATION WITH SECTION 167(e).—Paragraph (2) of section 167(e) is amended to read as follows:

''(2) COORDINATION WITH OTHER PROVISIONS.—

''(A) SECTION 273.—This subsection shall not apply to any term interest to which section 273 applies.

''(B) SECTION 305(e).—This subsection shall not apply to the holder of the dividend rights which were separated from any stripped preferred stock to which section 305(e)(1) applies.''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on April 30, 1993.

(d) TREATMENT OF CAPITAL GAIN UNDER LIMITATION ON INVESTMENT INTEREST.—

(1) IN GENERAL.—Subparagraph (B) of section 163(d)(4) (defining investment income) is amended to read as follows:

''(B) INVESTMENT INCOME.—The term 'investment income' means the sum of—

''(i) gross income from property held for investment (other than any gain taken into account under clause (ii)(I)),

''(ii) the excess (if any) of—

''(I) the net gain attributable to the disposition of property held for investment, over

''(II) the net capital gain determined by only taking into account gains and losses from dispositions of property held for investment, plus

''(iii) so much of the net capital gain referred to in clause (ii)(II) (or, if lesser, the net gain referred to in clause (ii)(I)) as the taxpayer elects to take into account under this clause.''

(2) COORDINATION WITH SPECIAL CAPITAL GAINS RATE.—Subsection (h) of section 1 is amended by adding at the end thereof the following new sentence:

''For purposes of the preceding sentence, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii).''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1992.

(e) TREATMENT OF CERTAIN APPRECIATED INVENTORY.—

(1) Paragraph (1) of section 751(d) is amended to read as follows:

''(1) SUBSTANTIAL APPRECIATION.—

''(A) IN GENERAL.—Inventory items of the partnership shall be considered to have appreciated substantially in value if their fair market value exceeds 120 percent of the adjusted basis to the partnership of such property.

''(B) CERTAIN PROPERTY EXCLUDED.—For purposes of subparagraph (A), there shall be excluded any inventory property if a principal purpose for acquiring such property was to avoid the provisions of this section relating to inventory items.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to sales, exchanges, and distributions after April 30, 1993.

Subpart B—Other Provisions

SEC. 14207. REPEAL OF LIMITATION ON AMOUNT OF WAGES SUBJECT TO HEALTH INSURANCE EMPLOYMENT TAX.

(a) HOSPITAL INSURANCE TAX.—

(1) Paragraph (1) of section 3121(a) (defining wages) is amended—

(A) by inserting ''in the case of the taxes imposed by sections 3101(a) and 3111(a)'' after ''(1)'',

(B) by striking ''applicable contribution base (as determined under subsection (x))'' each place it appears and inserting ''contribution and benefit base (as determined under section 230 of the Social Security Act)'', and

(C) by striking ''such applicable contribution base'' and inserting ''such contribution and benefit base''.

(2) Section 3121 is amended by striking subsection (x).

(b) SELF-EMPLOYMENT TAX.—

(1) Subsection (b) of section 1402 is amended—

(A) by striking ''that part of the net'' in paragraph (1) and inserting ''in the case of the

tax imposed by section 1401(a), that part of the net'',

(B) by striking ''applicable contribution base (as determined under subsection (k))'' in paragraph (1) and inserting ''contribution and benefit base (as determined under section 230 of the Social Security Act)'',

(C) by inserting ''and'' after ''section 3121(b),'', and

(D) by striking ''and (C) includes'' and all that follows through ''3111(b)''.

(2) Section 1402 is amended by striking subsection (k).

(c) RAILROAD RETIREMENT TAX.—

(1) Subparagraph (A) of section 3231(e)(2) is amended by adding at the end thereof the following new clause:

''(iii) HOSPITAL INSURANCE TAXES.—Clause (i) shall not apply to—

''(I) so much of the rate applicable under section 3201(a) or 3221(a) as does not exceed the rate of tax in effect under section 3101(b), and

''(II) so much of the rate applicable under section 3211(a)(1) as does

not exceed the rate of tax in effect under section 1402(b).''

(2) Clause (i) of section 3231(e)(2)(B) is amended to read as follows:

''(i) TIER 1 TAXES.—Except as provided in clause (ii), the term 'applicable base' means for any calendar year the contribution and benefit base determined under section 230 of the Social Security Act for such calendar year.''

(d) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 6413(c) is amended by striking ''section 3101 or section 3201'' and inserting ''section 3101(a) or section 3201(a) (to the extent the rate applicable under section 3201(a) as does not exceed the rate of tax in effect under section 3101(a))''.

(2) Subparagraphs (B) and (C) of section 6413(c)(2) are each amended by striking ''section 3101'' each place it appears and inserting ''section 3101(a)''.

(3) Subsection (c) of section 6413 is amended by striking paragraph (3).

(4) Sections 3122 and 3125 of such Code are each amended by striking ''applicable contribution

base limitation'' and inserting ''contribution and benefit base limitation''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to 1994 and later calendar years.

SEC. 14208. TOP ESTATE AND GIFT TAX RATES MADE PERMANENT.

(a) GENERAL RULE.—The table contained in paragraph (1) of section 2001(c) is amended by striking the last item and inserting the following new items:

''Over $2,500,000 but not over $3,000,000.	$1,025,800, plus 53% of the excess over $2,500,000.
Over $3,000,000	$1,290,800, plus 55% of the excess over $3,000,000.''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 2001 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(2) Paragraph (2) of section 2001(c), as redesignated by paragraph (1), is amended by striking ''($18,340,000 in the case of decedents dying, and gifts made, after 1992)''.

(3) The last sentence of section 2101(b) is amended by striking ''section 2001(c)(3)'' and inserting ''section 2001(c)(2)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of decedents dying, and gifts made, after December 31, 1992.

SEC. 14209. REDUCTION IN DEDUCTIBLE PORTION OF BUSINESS MEALS AND ENTERTAINMENT.

(a) GENERAL RULE.—Paragraph (1) of section 274(n) (relating to only 80 percent of meal and entertainment expenses allowed as deduction) is amended by striking ''80 percent'' and inserting ''50 percent''.

(b) CONFORMING AMENDMENT.—The subsection heading for section 274(n) is amended by striking ''80'' and inserting ''50''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14210. 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 mem-

bership in any club organized for business, pleasure, recreation, or other social purpose. The preceding sentence shall not apply in the case of an airline or hotel club.''

(b) EXCEPTION FOR EMPLOYEE RECREATIONAL EXPENSES NOT TO APPLY.—Paragraph (4) of section 274(e) is amended by adding at the end thereof the following: ''This paragraph shall not apply for purposes of subsection (a)(3).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14211. DISALLOWANCE OF DEDUCTION FOR CERTAIN EMPLOYEE REMUNERATION IN EXCESS OF $1,000,000.

(a) GENERAL RULE.—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) CERTAIN EXCESSIVE EMPLOYEE REMUNERATION.—

''(1) IN GENERAL.—In the case of any publicly held corporation, no deduction shall be allowed under this chapter for applicable employee remuneration with respect to any covered employee to the

extent that the amount of such remuneration for the taxable year with respect to such employee exceeds $1,000,000.

''(2) PUBLICLY HELD CORPORATION.—For purposes of this subsection, the term 'publicly held corporation' means any corporation issuing any class of common equity securities required to be registered under section 12 of the Securities Exchange Act of 1934.

''(3) COVERED EMPLOYEE.—For purposes of this subsection, the term 'covered employee' means any employee of the taxpayer if—

''(A) as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or an individual acting in such a capacity, or

''(B) the total compensation for the taxable year of such employee is required to be reported to shareholders under the Securities Exchange Act of 1934 by reason of such employee being among the 4 highest compensated officers for the taxable year (other than the chief executive officer).

''(4) APPLICABLE EMPLOYEE REMUNERATION.—For purposes of this subsection—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'applicable employee remuneration' means, with respect to any covered employee for any taxable year, the aggregate amount allowable as a deduction under this chapter for such taxable year (determined without regard to this subsection) for remuneration for services performed by such employee (whether or not during the taxable year).

"(B) EXCEPTION FOR REMUNERATION PAYABLE ON COMMISSION BASIS.—The term 'applicable employee remuneration' shall not include any remuneration payable on a commission basis solely on account of income generated directly by the individual performance of the individual to whom such remuneration is payable.

"(C) OTHER PERFORMANCE-BASED COMPENSATION.—The term 'applicable employee remuneration' shall not include any remuneration payable solely on account of the attainment of one or more performance goals but only if—

"(i) the performance goals are determined by a compensation committee of the board of directors of the taxpayer which is

comprised solely of 2 or more independent directors,

''(ii) the material terms under which the remuneration is to be paid, including the performance goals, are disclosed to shareholders and approved by a majority of the vote in a separate shareholder vote before the payment of such remuneration, and

''(iii) before any payment of such remuneration, the compensation committee referred to in clause (i) certifies that the performance goals and any other material terms were in fact satisfied.

''(D) EXCEPTION FOR EXISTING BINDING CONTRACTS.—The term 'applicable employee remuneration' shall not include any remuneration payable under a written binding contract which was in effect on February 17, 1993, and which was not modified thereafter in any material respect before such remuneration is paid.

''(E) REMUNERATION.—For purposes of this paragraph, the term 'remuneration' includes any remuneration (including benefits) in

any medium other than cash, but shall not include—

"(i) any payment referred to in so much of section 3121(a)(5) as precedes subparagraph (E) thereof, and

"(ii) any benefit provided to or on behalf of an employee if at the time such benefit is provided it is reasonable to believe that the employee will be able to exclude such benefit from gross income under this chapter.

For purposes of clause (i), section 3121(a)(5) shall be applied without regard to section 3121(v)(1).

"(F) COORDINATION WITH DISALLOWED GOLDEN PARACHUTE PAYMENTS.—The dollar limitation contained in paragraph (1) shall be reduced (but not below zero) by the amount (if any) which would have been included in the applicable employee remuneration of the covered employee for the taxable year but for being disallowed under section 280G."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts which would other-

wise be deductible for taxable years beginning on or after January 1, 1994.

SEC. 14212. REDUCTION IN COMPENSATION TAKEN INTO ACCOUNT IN DETERMINING CONTRIBUTIONS AND BENEFITS UNDER QUALIFIED RETIREMENT PLANS.

(a) IN GENERAL.—Sections 401(a)(17), 404(l), and 505(b)(7) are each amended—

(1) by striking ''$200,000'' in the first sentence and inserting ''$150,000'', and

(2) by striking the second sentence and inserting ''In the case of years beginning after 1994, the Secretary shall adjust the $150,000 amount at the same time and in the same manner as under section 415(d), except that the base period for purposes of section 415(d)(1)(A) shall be the calendar quarter beginning October 1, 1994.''

(b) SIMPLIFIED EMPLOYEE PENSIONS.—

(1) IN GENERAL.—Paragraphs (3)(C) and (6)(D)(ii) of section 408(k) are each amended by striking ''$200,000'' and inserting ''$150,000''.

(2) COST-OF-LIVING.—Paragraph (8) of section 408(k) is amended to read as follows:

''(8) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust the $300 amount in paragraph

(2)(C) at the same time and in the same manner as under section 415(d) and shall adjust the $150,000 amount in paragraphs (3)(C) and (6)(D)(ii) at the same time and by the same amount as the adjustment to the $150,000 amount in section 401(a)(17).''

(c) CONFORMING AMENDMENT.—The heading for section 505(b)(7) is amended by striking ''$200,000''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits accruing in plan years beginning after December 31, 1993.

SEC. 14213. MODIFICATION TO DEDUCTION FOR CERTAIN MOVING EXPENSES.

(a) REPEAL OF DEDUCTION FOR QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—

(1) IN GENERAL.—Paragraph (1) of section 217(b) (defining moving expenses) is amended by inserting ''or'' at the end of subparagraph (C), by striking '', or'' at the end of subparagraph (D) and inserting a period, and by striking subparagraph (E).

(2) CONFORMING AMENDMENTS.—

(A) Subsection (b) of section 217 is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(B) Paragraph (2) of section 217(b) (as redesignated by subparagraph (A)) is amended—

(i) by striking the last sentence of subparagraph (A), and

(ii) by striking ‘‘, and by’’ in subparagraph (B) and all that follows down through the period at the end of subparagraph (B) and inserting a period.

(C) Paragraph (1) of section 217(h) is amended by striking subparagraphs (B) and (C) and inserting the following:

‘‘(B) subsection (b)(2)(A) shall be applied by substituting ‘$4,500’ for ‘$1,500’, and

‘‘(C) subsection (b)(2)(B) shall be applied as if the last sentence of such subsection read as follows: ‘In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting ‘‘$2,250’’ for ‘‘$4,500’’.’ ’’

(D) Section 217 is amended by striking subsection (e).

(b) DEDUCTION DISALLOWED FOR MEAL EXPENSES.—Paragraph (1) of section 217(b) is amended—

(1) by striking ''meals and lodging'' in subparagraphs (B), (C) and (D) and inserting ''lodging'', and

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

''Such term shall not include any expenses for meals.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses incurred after December 31, 1993.

SEC. 14214. SIMPLIFICATION OF INDIVIDUAL ESTIMATED TAX SAFE HARBOR BASED ON LAST YEAR'S TAX.

(a) IN GENERAL.—Paragraph (1) of section 6654(d) (relating to amount of required estimated tax installments) is amended by striking subparagraphs (C), (D), (E), and (F) and by inserting the following new subparagraph:

''(C) LIMITATION ON USE OF PRECEDING YEAR'S TAX.—

''(i) IN GENERAL.—If the adjusted gross income shown on the return of the individual for the preceding taxable year exceeds $150,000, clause (ii) of subpara-

graph (B) shall be applied by substituting '110 percent' for '100 percent'.

''(ii) SEPARATE RETURNS.—In the case of a married individual (within the meaning of section 7703) who files a separate return for the taxable year for which the amount of the installment is being determined, clause (i) shall be applied by substituting '$75,000' for '$150,000'.

''(iii) SPECIAL RULE.—In the case of an estate or trust, adjusted gross income shall be determined as provided in section 67(e).''

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 6654(j)(3) is amended by striking ''and subsection (d)(1)(C)(iii) shall not apply'',

(2) 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.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14215. SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

(a) IN GENERAL.—Subsections (a)(1) and (2) of section 86 (relating to social security and tier 1 railroad retirement benefits) are each amended by striking ''one-half'' and inserting ''85 percent''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1993.

(c) ADDITIONAL RECEIPTS RETAINED IN GENERAL FUND.—

(1) Subsection (e) of section 121 of the Social Security Amendments of 1983 is amended by adding at the end the following new paragraph:

''(5) CERTAIN INCREASED RECEIPTS RETAINED IN GENERAL FUND.—In determining the amount appropriated to any payor fund under paragraph (1), there shall be excluded any increase in tax liability to the extent such increase is attributable to the amendments made to section 86 of the Internal Revenue Code of 1986 by the Revenue Reconciliation Act of 1993.''

(2) Paragraph (4) of subsection (e) of such section 121 is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C) and by

inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

''(A) the total aggregate increase in tax liability under chapter 1 of the Internal Revenue Code of 1986 which is attributable to the application of sections 86 and 871(a)(3) of such Code,''.

PART II—PROVISIONS AFFECTING BUSINESSES

SEC. 14221. INCREASE IN TOP MARGINAL RATE UNDER SECTION 11.

(a) GENERAL RULE.—Paragraph (1) of section 11(b) (relating to amount of tax) is amended—

(1) by striking ''and'' at the end of subparagraph (B),

(2) by striking subparagraph (C) and inserting the following:

''(C) 34 percent of so much of the taxable income as exceeds $75,000 but does not exceed $10,000,000, and

''(D) 35 percent of so much of the taxable income as exceeds $10,000,000.'', and

(3) by adding at the end thereof the following new sentence: ''In the case of a corporation which has taxable income in excess of $15,000,000, the amount of the tax determined under the foregoing

provisions of this paragraph shall be increased by an additional amount equal to the lesser of (i) 3 percent of such excess, or (ii) $100,000.''.

(b) CERTAIN PERSONAL SERVICE CORPORATIONS.—Paragraph (2) of section 11(b) is amended by striking ''34 percent'' and inserting ''35 percent''.

(c) CONFORMING AMENDMENTS.—

(1) Clause (iii) of section 852(b)(3)(D) is amended by striking ''66 percent'' and inserting ''65 percent''.

(2) Subsection (a) of section 1201 is amended by striking ''34 percent'' each place it appears and inserting ''35 percent''.

(3) Paragraphs (1) and (2) of section 1445(e) are each amended by striking ''34 percent'' and inserting ''35 percent''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after January 1, 1993; except that the amendment made by subsection (c)(3) shall take effect on the date of the enactment of this Act.

SEC. 14222. DENIAL OF DEDUCTION FOR LOBBYING EXPENSES.

(a) DISALLOWANCE OF DEDUCTION.—Section 162(e) (relating to appearances, etc., with respect to legislation) is amended to read as follows:

''(e) DENIAL OF DEDUCTION FOR CERTAIN LOBBYING AND POLITICAL EXPENDITURES.—

''(1) IN GENERAL.—No deduction shall be allowed under subsection (a) for any amount paid or incurred—

''(A) in connection with influencing legislation,

''(B) for participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office, or

''(C) in connection with any attempt to influence the general public, or segments thereof, with respect to elections.

''(2) APPLICATION TO DUES.—

''(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for the portion of dues or other similar amounts (paid by the taxpayer with respect to an organization) which is allocable to the expenditures described in paragraph (1).

''(B) ALLOCATION.—

"(i) IN GENERAL.—For purposes of subparagraph (A), expenditures described in paragraph (1) shall be treated as paid out of dues or other similar amounts.

"(ii) CARRYOVER OF LOBBYING EXPENDITURES IN EXCESS OF DUES.—For purposes of this paragraph, if expenditures described in paragraph (1) exceed the dues or other similar amounts for any calendar year, such excess shall be treated as expenditures described in paragraph (1) which are paid or incurred by the organization during the following calendar year.

"(3) INFLUENCING LEGISLATION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'influencing legislation' means—

"(i) any attempt to influence the general public, or segments thereof, with respect to legislation, and

"(ii) any attempt to influence any legislation through communication with any member or employee of the legislative body, or with any government official or

employee who may participate in the formulation of the legislation.

''(B) EXCEPTION FOR CERTAIN TECHNICAL ADVICE.—The term 'influencing legislation' shall not include the providing of technical advice or assistance to a governmental body or to a committee or other subdivision thereof in response to a specific written request by such governmental entity to the taxpayer which specifies the nature of the advice or assistance requested.

''(C) LEGISLATION.—The term 'legislation' has the meaning given such term by section 4911(e)(2).

''(4) EXCEPTION FOR CERTAIN TAXPAYERS.—In the case of any taxpayer engaged in the trade or business of conducting activities described in paragraph (1), paragraph (1) shall not apply to expenditures of the taxpayer in conducting such activities on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

''(5) CROSS REFERENCE.—

"For reporting requirements related to this subsection, see section 6050O."

(b) REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by adding at the end the following new section:

"SEC. 6050O. RETURNS RELATING TO LOBBYING EXPENDITURES OF CERTAIN ORGANIZATIONS.

''(a) REQUIREMENT OF REPORTING.—Each organization referred to in section 162(e)(2) shall make a return, according to the forms or regulations prescribed by the Secretary, setting forth the names and addresses of persons paying dues to the organization, the amount of the dues paid by such person, and the portion of such dues which is nondeductible under section 162(e)(2).

''(b) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Any organization required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return a written statement showing—

''(1) the name and address of the organization, and

''(2) the dues paid by the person during the calendar year and the portion of such dues which is nondeductible under section 162(e)(2).

The written statement required under the preceding sentence shall be furnished (either in person or in a statement mailing by first-class mail which includes adequate notice that the statement is enclosed) to the persons on or before January 31 of the year following the calendar year for which the return under subsection (a) was made and shall be in such form as the Secretary may prescribe by regulations.

''(c) WAIVER.—The Secretary may waive the reporting requirements of this section with respect to any organization or class of organizations if the Secretary determines that such reporting is not necessary to carry out the purposes of section 162(e).

''(d) DUES.—For purposes of this section, the term 'dues' includes other similar amounts.''

(2) PENALTIES.—

(A) RETURNS.—Subparagraph (A) of section 6724(d)(1) (defining information return) is amended by striking ''or'' at the end of clause (xi), by striking the period at the end of the clause (xii) relating to section 4101(d) and inserting a comma, by redesignating the clause (xii) relating to section 338(h)(10) as clause (xiii), by striking the period at the end of clause (xiii) (as so redesignated) and inserting '', or'',

and by adding at the end the following new clause:

''(xiv) section 6050O(a) (relating to information on nondeductible lobbying expenditures).''

(B) PAYEE STATEMENTS.—Paragraph (2) of section 6724(d) (defining payee statement) is amended by striking ''or'' at the end of subparagraph (R), by striking the period at the end of subparagraph (S) and inserting '', or'', and by adding at the end the following new subparagraph:

''(T) section 6050O(b) (relating to returns on nondeductible lobbying expenditures).''

(C) EXCESSIVE UNDERREPORTING.—Section 6721 (relating to failure to file correct information returns) is amended by adding at the end the following new subsection:

''(f) PENALTY IN CASE OF EXCESSIVE UNDERREPORTING ON NONDEDUCTIBLE DUES.—If the aggregate amount of nondeductible dues which is reported on the return required to be filed under section 6050O(a) for any calendar year is less than 75 percent of the aggregate amount required to be so reported—

"(1) subsections (b), (c), and (d) shall not apply, and

"(2) the penalty imposed under subsection (a) shall be equal to the product of—

"(A) the amount required to be reported which was not so reported, and

"(B) the highest rate of tax imposed by section 11 for taxable years beginning in such calendar year."

(3) CONFORMING AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end the following new item:

"Sec. 6050O. Returns relating to lobbying expenditures of certain organizations."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14223. 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)(i) 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, and (ii) any obligation to acquire a security described in clause (i) if such obligation is entered into in the ordinary course of such trade or business and is not held for sale, and

''(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.

To the extent 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 subpara-

graph 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).

Subparagraph (E) 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) COORDINATION WITH CERTAIN RULES.—The rules of sections 263(g), 263A, and 1256(a) shall not apply to securities to which subsection (a) applies, and section 1091 shall not apply (and section 1092 shall apply) to any loss recognized under subsection (a).

''(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 subsection (c)(2)(F) (without regard to clause (iii) thereof) 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.

"(3) CHARACTER OF GAIN OR LOSS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B) or section 1236(b)—

"(i) IN GENERAL.—Any gain or loss with respect to a security under subsection (a)(2) shall be treated as ordinary income or loss.

"(ii) SPECIAL RULE FOR DISPOSITIONS.—If—

"(I) gain or loss is recognized with respect to a security before the close of the taxable year, and

''(II) subsection (a)(2) would have applied if the security were held as of the close of the taxable year,

such gain or loss shall be treated as ordinary income or loss.

''(B) EXCEPTION.—Subparagraph (A) shall not apply to any gain or loss which is allocable to a period during which—

''(i) the security is described in subsection (b)(1)(C) (without regard to subsection (b)(2)),

''(ii) the security is held by a person other than in connection with its activities as a dealer in securities, or

''(iii) the security is improperly identified (within the meaning of subparagraph (A) or (B) of paragraph (2)).

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

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

''(2) to provide for the application of this section to any security which is a hedge which cannot be identified with a specific security, position, right to income, or liability.''

(b) CONFORMING AMENDMENTS.—

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

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

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

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

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

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to all taxable years ending on or after December 31, 1993.

(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) except as provided in paragraph (3), the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 5-taxable year period beginning with the first taxable year ending on or after December 31, 1993.

(3) SPECIAL RULE FOR FLOOR SPECIALISTS AND MARKET MAKERS.—

(A) IN GENERAL.—If—

(i) a taxpayer used the last-in first-out (LIFO) method of accounting with respect to any qualified securities for its last taxable year ending before December 31, 1993, and

(ii) any portion of the net amount described in paragraph (2)(C) is attributable to the use of such method of accounting,

then paragraph (2)(C) shall be applied by taking such portion into account ratably over the 20-taxable year period beginning with the first taxable year ending on or after December 31,

1993 (or, if shorter, the period of taxable years equal to the greater of 5 years or the number of taxable years before such first taxable year for which the taxpayer (or any predecessor) used such method of accounting).

(B) QUALIFIED SECURITY.—For purposes of this paragraph, the term ''qualified security'' means any security acquired—

(i) by a floor specialist (as defined in section 1236(d)(2) of the Internal Revenue Code of 1986) in connection with the specialist's duties as a specialist on an exchange, but only if the security is one in which the specialist is registered with the exchange, or

(ii) by a taxpayer who is a market maker in connection with the taxpayer's duties as a market maker, but only if—

(I) the security is included on the National Association of Security Dealers Automated Quotation System,

(II) the taxpayer is registered as a market maker in such security with the National Association of Security Dealers, and

(III) as of the last day of the taxable year preceding the taxpayer's first taxable year ending on or after December 31, 1993, the taxpayer (or any predecessor) has been actively and regularly engaged as a market maker in such security for the 2-year period ending on such date (or, if shorter, the period beginning 61 days after the security was listed in such quotation system and ending on such date).

SEC. 14224. 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 on or 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 Institutions Reform, Recovery, and Enforcement Act of 1989 apply.

SEC. 14225. MODIFICATION OF CORPORATE ESTIMATED TAX RULES.

(a) INCREASE IN REQUIRED INSTALLMENT BASED ON CURRENT YEAR TAX.—

(1) IN GENERAL.—Clause (i) of section 6655(d)(1)(B) (relating to amount of required installment) is amended by striking ''91 percent'' each place it appears and inserting ''100 percent''.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 6655 is amended—

(i) by striking paragraph (3), and

(ii) by striking ''91 PERCENT'' in the paragraph heading of paragraph (2) and inserting ''100 PERCENT''.

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

''In the case of the following required installments:	**The applicable percentage is:**
1st	25
2nd	50
3rd	75
4th	100.''

(C) Clause (i) of section 6655(e)(3)(A) is amended by striking ''91 percent'' and inserting ''100 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 (I) of subparagraph (A)(i) shall be applied by substituting '2 months' for '3 months',

"(II) subclause (II) of subparagraph (A)(i) shall be applied by substituting '4 months' for '3 months',

"(III) subclause (III) of subparagraph (A)(i) shall be applied by substituting '7 months' for '6 months', and

"(IV) 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 first 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, 1993.

SEC. 14226. LIMITATION ON SECTION 936 CREDIT.

(a) GENERAL RULE.—Subsection (a) of section 936 (relating to Puerto Rico and possession tax credit) is amended—

(1) by striking ''as provided in paragraph (3)'' in paragraph (1) and inserting ''as otherwise provided in this section'';

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

''(4) LIMITATIONS ON CREDIT.—

''(A) CREDIT FOR ACTIVE BUSINESS INCOME.—The amount of the credit determined under paragraph (1)(A) for any taxable year shall not exceed 60 percent of the aggregate amount of the possession corporation's qualified possession wages for such taxable year.

''(B) CREDIT FOR INVESTMENT INCOME.—

''(i) IN GENERAL.—If—

''(I) the QPSII assets of the possession corporation for any taxable year, exceed

''(II) 80 percent of such possession corporation's qualified tangible business investment for such taxable year,

the credit determined under paragraph (1)(B) for such taxable year shall be reduced by the amount determined under clause (ii).

"(ii) AMOUNT OF REDUCTION.—The reduction determined under this clause for any taxable year is an amount which bears the same ratio to the credit determined under paragraph (1)(B) for such taxable year (determined without regard to this subparagraph) as—

"(I) the excess determined under clause (i), bears to

"(II) the QPSII assets of the possession corporation for such taxable year.

"(C) CROSS REFERENCE.—

"For definitions and special rules applicable to this paragraph, see subsection (i)."

(b) DEFINITIONS AND SPECIAL RULES.—Section 936 is amended by adding at the end thereof the following new subsection:

"(i) DEFINITIONS AND SPECIAL RULES RELATING TO LIMITATIONS OF SUBSECTION (a)(4).—

"(1) QUALIFIED POSSESSION WAGES.—For purposes of this section—

"(A) IN GENERAL.—The term 'qualified possession wages' means wages paid or incurred by the possession corporation during the taxable year to any employee for services per-

formed in a possession of the United States, but only if such services are performed while the principal place of employment of such employee is within such possession.

''(B) LIMITATION ON AMOUNT OF WAGES TAKEN INTO ACCOUNT.—

''(i) IN GENERAL.—The amount of wages which may be taken into account under subparagraph (A) with respect to any employee for any taxable year shall not exceed the contribution and benefit base determined under section 230 of the Social Security Act for the calendar year in which such taxable year begins.

''(ii) TREATMENT OF PART-TIME EMPLOYEES, ETC.—If—

''(I) any employee is not employed by the possession corporation on a substantially full-time basis at all times during the taxable year, or

''(II) the principal place of employment of any employee with the possession corporation is not within a possession at all times during the taxable year,

the limitation applicable under clause (i) with respect to such employee shall be the appropriate portion (as determined by the Secretary) of the limitation which would otherwise be in effect under clause (i).

''(C) TREATMENT OF CERTAIN EMPLOYEES.—The term 'qualified possession wages' shall not include any wages paid to employees who are assigned by the employer to perform services for another person, unless the principal trade or business of the employer is to make employees available for temporary periods to other persons in return for compensation. All possession corporations treated as 1 corporation under paragraph (4) shall be treated as 1 employer for purposes of the preceding sentence.

''(D) WAGES.—

''(i) IN GENERAL.—Except as provided in clause (ii), the term 'wages' has the meaning given to such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section). For purposes of the preceding sentence, such subsection (b) shall be applied as if the term 'United

States' included all possessions of the United States.

''(ii) SPECIAL RULE FOR AGRICULTURAL LABOR AND RAILWAY LABOR.—In any case to which subparagraph (A) or (B) of paragraph (1) of section 51(h) applies, the term 'wages' has the meaning given to such term by section 51(h)(2).

''(2) QPSII ASSETS.—For purposes of this section—

''(A) IN GENERAL.—The QPSII assets of a possession corporation for any taxable year is the average of the amounts of the possession corporation's qualified investment assets as of the close of each quarter of such taxable year.

''(B) QUALIFIED INVESTMENT ASSETS.—The term 'qualified investment assets' means the aggregate adjusted bases of the assets which are held by the possession corporation and the income from which qualifies as qualified possession source investment income. For purposes of the preceding sentence, the adjusted basis of any asset shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(3) QUALIFIED TANGIBLE BUSINESS INVESTMENT.—For purposes of this section—

"(A) IN GENERAL.—The qualified tangible business investment of any possession corporation for any taxable year is the average of the amounts of the possession corporation's qualified possession investments as of the close of each quarter of such taxable year.

"(B) QUALIFIED POSSESSION INVESTMENTS.—The term 'qualified possession investments' means the aggregate adjusted bases of tangible property used by the possession corporation in a possession of the United States in the active conduct of a trade or business within such possession. For purposes of the preceding sentence, the adjusted basis of any property shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(4) RELOCATED BUSINESSES.—

"(A) IN GENERAL.—In determining—

"(i) the possession corporation's qualified possession wages for any taxable year, and

"(ii) the possession corporation's qualified tangible business investment for such taxable year,

there shall be excluded all wages and all qualified possession investments which are allocable to a disqualified relocated business.

"(B) DISQUALIFIED RELOCATED BUSINESS.—For purposes of subparagraph (A), the term 'disqualified relocated business' means any trade or business commenced by the possession corporation after May 13, 1993, or any addition after such date to an existing trade or business of such possession corporation unless—

"(i) the possession corporation certifies that the commencement of such trade or business or such addition will not result in a decrease in employment at an existing business operation located in the United States, and

"(ii) there is no reason to believe that such commencement or addition was done with the intention of closing down operations of an existing business located in the United States.

"(5) ELECTION TO COMPUTE CREDIT ON CONSOLIDATED BASIS.—

"(A) IN GENERAL.—Any affiliated group may elect to treat all possession corporations which would be members of such group but for section 1504(b)(4) as 1 corporation for purposes of this section. The credit determined under this section with respect to such 1 corporation shall be allocated among such possession corporations in such manner as the Secretary may prescribe.

"(B) ELECTION.—An election under subparagraph (A) shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary.

"(6) TREATMENT OF CERTAIN TAXES.—Notwithstanding subsection (c), if—

"(A) the credit determined under subsection (a)(1) for any taxable year is limited under subsection (a)(4), and

"(B) the possession corporation has paid or accrued any taxes of a possession of the United States for such taxable year which are treated as not being income, war profits, or ex-

cess profits taxes paid or accrued to a possession of the United States by reason of subsection (c),

such possession corporation shall be allowed a deduction for such taxable year equal to the portion of such taxes which are allocable (on a pro rata basis) to taxable income of the possession corporation the tax on which is not offset by reason of the limitations of subsection (a)(4). In determining the credit under subsection (a) and in applying the preceding sentence, taxable income shall be determined without regard to the preceding sentence.

''(7) POSSESSION CORPORATION.—The term 'possession corporation' means a domestic corporation for which the election provided in subsection (a) is in effect.

''(8) TRANSITIONAL RULE.—If any possession corporation elects the benefits of this paragraph for any taxable year beginning in 1994 or 1995—

''(A) subsection (a)(4) shall not apply to such taxable year, and

''(B) the credit determined under subsection (a)(1) for such taxable year shall be the following percentage of the credit which would

otherwise have been determined under such subsection:

"(i) 80 percent in the case of a taxable year beginning in 1994.

"(ii) 60 percent in the case of a taxable year beginning in 1995.

A possession corporation which elects the benefits of this paragraph shall be entitled to the benefits of paragraph (6) for taxes allocable to taxable income the tax on which is not offset by reason of this paragraph."

(c) MINIMUM TAX TREATMENT.—

(1) IN GENERAL.—Clause (ii) of section 56(g)(4)(C) (relating to treatment of special rule for certain dividends) is amended by striking "sections 936 and 921" and inserting "sections 936 (including subsection (a)(4) thereof) and 921".

(2) TREATMENT OF FOREIGN TAXES.—Clause (iii) of section 56(g)(4)(C) is amended by adding at the end thereof the following subclauses:

"(IV) SEPARATE APPLICATION OF FOREIGN TAX CREDIT LIMITATIONS.—In determining the alternative minimum foreign tax credit, section 904(d) shall be applied as if

dividends from a corporation eligible for the credit provided by section 936 were a separate category of income referred to in a subparagraph of section 904(d)(1).

''(V) COORDINATION WITH LIMITATION ON 936 CREDIT.—Any reference in this clause to a dividend received from a corporation eligible for the credit provided by section 936 shall be treated as a reference to the portion of any such dividend for which the dividends received deduction is disallowed under clause (i) after the application of clause (ii)(I).''

(d) CONFORMING AMENDMENT.—Paragraph (4) of section 904(b) is amended by inserting before the period at the end thereof the following: ''(without regard to subsection (a)(4) thereof)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14227. MODIFICATION TO LIMITATION ON DEDUCTION FOR CERTAIN INTEREST.

(a) GENERAL RULE.—Paragraph (3) of section 163(j) (defining disqualified interest) is amended to read as follows:

''(3) DISQUALIFIED INTEREST.—For purposes of this subsection, the term 'disqualified interest' means—

''(A) any interest paid or accrued by the taxpayer (directly or indirectly) to a related person if no tax is imposed by this subtitle with respect to such interest, and

''(B) any interest paid or accrued by the taxpayer with respect to any indebtedness to a person who is not a related person if—

''(i) there is a disqualified guarantee of such indebtedness, and

''(ii) no gross basis tax is imposed by this subtitle with respect to such interest.''

(b) DEFINITIONS.—Paragraph (6) of section 163(j) is amended by adding at the end thereof the following new subparagraphs:

''(D) DISQUALIFIED GUARANTEE.—

''(i) IN GENERAL.—Except as provided in clause (ii), the term 'disqualified

guarantee' means any guarantee by a related person which is—

''(I) an organization exempt from taxation under this subtitle, or

''(II) a foreign person.

''(ii) EXCEPTIONS.—The term 'disqualified guarantee' shall not include a guarantee—

''(I) in any circumstances identified by the Secretary by regulation, where the interest on the indebtedness would have been subject to a net basis tax if the interest had been paid to the guarantor, or

''(II) if the taxpayer owns a controlling interest in the guarantor.

For purposes of subclause (II), except as provided in regulations, the term 'a controlling interest' means direct or indirect ownership of at least 80 percent of the total voting power and value of all classes of stock of a corporation, or 80 percent of the profit and capital interests in any other entity. For purposes of the preceding sentence, the rules of paragraphs (1) and (5)

of section 267(c) shall apply; except that such rules shall also apply to interest in entities other than corporations.

''(iii) GUARANTEE.—Except as provided in regulations, the term 'guarantee' includes any arrangement under which a person (directly or indirectly through an entity or otherwise) assures, on a conditional or unconditional basis, the payment of another person's obligation under any indebtedness.

''(E) GROSS BASIS AND NET BASIS TAXATION.—

''(i) GROSS BASIS TAX.—The term 'gross basis tax' means any tax imposed by this subtitle which is determined by reference to the gross amount of any item of income without any reduction for any deduction allowed by this subtitle.

''(ii) NET BASIS TAX.—The term 'net basis tax' means any tax imposed by this subtitle which is not a gross basis tax.''

(c) CONFORMING AMENDMENT.—Subparagraph (B) of section 163(j)(5) is amended by striking ''to a related person''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to interest paid or accrued in taxable years beginning after December 31, 1993.

PART III—FOREIGN TAX PROVISIONS

Subpart A—Current Taxation of Certain Earnings of Controlled Foreign Corporations

SEC. 14231. EARNINGS INVESTED IN EXCESS PASSIVE ASSETS.

(a) GENERAL RULE.—Paragraph (1) of section 951(a) (relating to amounts included in gross income of United States shareholders) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ''; and'', and by adding at the end thereof the following new subparagraph:

> ''(C) the amount determined under section 956A with respect to such shareholder for such year (but only to the extent not excluded from gross income under section 959(a)(3)).''

(b) AMOUNT OF INCLUSION.—Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 956 the following new section:

"SEC. 956A. EARNINGS INVESTED IN EXCESS PASSIVE ASSETS.

''(a) GENERAL RULE.—In the case of any controlled foreign corporation, the amount determined under this section with respect to any United States shareholder for any taxable year is the lesser of—

''(1) the excess (if any) of—

''(A) such shareholder's pro rata share of the amount of the controlled foreign corporation's excess passive assets for such taxable year, over

''(B) the amount of earnings and profits described in section 959(c)(1)(B) with respect to such shareholder, or

''(2) such shareholder's pro rata share of the applicable earnings of such controlled foreign corporation determined after the application of section 951(a)(1)(B).

''(b) APPLICABLE EARNINGS.—For purposes of this section, the term 'applicable earnings' means, with respect to any controlled foreign corporation, the amounts referred to in sections 316(a)(1) and 316(a)(2) (but reduced by distributions made during the taxable year), reduced by the earnings and profits described in section 959(c)(1).

''(c) EXCESS PASSIVE ASSETS.—For purposes of this section—

"(1) IN GENERAL.—The excess passive assets of any controlled foreign corporation for any taxable year is the excess (if any) of—

"(A) the average of the amounts of passive assets held by such corporation as of the close of each quarter of such taxable year, over

"(B) 25 percent of the average of the amounts of total assets held by such corporation as of the close of each quarter of such taxable year.

For purposes of the preceding sentence, the amount taken into account with respect to any asset shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(2) PASSIVE ASSET.—

"(A) IN GENERAL.—Except as otherwise provided in this section, the term 'passive asset' means any asset held by the controlled foreign corporation which produces passive income (as defined in section 1296(b)) or is held for the production of such income.

"(B) COORDINATION WITH SECTION 956.—The term 'passive asset' shall not include any United States property (as defined in section 956).

"(3) LOOK-THRU RULES MADE APPLICABLE.—For purposes of this subsection, the rules of section 1296(c) shall apply.

"(4) LEASING RULES MADE APPLICABLE.—For purposes of this subsection, the rules of section 1297(d) shall apply.

"(d) SPECIAL RULE WHERE CORPORATION CEASES TO BE CONTROLLED FOREIGN CORPORATION DURING TAXABLE YEAR.—If any foreign corporation ceases to be a controlled foreign corporation during any taxable year—

"(1) the determination of any United States shareholder's pro rata share shall be made on the basis of stock owned (within the meaning of section 958(a)) by such shareholder on the last day during the taxable year on which the foreign corporation is a controlled foreign corporation, and

"(2) the amount of such corporation's excess passive assets for such taxable year shall be determined by only taking into account quarters ending on or before such last day, and

"(3) in determining applicable earnings, the amount taken into account by reason of being described in paragraph (2) of section 316(a) shall be the portion of the amount so described which is allocable (on a pro rata basis) to the part of such year

during which the corporation is a controlled foreign corporation.

''(e) TRANSITION RULE.—In the case of any taxable year of a controlled foreign corporation beginning after September 30, 1993, and before October 1, 1997, the amount determined under subsection (a) shall be the applicable percentage (determined under the following table) of the amount which would otherwise be determined under such subsection:

''In the case of a taxable year beginning during the 1-year period beginning on:	**The applicable percentage is:**
October 1, 1993	20
October 1, 1994	25
October 1, 1995	35
October 1, 1996	50.

''(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of the provisions of this section through reorganizations or otherwise.''

(c) PREVIOUSLY TAXED INCOME RULES.—

(1) IN GENERAL.—Subsection (a) of section 959 (relating to exclusion from gross income of previously taxed earnings and profits) is amended by striking ''or'' at the end of paragraph (1), by adding ''or'' at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

''(3) such amounts would, but for this subsection, be included under section 951(a)(1)(C) in the gross income of,''.

(2) ALLOCATION RULES.—

(A) Subsection (a) of section 959 is amended by adding at the end thereof the following new sentence: ''The rules of subsection (c) shall apply for purposes of paragraph (1) of this subsection and the rules of subsection (f) shall apply for purposes of paragraphs (2) and (3) of this subsection.''.

(B) Section 959 is amended by adding at the end thereof the following new subsection:

''(f) ALLOCATION RULES FOR CERTAIN INCLUSIONS.—

''(1) IN GENERAL.—For purposes of this section, amounts that would be included under subparagraph (B) or (C) of section 951(a)(1) (determined without regard to this section) shall be treated as attributable first to earnings described in subsection (c)(2), and then to earnings described in subsection (c)(3).

''(2) TREATMENT OF DISTRIBUTIONS.—In applying this section, actual distributions shall be taken into account before amounts that would be in-

cluded under subparagraphs (B) and (C) of section 951(a)(1) (determined without regard to this section).''

(C) Paragraph (1) of section 959(c) is amended to read as follows:

''(1) first to the aggregate of—

''(A) earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for subsection (a)(2) of this section), and

''(B) earnings and profits attributable to amounts included in gross income under section 951(a)(1)(C) (or which would have been included except for subsection (a)(3) of this section),

with any distribution being allocated between earnings and profits described in subparagraph (A) and earnings and profits described in subparagraph (B) proportionately on the basis of the respective amounts of such earnings and profits,''.

(3) CONFORMING AMENDMENTS.—

(A) Subsections (a) and (b) of section 959 are each amended by striking ''earnings and

profits for a taxable year'' and inserting ''earnings and profits''.

(B) Paragraph (2) of section 959(c) is amended to read as follows:

''(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under subparagraph (B) or (C) of section 951(a)(1) because of the exclusions in paragraphs (2) and (3) of subsection (a) of this section), and''

(C) Subsection (b) of section 989 is amended by striking ''section 951(a)(1)(B)'' and inserting ''subparagraph (B) or (C) of section 951(a)(1)''.

(d) MODIFICATIONS TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.—

(1) ADJUSTED BASIS USED IN CERTAIN DETERMINATIONS.—Subsection (a) of section 1296 is amended by striking the material following paragraph (2) and inserting the following:

''In the case of a controlled foreign corporation (or any other foreign corporation if such corporation so elects), the determination under paragraph (2) shall be based on the adjusted bases (as determined for purposes of computing earnings and profits) of its assets in lieu of their value.

Such an election, once made, may be revoked only with the consent of the Secretary.''

(2) TREATMENT OF CERTAIN SUBPART F INCLUSIONS.—Subsection (b) of section 1297 is amended by adding at the end thereof the following new paragraph:

''(9) TREATMENT OF CERTAIN SUBPART F INCLUSIONS.—Any amount included in gross income under subparagraph (B) or (C) of section 951(a)(1) shall be treated as a distribution received with respect to the stock.''

(3) TREATMENT OF CERTAIN DEALERS IN SECURITIES.—Subsection (b) of section 1296 is amended by adding at the end thereof the following new paragraph:

''(3) TREATMENT OF CERTAIN DEALERS IN SECURITIES.—

''(A) IN GENERAL.—In the case of any foreign corporation which is a controlled foreign corporation (as defined in section 957(a)), the term 'passive income' does not include any income derived in the active conduct of a securities business by such corporation if such corporation is registered as a securities broker or dealer under section 15(a) of the Securities Ex-

change Act of 1934 or is registered as a Government securities broker or dealer under section 15C(a) of such Act. To the extent provided in regulations, such term shall not include any income derived in the active conduct of a securities business by a controlled foreign corporation which is not so registered.

''(B) APPLICATION OF LOOK-THRU RULES.—For purposes of paragraph (2)(C), rules similar to the rules of subparagraph (A) shall apply in determining whether any income of a related person (whether or not a corporation) is passive income.

''(C) LIMITATION.—The preceding provisions of this paragraph shall only apply in the case of persons who are United States shareholders (as defined in section 951(b)) in the controlled foreign corporation.''

(4) LEASING RULES.—Section 1297 is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) TREATMENT OF CERTAIN LEASED PROPERTY.—For purposes of this part—

"(1) IN GENERAL.—Any tangible personal property with respect to which a 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 ADJUSTED BASIS.—

"(A) IN GENERAL.—The adjusted basis of any asset to which paragraph (1) applies shall be 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) 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 section 954(d)(3)) with respect to the foreign corporation, or

"(B) a principal purpose of leasing the property was to avoid the provisions of this section."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14232. MODIFICATION TO TAXATION OF INVESTMENT IN UNITED STATES PROPERTY.

(a) GENERAL RULE.—Section 956 (relating to investment of earnings in United States property) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and

(2) by striking subsection (a) and inserting the following:

''(a) GENERAL RULE.—In the case of any controlled foreign corporation, the amount determined under this section with respect to any United States shareholder for any taxable year is the lesser of—

''(1) the excess (if any) of—

''(A) such shareholder's pro rata share of the average of the amounts of United States property held (directly or indirectly) by the controlled foreign corporation as of the close of each quarter of such taxable year, over

''(B) the amount of earnings and profits described in section 959(c)(1)(A) with respect to such shareholder, or

''(2) such shareholder's pro rata share of the applicable earnings of such controlled foreign corporation.

The amount taken into account under paragraph (1) with respect to any property shall be its adjusted basis as determined for purposes of computing earnings and profits, reduced by any liability to which the property is subject.

''(b) ADJUSTMENTS FOR CERTAIN DISTRIBUTIONS; OTHER SPECIAL RULES.—

"(1) APPLICABLE EARNINGS.—For purposes of this section, the term 'applicable earnings' has the meaning given to such term by section 956A(b).

"(2) SPECIAL RULE WHERE CORPORATION CEASES TO BE CONTROLLED FOREIGN CORPORATION.—Rules similar to the rules of section 956A(d) shall apply for purposes of this section."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 951(a)(1) is amended to read as follows:

"(B) the amount determined under section 956 with respect to such shareholder for such year (but only to the extent not excluded from gross income under section 959(a)(2)); and"

(2) Subsection (a) of section 951 is amended by striking paragraph (4).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of controlled foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of controlled foreign corporations end.

(d) STUDY OF INVESTMENTS BY CONTROLLED FOREIGN CORPORATIONS IN UNITED STATES PROPERTY.—

(1) IN GENERAL.—The Secretary of the Treasury shall conduct a study of the tax treatment of investments by controlled foreign corporations in obligations of United States persons other than corporations. Such study shall include the Secretary's views as to whether the treatment of such investments should be changed, along with a discussion of the merits and consequences of any such change.

(2) REPORT.—Not later than December 31, 1993, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under this subsection, together with such recommendations as he may deem advisable.

SEC. 14233. OTHER MODIFICATIONS TO SUBPART F.

(a) SAME COUNTRY EXCEPTION NOT TO APPLY TO CERTAIN DIVIDENDS.—

(1) IN GENERAL.—Paragraph (3) of section 954(c) (relating to certain income received from related persons) is amended by adding at the end thereof the following new subparagraph:

''(C) EXCEPTION FOR CERTAIN DIVIDENDS.—Subparagraph (A)(i) shall not apply to any dividend with respect to any stock which

is attributable to earnings and profits of the distributing corporation accumulated during any period during which the person receiving such dividend did not hold such stock.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years of controlled foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of controlled foreign corporations end.

(b) SIMPLIFICATION OF SECTION 960(b).—

(1) IN GENERAL.—Subsection (b) of section 960 is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively, and

(B) by striking paragraphs (1) and (2) and inserting the following new paragraphs:

''(1) INCREASE IN SECTION 904 LIMITATION.—In the case of any taxpayer who—

''(A) either (i) chose to have the benefits of subpart A of this part for a taxable year beginning after September 30, 1993, in which he was required under section 951(a) to include any amount in his gross income, or (ii) did not pay or accrue for such taxable year any income,

war profits, or excess profits taxes to any foreign country or to any possession of the United States,

''(B) chooses to have the benefits of subpart A of this part for any taxable year in which he receives 1 or more distributions or amounts which are excludable from gross income under section 959(a) and which are attributable to amounts included in his gross income for taxable years referred to in subparagraph (A), and

''(C) for the taxable year in which such distributions or amounts are received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distributions or amounts,

the limitation under section 904 for the taxable year in which such distributions or amounts are received shall be increased by the lesser of the amount of such taxes paid, or deemed paid, or accrued with respect to such distributions or amounts or the amount in the excess limitation account as of the beginning of such taxable year.

''(2) EXCESS LIMITATION ACCOUNT.—

''(A) ESTABLISHMENT OF ACCOUNT.—Each taxpayer meeting the requirements of paragraph (1)(A) shall establish an excess limitation account. The opening balance of such account shall be zero.

''(B) INCREASES IN ACCOUNT.—For each taxable year beginning after September 30, 1993, the taxpayer shall increase the amount in the excess limitation account by the excess (if any) of—

''(i) the amount by which the limitation under section 904(a) for such taxable year was increased by reason of the total amount of the inclusions in gross income under section 951(a) for such taxable year, over

''(ii) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for such taxable year and which would not have been allowable but for the

inclusions in gross income described in clause (i).

Proper reductions in the amount added to the account under the preceding sentence for any taxable year shall be made for any increase in the credit allowable under section 901 for such taxable year by reason of a carryback if such increase would not have been allowable but for the inclusions in gross income described in clause (i).

''(C) DECREASES IN ACCOUNT.—For each taxable year beginning after September 30, 1993, for which the limitation under section 904 was increased under paragraph (1), the taxpayer shall reduce the amount in the excess limitation account by the amount of such increase.

''(3) DISTRIBUTIONS OF INCOME PREVIOUSLY TAXED IN YEARS BEGINNING BEFORE OCTOBER 1, 1993.—If the taxpayer receives a distribution or amount in a taxable year beginning after September 30, 1993, which is excluded from gross income under section 959(a) and is attributable to any amount included in gross income under section 951(a) for a taxable year beginning before October

1, 1993, the limitation under section 904 for the taxable year in which such amount or distribution is received shall be increased by the amount determined under this subsection as in effect on the day before the date of the enactment of the Revenue Reconcilation Act of 1993.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after September 30, 1993.

Subpart B—Allocation of Research and Experimental Expenditures

SEC. 14234. ALLOCATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) GENERAL RULE.—Subparagraph (B) of section 864(f)(1) (relating to allocation of research and experimental expenditures) is amended by striking ''64 percent'' each place it appears and inserting ''50 percent''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 864 is amended by striking paragraph (5) and inserting the following:

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this subsection, including regulations relating to the determination of whether any expenses are attributable to activities conducted

in the United States or outside the United States and regulations providing such adjustments to the provisions of this subsection as may be appropriate in the case of cost-sharing arrangements and contract research.''

(2) Subparagraph (D) of section 864(f)(4) is amended by striking ''subparagraph (C)'' and inserting ''subparagraph (B) or (C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act; except that such amendments shall not apply in the case of any taxable year to which Revenue Procedure 92–56 applies or would apply if the taxpayer elected the benefits of such Revenue Procedure.

Subpart C—Other Provisions

SEC. 14235. REPEAL OF CERTAIN EXCEPTIONS FOR WORKING CAPITAL.

(a) PROVISIONS RELATING TO OIL AND GAS INCOME.—

(1) AMENDMENTS TO SECTION 907.—

(A) Paragraph (1) of section 907(c) is amended by adding at the end thereof the following new flush sentence:

''Such term does not include any dividend or interest income which is passive income (as defined in section 904(d)(2)(A)).''.

(B) Paragraph (2) of section 907(c) is amended by adding at the end thereof the following new flush sentence:

''Such term does not include any dividend or interest income which is passive income (as defined in section 904(d)(2)(A)).''.

(2) SEPARATE APPLICATION OF FOREIGN TAX CREDIT.—Clause (iii) of section 904(d)(2)(A) is amended by inserting ''and'' at the end of subclause (II), by striking '', and'' at the end of subclause (III) and inserting a period, and by striking subclause (IV).

(3) TREATMENT UNDER SUBPART F.—

(A) Paragraph (1) of section 954(g) is amended by adding at the end thereof the following new flush sentence:

Such term shall not include any foreign personal holding company income (as defined in subsection (c)).''.

(B) Paragraph (8) of section 954(b) is amended by striking ''(1),''.

(b) TREATMENT OF SHIPPING INCOME.—Subsection (f) of section 954 is amended by adding at the end thereof

the following new sentence: ''Such term shall not include any dividend or interest income which is foreign personal holding company income (as defined in subsection (c)).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14236. MODIFICATIONS OF ACCURACY-RELATED PENALTY.

(a) THRESHOLD REQUIREMENT.—Clause (ii) of section 6662(e)(1)(B) (relating to substantial valuation misstatement under chapter 1) is amended to read as follows:

> ''(ii) the net section 482 transfer price adjustment for the taxable year exceeds the lesser of $5,000,000 or 10 percent of the taxpayer's gross receipts.''

(b) CERTAIN ADJUSTMENTS EXCLUDED IN DETERMINING THRESHOLD.—Subparagraph (B) of section 6662(e)(3) is amended to read as follows:

> ''(B) CERTAIN ADJUSTMENTS EXCLUDED IN DETERMINING THRESHOLD.—For purposes of determining whether the threshold requirements of paragraph (1)(B)(ii) are met, the following shall be excluded:

''(i) Any portion of the net increase in taxable income referred to in subparagraph (A) which is attributable to any redetermination of a price if—

''(I) it is established that the taxpayer determined such price in accordance with a specific pricing method set forth in the regulations prescribed under section 482 and that the taxpayer's use of such method was reasonable,

''(II) the taxpayer has documentation (which was in existence as of the time of filing the return) which sets forth the determination of such price in accordance with such a method and which establishes that the use of such method was reasonable, and

''(III) the taxpayer provides such documentation to the Secretary within 30 days of a request for such documentation.

''(ii) Any portion of the net increase in taxable income referred to in subparagraph (A) which is attributable to a rede-

termination of price where such price was not determined in accordance with such a specific pricing method if—

''(I) the taxpayer establishes that none of such pricing methods was likely to result in a price that would clearly reflect income, the taxpayer used another pricing method to determine such price, and such other pricing method was likely to result in a price that would clearly reflect income,

''(II) the taxpayer has documentation (which was in existence as of the time of filing the return) which sets forth the determination of such price in accordance with such other method and which establishes that the requirements of subclause (I) were satisfied, and

''(III) the taxpayer provides such documentation to the Secretary within 30 days of request for such documentation.

"(iii) Any portion of such net increase which is attributable to any transaction solely between foreign corporations unless, in the case of any such corporations, the treatment of such transaction affects the determination of income from sources within the United States or taxable income effectively connected with the conduct of a trade or business within the United States."

(b) COORDINATION WITH REASONABLE CAUSE EXCEPTION.—Paragraph (3) of section 6662(e) is amended by adding at the end thereof the following new subparagraph:

"(D) COORDINATION WITH REASONABLE CAUSE EXCEPTION.—For purposes of section 6664(c) the taxpayer shall not be treated as having reasonable cause for any portion of an underpayment attributable to a net section 482 transfer price adjustment unless such taxpayer meets the requirements of clause (i), (ii), or (iii) of subparagraph (B) with respect to such portion."

(c) CONFORMING AMENDMENT.—Clause (iii) of section 6662(h)(2)(A) is amended to read as follows:

"(iii) in paragraph (1)(B)(ii)—

"(I) '$20,000,000' for '$5,000,000', and

"(II) '20 percent' for '10 percent'."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14237. DENIAL OF PORTFOLIO INTEREST EXEMPTION FOR CONTINGENT INTEREST.

(a) GENERAL RULE.—

(1) Subsection (h) of section 871 (relating to repeal of tax on interest of nonresident alien individuals received from certain portfolio debt investments) is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) PORTFOLIO INTEREST NOT TO INCLUDE CERTAIN CONTINGENT INTEREST.—For purposes of this subsection—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'portfolio interest' shall not include—

"(i) any interest if the amount of such interest is determined by reference to—

"(I) any receipts, sales or other cash flow of the debtor or a related person,

"(II) any income or profits of the debtor or a related person,

"(III) any change in value of any property of the debtor or a related person, or

"(IV) any dividend, partnership distributions, or similar payments made by the debtor or a related person, or

"(ii) any other type of contingent interest that is identified by the Secretary by regulation, where a denial of the portfolio interest exemption is necessary or appropriate to prevent avoidance of Federal income tax.

"(B) RELATED PERSON.—The term 'related person' means any person who is related to the debtor within the meaning of section 267(b) or 707(b)(1), or who is a party to any arrange-

ment undertaken for a purpose of avoiding the application of this paragraph.

''(C) EXCEPTIONS.—Subparagraph (A)(i) shall not apply to—

''(i) any amount of interest solely by reason of the fact that the timing of any interest or principal payment is subject to a contingency,

''(ii) any amount of interest solely by reason of the fact that the interest is paid with respect to nonrecourse or limited recourse indebtedness,

''(iii) any amount of interest all or substantially all of which is determined by reference to any other amount of interest not described in subparagraph (A) (or by reference to the principal amount of indebtedness on which such other interest is paid),

''(iv) any amount of interest solely by reason of the fact that the debtor or a related person enters into a hedging transaction to reduce the risk of interest rate or currency fluctuations with respect to such interest,

"(v) any amount of interest determined by reference to—

"(I) changes in the value of property (including stock) that is actively traded (within the meaning of section 1092(d)) other than property described in section 897(c)(1) or (g),

"(II) the yield on property described in subclause (I), other than a debt instrument that pays interest described in subparagraph (A), or stock or other property that represents a beneficial interest in the debtor or a related person, or

"(III) changes in any index of the value of property described in subclause (I) or of the yield on property described in subclause (II), and

"(vi) any other type of interest identified by the Secretary by regulation.

"(D) EXCEPTION FOR CERTAIN EXISTING INDEBTEDNESS.—Subparagraph (A) shall not apply to any interest paid or accrued with respect to any indebtedness with a fixed term—

"(i) which was issued on or before April 7, 1993, or

"(ii) which was issued after such date pursuant to a written binding contract in effect on such date and at all times thereafter before such indebtedness was issued."

(2) Subsection (c) of section 881 is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) PORTFOLIO INTEREST NOT TO INCLUDE CERTAIN CONTINGENT INTEREST.—For purposes of this subsection, the term 'portfolio interest' shall not include any interest which is treated as not being portfolio interest under the rules of section 871(h)(4)."

(b) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 871(h)(2)(B) is amended by striking "paragraph (4)" and inserting "paragraph (5)".

(2) Clause (ii) of section 881(c)(2)(B) is amended by striking "section 871(h)(4)" and inserting "section 871(h)(5)".

(3) Paragraph (6) of section 881(c) (as redesignated by subsection (a)) is amended by striking ''section 871(h)(5)'' each place it appears and inserting ''section 871(h)(6)''.

(4) Paragraph (9) of section 1441(c) is amended by striking ''section 871(h)(3)'' and inserting ''section 871(h)(3) or (4)''.

(5) Subsection (a) of section 1442 is amended—

(A) by striking ''871(h)(3)'' and inserting ''871(h)(3) or (4)'', and

(B) by striking ''881(c)(3)'' and inserting ''881(c)(3) or (4)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest received after December 31, 1993.

SEC. 14238. REGULATIONS DEALING WITH CONDUIT ARRANGEMENTS.

Section 7701 is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

''(l) REGULATIONS RELATING TO CONDUIT ARRANGEMENTS.—The Secretary may prescribe regulations recharacterizing any multiple-party financing transaction as a transaction directly among any 2 or more of such

parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by this title.''

PART IV—ENERGY TAX PROVISIONS

Subpart A—Energy Tax Based on Btu Content

SEC. 14241. IMPOSITION OF ENERGY TAX BASED ON BTU CONTENT.

(a) IN GENERAL.—Chapter 36 (relating to other excise taxes) is amended by redesignating subchapters A and B as subchapters B and C, respectively, and by inserting before subchapter B (as so redesignated) the following new subchapter:

''SUBCHAPTER A—ENERGY TAXES

''Part I. Imposition of tax on refined petroleum products.
''Part II. Imposition of taxes on natural gas, coal, and electricity.
''Part III. Tax rates.
''Part IV. Use taxes; floor stocks taxes; administrative provisions; definitions and special rules.
''Part V. Tax on imported products with high embedded energy costs.

''PART I—IMPOSITION OF TAX ON REFINED PETROLEUM PRODUCTS

''Sec. 4441. Taxable refined petroleum products.
''Sec. 4442. Tax-free transfers and uses; refunds for certain sales and uses.

''SEC. 4441. TAXABLE REFINED PETROLEUM PRODUCTS.

''(a) IMPOSITION OF TAX.—

''(1) IN GENERAL.—There is hereby imposed a tax on any taxable refined petroleum product—

''(A) removed from any refinery in the United States,

''(B) removed from any terminal in the United States,

''(C) entered into the United States for consumption, use, or warehousing, and

''(D) sold to any person who is not registered under section 4453(d).

No tax shall be imposed by subparagraph (D) if there was a prior taxable removal or entry under subparagraph (A), (B), or (C).

''(2) EXCEPTION FOR BULK TRANSFERS TO REGISTERED REFINERIES OR TERMINALS.—The tax imposed by paragraph (1) shall not apply to any removal or entry of any taxable refined petroleum product transferred in bulk to a refinery or terminal if the person removing or entering such product and the operator of such refinery or terminal are registered under section 4453(d).

''(b) RATE OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on each barrel of any taxable refined petroleum product shall be the sum of—

''(A) the base rate, and

''(B) the supplemental rate,

multiplied by the applicable per unit Btu factor for such product.

''(2) ONLY BASE RATE APPLIES TO QUALIFIED HEATING OIL, DIESEL FUEL USED ON FARMS, AND LIQUEFIED PETROLEUM GASES.—

''(A) IN GENERAL.—Subparagraph (B) of paragraph (1) shall not apply to—

''(i) qualified heating oil,

''(ii) qualified farm diesel fuel, and

''(iii) any liquefied petroleum gas.

''(B) QUALIFIED HEATING OIL.—For purposes of subparagraph (A), the term 'qualified heating oil' means No. 2 distillate fuel oil (including any kerosene in a mixture with such oil) which—

''(i) is indelibly dyed (or dyed and marked) in accordance with regulations that the Secretary shall prescribe, and

''(ii) is delivered (or is to be delivered) to any building to heat the building.

''(C) QUALIFIED FARM DIESEL FUEL.—For purposes of subparagraph (A), the term 'qualified farm diesel fuel' means any diesel fuel which—

''(i) is indelibly dyed (or dyed and marked) in accordance with regulations that the Secretary shall prescribe, and

''(ii) is used (or to be used) on a farm for farming purposes (determined under section 6420(c)).

''(c) LIABILITY FOR TAX.—The determination of who is liable for the tax imposed by subsection (a) shall be made under the rules applicable in determining liability for the tax imposed by section 4081. Section 4103 shall apply to the tax imposed by subsection (a) in the same manner as it applies to the tax imposed by section 4081.

''(d) TAXABLE REFINED PETROLEUM PRODUCT.—For purposes of this subchapter, the term 'taxable refined petroleum product' means—

''(1) aviation gasoline,

''(2) motor gasoline (including blending components of gasoline),

''(3) kerosene-type jet fuel,

''(4) naphtha-type jet fuel,

''(5) distillate fuel oil,

''(6) kerosene,

''(7) residual fuel oil,

''(8) petroleum coke,

''(9) butane,

''(10) propane,

''(11) ethanol,

''(12) methanol, and

''(13) to the extent provided in regulations prescribed by the Secretary, any other refined petroleum product.

''(e) APPLICABLE PER UNIT BTU FACTOR.—For purposes of this subchapter—

''(1) IN GENERAL.—

"In the case of:	The applicable per unit Btu factor is the following amount per barrel:
Aviation gasoline	5.048
Motor gasoline (including blending components of gasoline)	5.267
Kerosene-type jet fuel	5.670
Naphtha-type jet fuel	5.355
Distillate fuel oil	5.852
Kerosene	5.670
Residual fuel oil	6.486
Petroleum coke	6.024
Ethanol	3.500
Methanol	3.500
Butane	4.326
Propane	3.836.

''(2) MIXTURES.—Any mixture which includes a taxable refined petroleum product shall be treated as specified in paragraph (1) and—

''(A) if more than 1 such product is included in such mixture, the applicable per unit Btu factor shall be the weighted average of the applicable per unit Btu factors for the taxable refined petroleum products included in the mixture, and

''(B) if any substance is included in the mixture which is not a taxable refined petroleum product, the applicable per unit Btu factor for the portion of such mixture's volume which is attributable to such substance shall be zero.

''(3) CROSS REFERENCE.—

"For authority to adjust per unit Btu amounts, see section 4453(e).

''(f) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) REFINERY.—The term 'refinery' means any facility—

''(A) at which crude oil or any petroleum product is refined,

''(B) which is a natural gas processing or fractionation plant, or

''(C) at which ethanol or methanol is produced for use as a fuel.

''(2) BLENDING COMPONENTS.—The term 'blending components' does not include ethanol or methanol.

''(3) ETHANOL AND METHANOL.—The terms 'ethanol' and 'methanol' include ether derivatives of ethanol and methanol, respectively.

''(4) BARREL.—The term 'barrel' means 42 United States gallons determined with such tem-

perature adjustments as the Secretary may prescribe. In the case of a taxable refined petroleum product which is not a liquid, the term 'barrel' means a volume determined under regulations prescribed by the Secretary on the basis of an equivalence to a barrel of oil.

''(g) REFUNDS IN CERTAIN CASES.—Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable refined petroleum product establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such product, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.

"SEC. 4442. TAX-FREE TRANSFERS AND USES; REFUNDS FOR CERTAIN SALES AND USES.

''(a) TAX-FREE SALES, ETC.—

''(1) IN GENERAL.—No tax shall be imposed by section 4441—

''(A) on any taxable refined petroleum product which is used in an exempt use by the person otherwise liable for such tax, or

''(B) by reason of a removal, entry, or sale of such product for an exempt use by the person receiving the product.

''(2) EXEMPT USE.—For purposes of this subsection, the term 'exempt use' means—

''(A) export,

''(B) any use in the generation of electricity,

''(C) any qualified feedstock use, and

''(D) any use in the manufacture or production of synthetic natural gas or any other synthetic fuel specified in regulations prescribed by the Secretary.

''(3) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

''(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of any taxable refined petroleum product shall be exempt from tax under paragraph (1).

''(B) QUALIFIED FEEDSTOCK USE.—The term 'qualified feedstock use' means use of any taxable refined petroleum product in the manufacture or production of any substance.

"(C) EXEMPT PERCENTAGE.—For purposes of subparagraph (A), the term 'exempt percentage' means the percentage (determined on the basis of chemical structure) of the taxable refined petroleum product which is incorporated into the substance manufactured or produced.

"(4) REGISTRATION REQUIREMENTS.—To the extent provided by the Secretary, paragraph (1) shall not apply to any taxable event unless—

"(A) such persons with respect to such event as the Secretary may specify are registered under section 4453(d), and

"(B) in the case of a sale, the purchaser's name and address, and the purchaser's registration number for purposes of this subchapter, are provided to the seller.

"(5) REFUNDS OF PRODUCTS PURCHASED TAX-PAID.—If tax was imposed under section 4441 with respect to any taxable refined petroleum product and such product is used by any person in an exempt use, the Secretary shall pay to such person an amount equal to the tax so imposed (or, in the case of a qualified feedstock use, the exempt percentage of the tax so imposed).

"(6) CROSS REFERENCE.—

"For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).

"(b) REFUNDS TO ULTIMATE VENDORS IN CERTAIN CASES.—Under regulations prescribed by the Secretary—

"(1) HEATING OIL.—If the supplemental rate of tax was imposed under section 4441 with respect to any No. 2 distillate fuel oil (including any kerosene in a mixture with such oil) and such fuel oil is delivered to any building to heat the building, the Secretary shall pay to the ultimate vendor of such fuel oil an amount equal to the product of the supplemental rate and the applicable per unit Btu factor per barrel of the fuel oil (and kerosene) so delivered.

"(2) INTERNATIONAL COMMERCIAL TRANSPORTATION.—

"(A) IN GENERAL.—If tax was imposed under section 4441 with respect to any taxable refined petroleum product and such product is sold for use or used by the purchaser for international commercial transportation, the Secretary shall pay to the ultimate vendor of such product an amount equal to the tax so imposed.

"(B) INTERNATIONAL COMMERCIAL TRANSPORTATION.—For purposes of subpara-

graph (A), the term 'international commercial transportation' means transportation in the trade or business of transporting persons or property for hire—

''(i) by any vessel actually engaged in foreign trade or trade between the United States and any of its possessions, or

''(ii) by aircraft from a point within the United States to a point outside the United States and outside the 225-mile zone (as defined in section 4262(c)(2)).

''(3) VENDOR REQUIREMENTS.—A payment may be made under this subsection to a vendor only if the vendor establishes that such vendor—

''(A)(i) has not included the tax in the price of the product, and

''(ii) has not collected the tax from the purchaser of such product, or

''(B) has agreed to repay the tax to the purchaser.

''(c) PRODUCTION OF CALCINED COKE.—If tax was imposed under section 4441 with respect to any petroleum product and such product is used by any person to produce calcined coke, the Secretary shall pay to such person an amount equal to the sum of the base rate and the

supplemental rate for each million Btu's of the actual Btu content of the coke produced.

''(d) CROSS REFERENCE.—

"For refunds of gasoline and diesel fuel used on farms, see sections 6420(a) and 6427(m).

"PART II—IMPOSITION OF TAXES ON NATURAL GAS, COAL, AND ELECTRICITY

''Sec. 4444. Natural gas.
''Sec. 4445. Coal.
''Sec. 4446. Electricity.

"SEC. 4444. NATURAL GAS.

''(a) IMPOSITION OF TAX.—

''(1) IN GENERAL.—There is hereby imposed a tax on natural gas—

''(A) removed from any pipeline in the United States,

''(B) entered into the United States for consumption, use, or warehousing, and

''(C) entered into any pipeline the operator of which is not registered under section 4453(d).

''(2) EXCEPTION FOR TRANSFERS TO REGISTERED PIPELINES.—

''(A) PIPELINE TO PIPELINE TRANSFERS.—The tax imposed by paragraph (1) shall not apply to any removal from a pipeline to an-

other pipeline if the operators of both pipelines are registered under section 4453(d).

''(B) ENTRY INTO UNITED STATES TO PIPELINE TRANSFERS.—The tax imposed by paragraph (1) shall not apply to any entry into the United States if—

''(i) pursuant to such entry the natural gas is entered into any pipeline, and

''(ii) the operator of such pipeline is registered under section 4453(d).

''(b) RATE OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on each MCF of natural gas shall be the base rate multiplied by the applicable per unit Btu factor.

''(2) AUTHORITY TO USE ACTUAL BTU CONTENT.—To the extent provided in regulations prescribed by the Secretary, the amount of the tax imposed by subsection (a) shall be the base rate for each million Btu's of the actual Btu content of the natural gas.

''(c) LIABILITY FOR, AND COLLECTION OF, TAX.—

''(1) IN GENERAL.—The tax imposed by subsection (a)(1)(A)—

''(A) shall be paid by the person receiving the natural gas, and

''(B) shall be collected by the operator of the pipeline.

''(2) IMPORTATION.—The tax imposed by subsection (a)(1)(B) shall be paid by the person entering the natural gas into the United States for consumption, use, or warehousing.

''(3) ENTRY INTO UNREGISTERED PIPELINES.—The tax imposed by subsection (a)(1)(C) shall be paid by the person entering the natural gas.

''(4) COLLECTION OF TAX.—

''(A) IN GENERAL.—In the case of natural gas removed from a local distribution system, the operator shall also be liable for any tax imposed by subsection (a) which is not collected from the person receiving the natural gas.

''(B) EXCEPTION FOR LARGE USERS FROM LOCAL DISTRIBUTION SYSTEMS.—Subparagraph (A) shall not apply to natural gas received by any person during any month from a local distribution system if the value (exclusive of taxes) of the natural gas received by such person from such system during the 12-month period ending before such month exceeded $3,500,000.

1 ''(d) DEFINITIONS.—For purposes of this sub-
2 chapter—
3 ''(1) APPLICABLE PER UNIT BTU FACTOR.—
4 ''(A) IN GENERAL.—The applicable per
5 unit Btu factor with respect to natural gas is
6 1.031 per MCF.
7 ''(B) CROSS REFERENCE.—

''For authority to adjust per unit Btu amounts, see section 4453(e).

8 ''(2) PIPELINE.—The term 'pipeline' includes a
9 local distribution system. To the extent provided in
10 regulations prescribed by the Secretary, such term
11 includes a gathering system.
12 ''(3) NATURAL GAS.—The term 'natural gas'
13 includes synthetic natural gas produced from coal or
14 from any petroleum product.
15 ''(4) MCF.—The term 'MCF' means 1,000
16 cubic feet of natural gas measured at a pressure of
17 14.73 pounds per square inch (absolute) and a tem-
18 perature of 60 degrees Fahrenheit.
19 ''(e) EXEMPTION FROM TAX FOR CERTAIN USES.—
20 ''(1) IN GENERAL.—No tax shall be imposed by
21 subparagraph (A) or (B) of subsection (a)(1)—
22 ''(A) on any natural gas which is used in
23 an exempt natural gas use by the person other-
24 wise liable for such tax, or

''(B) by reason of a removal or entry of natural gas for an exempt natural gas use by the person receiving the natural gas.

''(2) EXEMPT NATURAL GAS USE.—For purposes of this subsection, the term 'exempt natural gas use' means—

''(A) use in the generation of electricity,

''(B) any qualified feedstock use, or

''(C) use in enhanced heavy oil recovery.

''(3) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

''(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of the natural gas shall be exempt from tax under paragraph (1).

''(B) QUALIFIED FEEDSTOCK USE; EXEMPT PERCENTAGE.—The terms 'qualified feedstock use' and 'exempt percentage' have the respective meanings given such terms by section 4442(a)(3) determined by substituting 'natural gas' for 'taxable refined petroleum product' each place it appears.

''(4) ENHANCED HEAVY OIL RECOVERY.—For purposes of this subsection—

"(A) IN GENERAL.—Natural gas shall be treated as used in enhanced heavy oil recovery if such gas is used in an enhanced oil recovery project in the United States for the recovery of oil having a weighted average gravity of 20 degrees API or less (corrected to 60 degrees Fahrenheit).

"(B) ENHANCED OIL RECOVERY PROJECT.—For purposes of subparagraph (A), the term 'enhanced oil recovery project' means any project which involves the application (in accordance with sound engineering principles) of 1 or more tertiary recovery methods (as defined in section 193(b)(3)) which can reasonably be expected to result in more than an insignificant increase in the amount of crude oil which will ultimately be recovered.

"(5) REGISTRATION REQUIREMENTS.—To the extent provided by the Secretary, paragraph (1) shall not apply to any taxable event unless the requirements of section 4442(a)(4) are met with respect to such event.

"(6) REFUNDS OF NATURAL GAS PURCHASED TAX-PAID.—If tax was imposed by this section with respect to any natural gas and such gas is used by

any person in an exempt natural gas use, the Secretary shall pay to such person an amount equal to the tax so imposed (or, in the case of a qualified feedstock use, the exempt percentage of the tax so imposed).

''(7) CROSS REFERENCE.—

"For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).

''(f) METHANE RECOVERED FROM BIOMASS OR COAL MINING.—

''(1) IN GENERAL.—If—

''(A) methane is recovered from biomass or in conjunction with room and pillar or long wall coal mining operations, and

''(B) such methane is entered into any natural gas pipeline,

the Secretary shall pay to the person so entering such methane an amount equal to the amount of tax which would be imposed under this section on such methane if such entry were a taxable event under such section.

''(2) RECAPTURE OF CREDIT FOR METHANE RECOVERED FROM COAL MINING IN CERTAIN CASES.—

''(A) IN GENERAL.—If—

"(i) the Secretary has made a payment under paragraph (1) to any person with respect to methane recovered from coal mining operations before the date the actual mining commences, and

"(ii)(I) such person disposes of his interest in such coal mining operations, or

"(II) the actual mining commences more than 10 years after the date such methane was first recovered,

then the tax under chapter 1 of such person for the taxable year in which such disposition occurs (or, in a case to which clause (ii)(II) applies, such 10th year ends) shall be increased by the aggregate of such payments to such person plus interest at the underpayment rate under section 6621 for the periods beginning on the dates such payments were made.

"(B) NO FURTHER PAYMENTS UNTIL MINING COMMENCES.—If there is an increase in tax under subparagraph (A) with respect to any payments for methane recovered from any site, no further payments shall be made under this subsection with respect to methane recovered

from such site until actual mining commences at such site.

''(C) NO CREDITS AGAINST TAX, ETC.—Any increase in tax under this paragraph shall not be taken into account in determining the amount of any credit allowable under part IV of subchapter A of chapter 1 or in determining the amount of the tax imposed by section 55.

''(D) CHANGES IN FORM OF BUSINESS DISREGARDED.—A person shall not be treated as disposing of an interest in coal mining operations by reason of a mere change in the form of conducting the trade or business so long as the coal mining operations are retained in such trade or business and the taxpayer retains a substantial interest in such trade or business.

''(g) REFUNDS IN CERTAIN CASES.—A rule similar to the rule of section 4441(g) shall apply to the tax imposed by this section.

''SEC. 4445. COAL.

''(a) GENERAL RULE.—There is hereby imposed a tax on coal received at any facility in the United States for use as a fuel at such facility.

''(b) RATE OF TAX.—The amount of the tax imposed by subsection (a) shall be the base rate for each million

Btu's of the actual Btu content of the coal. For purposes of the preceding sentence, the actual Btu content of any coal shall be determined under procedures prescribed by the Secretary.

''(c) LIABILITY FOR TAX.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the tax imposed by subsection (a) shall be paid by the operator of the facility.

''(2) COAL RECEIVED AT SMALL FACILITIES.—If the ultimate vendor of coal received at a facility receives a certificate from the operator of such facility (or otherwise determines) that such facility received less than 1,000 tons of coal during the preceding calendar year, the tax imposed by subsection (a) shall be paid by the ultimate vendor.

''(3) RESIDENTIAL PROPERTY.—

''(A) IN GENERAL.—In the case of coal received at a residential property, the tax imposed by subsection (a) shall be paid by the ultimate vendor.

''(B) RESIDENTIAL PROPERTY.—For purposes of this paragraph, the term 'residential property' means any building which contains 1

or more dwelling units used for residential purposes other than on a transient basis.

''(d) EXEMPTION FROM TAX FOR CERTAIN USES.—

''(1) IN GENERAL.—No tax shall be imposed by subsection (a) on coal received for—

''(A) use in the generation of electricity,

''(B) any qualified feedstock use,

''(C) use in enhanced heavy oil recovery (as determined under section 4444(e)(4) by substituting 'coal' for 'natural gas'),

''(D) use in the manufacture or production of synthetic natural gas or any other synthetic fuel specified in regulations prescribed by the Secretary, or

''(E) any use in a vessel used in international commercial transportation (as defined in section 4442(b)(2)(B)(i)).

''(2) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

''(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of the coal shall be exempt from tax under paragraph (1).

''(B) QUALIFIED FEEDSTOCK USE; EXEMPT PERCENTAGE.—The terms 'qualified feed-

stock use' and 'exempt percentage' have the respective meanings given such terms by section 4442(a)(3) determined by substituting 'coal' for 'taxable refined petroleum product' each place it appears.

''(3) CROSS REFERENCE.—

"For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).

''(e) PRODUCTION OF COKE FOR STEEL.—If tax was imposed under this subchapter with respect to any coal and such coal is used by any person to produce coke for use in the reduction of iron-bearing ores in the iron and steel process, the Secretary shall pay to such person an amount equal to the base rate for each million Btu's of the actual Btu content of the coke produced.

"SEC. 4446. ELECTRICITY.

''(a) GENERAL RULE.—There is hereby imposed a tax on—

''(1) the sale of electricity to ultimate users in the United States, and

''(2) the use of electricity in the United States which was not subject to tax under paragraph (1).

''(b) RATE OF TAX.—The amount of the tax imposed by subsection (a) on each kilowatt hour of electricity sold or used during any month shall be the deemed Btu tax per kilowatt hour applicable for such month—

"(1) to the seller in the case of the tax imposed by subsection (a)(1), and

"(2) to the user in the case of the tax imposed by subsection (a)(2).

"(c) LIABILITY FOR, AND COLLECTION OF, TAX.—

"(1) SALES.—The tax imposed by subsection (a)(1)—

"(A) shall be paid by the person to whom the electricity is sold, and

"(B) shall be collected by the seller.

"(2) USES.—The tax imposed by subsection (a)(2) shall be paid by the person using the electricity.

"(3) COLLECTION OF TAX.—

"(A) IN GENERAL.—The seller shall also be liable for the tax imposed by subsection (a)(1) which is not collected from the person to whom the electricity is sold.

"(B) EXCEPTION FOR LARGE USERS.—Subparagraph (A) shall not apply to electricity sold to any person during any month by the seller if the amount paid by such person for electricity (exclusive of taxes) sold by such seller during the 12-month period ending before such month exceeded $3,500,000.

"(d) DEEMED BTU TAXES.—For purposes of this section—

"(1) IN GENERAL.—The deemed Btu taxes per kilowatt hour of electricity applicable to any person for any month shall be the weighted average of—

"(A) the deemed Btu taxes per kilowatt hour of electricity generated at each facility of the person during the base period, and

"(B) the deemed Btu taxes per kilowatt hour of electricity purchased by such person during the base period.

For purposes of this paragraph, the term 'base period' means, with respect to any month, the 2d month preceding such month.

"(2) DEEMED BTU TAXES PER FACILITY.—The deemed Btu taxes per kilowatt hour of electricity generated at any facility during any month shall be determined by dividing—

"(A) the deemed Btu taxes on fuels used at such facility to generate electricity during such month by

"(B) the aggregate kilowatt hours of electricity generated at such facility during such month.

"(3) DEEMED BTU TAXES.—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'deemed Btu taxes' means, with respect to electricity, the aggregate taxes which would have been imposed by this subchapter on the fuels used to generate such electricity—

"(i) but for the exemption of such fuels from such taxes, and

"(ii) determined as of the month for which the rate of the tax imposed by subsection (a) is being determined.

"(B) ELECTRICITY GENERATED BY HYDROPOWER OR NUCLEAR POWER.—The deemed Btu taxes per kilowatt hour of electricity generated by hydropower or nuclear power shall be equal to the base rate multiplied by a fraction the numerator of which is 10,335 and the denominator of which is 1,000,000.

"(C) IMPORTED ELECTRICITY.—

"(i) IN GENERAL.—Except as provided in clause (ii), the deemed Btu taxes per kilowatt hour of electricity transmitted into the United States shall be determined as if such electricity were generated by hydropower.

"(ii) LOWER DEEMED BTU TAX MAY BE ESTABLISHED.—If the importer establishes to the satisfaction of the Secretary the amount which would be the deemed Btu taxes per kilowatt hour of the electricity if the electricity were generated in the United States, such amount shall be used in lieu of the amount under clause (i).

"(D) ELECTRICITY GENERATED BY RENEWABLE SOURCES.—The deemed Btu taxes per kilowatt hour of electricity generated from any renewable source shall be zero. For purposes of the preceding sentence, the term 'renewable source' means solar energy, wind energy, any geothermal deposit, biomass, municipal solid waste, and tires.

"(4) SELLERS TO SPECIFY DEEMED BTU TAXES.—

"(A) IN GENERAL.—In the case of electricity which is sold other than to the ultimate user, the seller shall certify to the purchaser the deemed Btu taxes per kilowatt hour of the electricity sold.

"(B) FAILURE TO CERTIFY.—If the seller fails to so certify—

"(i) the tax imposed by subsection (a) shall apply to such sale at the rate specified in subparagraph (C),

"(ii) the tax imposed by subsection (a) shall apply to any subsequent sale or use without regard to clause (i), and

"(iii) the rate specified in subparagraph (C) shall be the deemed Btu taxes per kilowatt hour of such electricity for purposes of determining the tax imposed by subsection (a) on any subsequent sale or use of such electricity.

"(C) RATE.—The rate specified in this subparagraph is, for each kilowatt hour, the product of—

"(i) the sum of the base rate and the supplemental rate, multiplied by

"(ii) a fraction the numerator of which is 10,335 and the denominator of which is 1,000,000.

"(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this subsection, including regulations—

"(A) prescribing a base period to be used by any person not in existence during the base period, and

"(B) prescribing such other modifications to the application of this subsection as are necessary to carry out the purposes of this subsection.

"(e) EXCEPTIONS.—

"(1) ELECTRICITY USED IN CERTAIN ELECTROLYTIC PROCESSES.—

"(A) IN GENERAL.—In the case of electricity used in any electrolytic process, the tax imposed by this section shall not apply to the feedstock portion of such electricity.

"(B) FEEDSTOCK PORTION.—For purposes of subparagraph (A), the feedstock portion of electricity is the portion of the electrical energy which is incorporated into the manufactured product.

"(2) ELECTRICITY USED TO GENERATE PUMPED STORAGE, ETC.—The tax imposed by this section shall not apply to electricity used in the United States to create any hydropower source to generate electricity. The electricity generated by

such hydropower source shall be disregarded in determining the deemed Btu taxes of the electricity.

''(3) USE TAX EXCEPTION.—The Secretary may provide by regulations that the tax imposed by subsection (a)(2) shall not apply in cases where the Secretary determines that such an exception is warranted, after taking into account the protection of revenues to the United States from this subchapter and the ease of administration for both taxpayers and the Secretary.

"PART III—TAX RATES

''Sec. 4448. Tax rates.

"SEC. 4448. TAX RATES.

''(a) BASE RATE.—For purposes of this subchapter—

''(1) PHASE-IN RATES.—Effective during—

''(A) the 1-year period beginning on July 1, 1994, the base rate is 8.9 cents, and

''(B) the 1-year period beginning on July 1, 1995, the base rate is 17.9 cents.

''(2) PERMANENT UNINDEXED RATE.—Effective on and after July 1, 1996, the base rate is 26.8 cents.

''(3) INDEXED RATES.—

"(A) IN GENERAL.—Effective during any calendar year after 1997, the base rate under paragraph (2) shall be increased by an amount equal to—

"(i) 26.8 cents, multiplied by

"(ii) the inflation adjustment for such calendar year.

"(B) INFLATION ADJUSTMENT.—For purposes of subparagraph (A), the inflation adjustment for any calendar year is the percentage (if any) by which—

"(i) the GDP deflator for the preceding calendar year, exceeds

"(ii) the GDP deflator for 1996.

"(C) GDP DEFLATOR FOR CALENDAR YEAR.—For purposes of subparagraph (B), the GDP deflator for any calendar year is the GDP deflator for the second calendar quarter of such year.

"(D) GDP DEFLATOR.—For purposes of subparagraph (C), the term 'GDP deflator' means the most recent revision of the implicit price deflator for the gross domestic product as computed and published by the Department of

Commerce before November 15 of the calendar year referred to in subparagraph (B)(i).

''(b) SUPPLEMENTAL RATE.—For purposes of this subchapter—

''(1) PHASE-IN RATES.—Effective during—

''(A) the 1-year period beginning on July 1, 1994, the supplemental rate is 11.4 cents, and

''(B) the 1-year period beginning on July 1, 1995, the supplemental rate is 22.8 cents.

''(2) PERMANENT UNINDEXED RATE.—Effective on and after July 1, 1996, the supplemental rate is 34.2 cents.

''(3) INDEXED RATES.—Effective during any calendar year after 1997, the supplemental rate under paragraph (2) shall be increased by an amount equal to—

''(A) 34.2 cents, multiplied by

''(B) the inflation adjustment for such calendar year determined under subsection (a)(3)(B).

''(c) ROUNDING.—If any increase determined under subsection (a)(3) or (b)(3) is not a multiple of 0.1 cent, such increase shall be rounded to the nearest multiple of 0.1 cent.

"PART IV—USE TAXES; FLOOR STOCKS TAXES; ADMINISTRATIVE PROVISIONS; DEFINITIONS AND SPECIAL RULES

''Sec. 4451. Tax on certain uses.
''Sec. 4452. Floor stocks taxes.
''Sec. 4453. Administrative provisions.
''Sec. 4454. Definitions and special rules.

"SEC. 4451. TAX ON CERTAIN USES.

''(a) GENERAL RULE.—There is hereby imposed a tax on the use of any fossil fuel—

''(1) in the manufacture or production in the United States of a fuel other than at a refinery, or

''(2) as a fuel.

The preceding sentence shall not apply if tax was imposed under this subchapter before such use and such tax is not credited or refunded.

''(b) RATE OF TAX.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the amount of tax imposed by subsection (a) shall be the amount which would be imposed under the appropriate section of part I or II if such use were a taxable event under such section.

''(2) CRUDE OIL AND OTHER PRODUCTS NOT TAXED ON REMOVAL OR IMPORTATION.—The amount of the tax imposed by subsection (a) on crude oil or other product not subject to tax under

part I or II shall be the base rate (increased by the supplemental rate in the case of crude oil or any petroleum product other than any liquefied petroleum gas, isopentane, and natural gasoline) for each million Btu's of the Btu content of such oil or product.

''(3) AUTHORITY TO PRESCRIBE APPLICABLE PER UNIT BTU FACTORS.—In the case of crude oil or any other product for which an applicable per unit Btu factor is not prescribed for purposes of part I or II, the Secretary may prescribe such a factor, and, if so prescribed, such factor shall apply for purposes of paragraph (2).

''(c) LIABILITY FOR TAX.—The taxes imposed by subsection (a) shall be paid by the person using the fuel.

''(d) EXCEPTIONS.—

''(1) IN GENERAL.—Except as provided in subsection (e), the tax imposed by this section shall not apply to—

''(A) any use to which section 4442, section 4444(e), or subsection (d) or (e) of section 4445 applies, or

''(B) any use of methane described in section 4444(f)(1)(A).

''(2) USE ON PRODUCTION PREMISES.—The tax imposed by this section shall not apply to any use

of crude oil or natural gas for producing crude oil or natural gas if—

''(A) in the case of crude oil, it is used before entry at the lease automatic custody transfer point (or its manual equivalent), and

''(B) in the case of natural gas, it is used before entry into an interstate or intrastate transmission pipeline.

''(3) CRUDE OIL USED AT REFINERY, ETC.—The tax imposed by this section shall not apply to—

''(A) any use of crude oil at a facility at which crude oil is refined or any use at such facility of any product produced at such facility,

''(B) any use of natural gas at a natural gas processing or fractionation plant or any use at such plant of any product produced at such plant, or

''(C) any use of ethanol at a facility at which ethanol is produced for use as a fuel.

''(4) OTHERWISE TAXABLE EVENT OCCURRING BEFORE EFFECTIVE DATE.—The tax imposed by this section shall not apply to any use if no tax would be imposed by this section on such use were this subchapter in effect for all periods before July 1, 1994.

"(e) GENERATION OF STEAM AND ELECTRICITY.—

"(1) IN GENERAL.—In the case of a facility which uses any taxable refined petroleum product, natural gas, or coal—

"(A) to generate electricity, and

"(B) to produce steam which is used or which is furnished or sold in the trade or business of the furnishing or sale of steam,

the tax imposed by subsection (a) shall apply to the use of such product, gas, or coal at such facility to the extent such use is attributable (determined on the basis of the proportionate Btu content of the electricity and the steam) to the production of steam which is so used, furnished, or sold.

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to steam used for any purpose if tax would not be imposed under this subchapter on the fuel used to produce the steam had such fuel been used directly for such purpose.

"(f) TREATMENT OF NATURAL GAS LOST IN TRANSMISSION.—For purposes of this section, natural gas lost in transmission by a pipeline shall be treated as used as a fuel for such pipeline.

"SEC. 4452. FLOOR STOCKS TAXES.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on any taxable fuel which on any tax-increase date is held in the United States by any person.

''(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any taxable fuel with respect to any tax-increase date shall be equal to the excess (if any) of—

''(1) the amount of tax which would be imposed under part I or II if a taxable event with respect to such fuel had occurred on such date, over

''(2) the prior tax (if any) imposed by this subchapter on such fuel.

''(c) LIABILITY FOR TAX.—The person holding the taxable fuel on any tax-increase date shall pay the tax imposed by subsection (a).

''(d) EXCEPTIONS.—The tax imposed by subsection (a) shall not apply to—

''(1) any taxable fuel held before the point where it would otherwise be subject to tax under part I or II, or

''(2) any taxable fuel held by any person exclusively for any use by such person to the extent a credit or refund (or other payment) of the tax imposed by this section would be allowable or payable if such tax were imposed by part I or II.

"(e) CREDIT AGAINST TAX.—

"(1) IN GENERAL.—Each person shall be allowed $200 as a credit against the taxes imposed by subsection (a) with respect to each tax-increase date. Such credit shall not exceed the amount of taxes imposed by subsection (a) for which such person is liable with respect to such date.

"(2) CONTROLLED GROUPS.—For purposes of paragraph (1)—

"(A) all persons who are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as 1 taxpayer, and

"(B) the $200 amount specified in paragraph (1) shall be apportioned among such persons under regulations prescribed by the Secretary.

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

"(1) TAXABLE FUEL.—The term 'taxable fuel' means any taxable refined petroleum product, natural gas, or coal.

"(2) TAX-INCREASE DATE.—The term 'tax-increase date' means—

"(A) July 1, 1994,

"(B) July 1, 1995,

"(C) July 1, 1996, and

''(D) January 1 of each calendar year for which there is an increase in a rate of tax by reason of subsection (a)(3) or (b)(3) of section 4448 (relating to inflation adjustment).

''(g) DUE DATE.—The tax imposed by subsection (a) shall be paid on or before the close of the 7-month period beginning on the tax-increase date.

"SEC. 4453. ADMINISTRATIVE PROVISIONS.

''(a) RULES RELATING TO REFUNDS FOR EXEMPT AND OTHER USES.—

''(1) PERIOD FOR FILING CLAIMS.—No payment shall be made under section 4442, 4444(f), or 4445(e) unless, within 2 years after the date that the event occurs giving rise to a right to such payment, a claim therefor is filed by the person entitled to such payment.

''(2) DENIAL OF INTEREST.—Except as provided in paragraph (3), no interest shall be paid on claims for payments under section 4442, 4444(f), or 4445(e).

''(3) MINIMUM AMOUNTS AND PERIODS.—In the case of persons who meet such requirements as the Secretary may prescribe, if—

''(A) a claim for payment is filed under section 4442, 4444(f), or 4445(e) for any pe-

riod for which more than $1,000 is payable and which is not less than 1 week, and

''(B) the Secretary has not paid such claim within 20 days after the date the claim was filed,

such claim shall be paid with interest from such date using the overpayment rate and method under section 6621. The preceding sentence shall not apply to a claim filed under section 4442(b)(1). Nothing in section 6611(e) shall bar interest payable under this paragraph.

''(4) HEATING OIL.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), not more than 1 claim may be filed under section 4442(b)(1) by any person with respect to fuel oil sold by such person during any calendar year.

''(B) EXCEPTION.—If $1,000 or more is payable under section 4442(b)(1) to any person with respect to fuel oil sold during any of the 1st 3 quarters of the calendar year, a claim may be filed under section 4442(b)(1) with respect to fuel oil sold during such quarter. No claim filed under this subparagraph shall be allowed unless filed on or before the last day of

the 1st quarter following the quarter for which the claim is filed.

''(5) APPLICABLE LAWS.—

''(A) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax imposed by this subchapter shall, insofar as applicable and not inconsistent with this subsection and section 4442, 4444(f), or 4445(e), apply in respect of payments provided for in such section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

''(B) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under section 4442, 4444(f), or 4445(e), or the correctness of any payment made in respect of 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.

''(b) PAYMENT OF TAX TO PERSONS REQUIRED TO COLLECT TAX.—

"(1) PAYMENT WITHIN 30 DAYS.—In the case of the taxes imposed by sections 4444 and 4446 which are required to be collected by another person, the person liable for such tax shall remit the tax to such other person within 30 days after the date of the taxable event.

"(2) RELIEF FROM PENALTY FOR CERTAIN FAILURES TO COLLECT TAX.—No penalty shall be imposed under this title on the failure of any person to collect the taxes referred to in paragraph (1) if—

"(A) during the 30-day period referred to in paragraph (1), such person exercises due diligence in attempting to collect such tax, and

"(B) such person notifies the Secretary, within 15 days after the close of the month in which such 30-day period ends, of the failure to collect such tax and provides such other information as the Secretary may require.

"(3) EXCEPTION FOR PERSONS WITH SECONDARY LIABILITY.—Paragraphs (1) and (2) shall not apply if the person required to collect the tax is required to pay any portion of such tax which is not paid by the person primarily liable for such tax.

"(c) INFORMATION REPORTING.—The Secretary may require—

''(1) information reporting by each remitter of tax imposed by this subchapter, and

''(2) information reporting by, and registration of, such other persons as the Secretary deems necessary to carry out this subchapter.

''(d) REGISTRATION.—

''(1) IN GENERAL.—Every person required by the Secretary to register under this subsection with respect to any tax imposed by this subchapter shall register with the Secretary at such time, in such form and manner, and subject to such terms and conditions, as the Secretary may by regulations prescribe. A registration under this subsection may be used only in accordance with regulations prescribed under this section.

''(2) OTHER RULES.—Rules similar to the rules of section 4101(b) and 4222(c) shall apply for purposes of this subsection.

''(e) ADJUSTMENTS TO PER UNIT BTU FACTORS.—

''(1) IN GENERAL.—If the Secretary determines that the applicable per unit Btu factor then in effect for any taxable refined petroleum product or natural gas does not, when multiplied by 1,000,000, properly reflect the Btu content per unit for such substance (in the circumstances where taxable events under

this subchapter occur with respect to such substance), the Secretary may modify the applicable per unit Btu factor for such substance. Any such modification shall be effective as of the date prescribed by the Secretary.

''(2) MODIFICATION OF LIST OF REFINED PETROLEUM PRODUCTS.—The Secretary may modify, as appropriate, the list of refined petroleum products in section 4441 for which applicable per unit Btu factors are separately determined.

"SEC. 4454. DEFINITIONS AND SPECIAL RULES.

''(a) DEFINITIONS.—For purposes of this subchapter—

''(1) FOSSIL FUEL.—The term 'fossil fuel' means crude oil, any petroleum product, natural gas, any natural gas product, and coal.

''(2) CRUDE OIL.—The term 'crude oil' includes condensates from crude oil.

''(3) COAL.—The term 'coal' includes lignite.

''(4) UNITED STATES.—The term 'United States' means the 50 States, the District of Columbia, and the foreign trade zones of the United States.

''(5) PERSON.—The term 'person' includes the United States, any State or political subdivision

thereof, the District of Columbia, and any agency or instrumentality of any of the foregoing.

''(c) FRACTIONAL PART OF UNIT.—In the case of a fraction of a unit, the tax imposed by this subchapter shall be the same fraction of the amount of such tax imposed on a whole unit.

''(d) SPECIAL RULES RELATING TO PUERTO RICO AND THE VIRGIN ISLANDS.—

''(1) LIKE TAX ON ARTICLES BROUGHT INTO THE UNITED STATES FROM PUERTO RICO OR THE VIRGIN ISLANDS.—For purposes of this subchapter, articles brought into the United States from the Commonwealth of Puerto Rico or the Virgin Islands shall be treated as entered into the United States at the time brought into the United States.

''(2) DISPOSITION OF REVENUES.—The provisions of subsections (a)(3) and (b)(3) of section 7652 shall not apply to any tax imposed by this subchapter.

''(e) NO EXEMPTION FROM TAX.—No person shall be exempt from any tax imposed by this subchapter except to the extent provided in this subchapter or in any provision of law enacted after the date of the enactment of this subchapter which grants a specific exemption, by reference to this subchapter, from a tax imposed by this subchapter.

"PART V—TAX ON IMPORTED HIGH-ENERGY PRODUCTS

''Sec. 4456. Imposition of tax.
''Sec. 4457. Definitions and special rules.

"SEC. 4456. IMPOSITION OF TAX.

''(a) GENERAL RULE.—There is hereby imposed a tax on any taxable high-energy product entered into the United States for consumption, use, or warehousing.

''(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any taxable high-energy product shall be the imputed Btu tax with respect to such product.

''(c) LIABILITY FOR TAX.—The tax imposed by subsection (a) shall be paid by the person entering the product for consumption, use, or warehousing.

"SEC. 4457. DEFINITIONS AND SPECIAL RULES.

''(a) TAXABLE HIGH-ENERGY PRODUCT.—For purposes of this part—

''(1) IN GENERAL.—The term 'taxable high-energy product' means any product which, at the time entered into the United States for consumption, use, or warehousing, is listed as a taxable high-energy product by the Secretary.

''(2) DETERMINATION OF PRODUCTS ON LIST.—A product shall be listed under paragraph (1) if the product is produced in an industry identi-

fied (using 4-digit SIC codes) in the most recent census of manufacturing as producing products which on average have more than 2 percent of their value attributable to direct energy inputs (exclusive of the tax imposed by parts I and II) of taxable energy sources.

''(3) TAXABLE ENERGY SOURCE.—The term 'taxable energy source' means any taxable refined petroleum product, natural gas, coal, and electricity.

''(b) IMPUTED BTU TAX.—For purposes of this part—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'imputed Btu tax' means, with respect to any taxable high-energy product, the amount of tax which would have been imposed by parts I and II on taxable energy sources directly used in the manufacture or production of the product if—

''(A) such product were manufactured or produced using the predominant method of manufacture or production of such product in the United States, and

''(B) such taxable energy sources had been subject to tax under such parts on the date of

the entry of the product into the United States for consumption, use, or warehousing.

''(2) TAX WHERE INFORMATION FURNISHED.—If the person liable for the tax imposed by section 4456 with respect to any product furnishes to the Secretary (at such time and in such manner as the Secretary shall prescribe) sufficient information to determine the imputed Btu tax with respect to such product, the imputed Btu tax determined using such information shall apply in lieu of the amount determined under paragraph (1).

''(c) REQUESTS TO CHANGE LIST.—If any importer or producer of any product requests that the Secretary determine whether—

''(1) such product should be listed as a taxable high-energy product under subsection (a)(1) or be removed from such listing, or

''(2) the imputed Btu tax for such product under subsection (b)(1),

the Secretary shall make such determination within 180 days after the date the request was filed.''

(b) REFUNDS FOR FARM USE OF GASOLINE AND DIESEL FUEL.—

(1) GASOLINE.—

(A) Subsection (a) of section 6420 is amended by adding at the end thereof the following new flush sentence:

''If the supplemental rate of the tax imposed by section 4441 was imposed on such gasoline, the Secretary shall also pay (without interest) to such ultimate purchaser an amount equal to the product of such supplemental rate and the applicable per unit Btu factor per barrel (determined under section 4441) of the gasoline so used.''

(B) Subsection (h) of section 6420 is amended by inserting ''and taxes imposed by section 4441'' after ''financing rate''.

(2) DIESEL FUEL.—

(A) Section 6427 is amended by redesignating subsections (m) through (r) as subsections (n) through (s), respectively, and by inserting after subsection (l) the following new subsection:

''(m) REFUNDS OF SUPPLEMENTAL RATE OF BTU TAX ON FARM USE OF DIESEL FUEL.—Except as provided in subsection (k), if the supplemental rate of the tax imposed by section 4441 was imposed on diesel fuel used on a farm for farming purposes (within the meaning of section 6420(c)), the Secretary shall pay (without interest) to the ultimate purchaser of such fuel an amount

equal to the product of such supplemental rate and the applicable per unit Btu factor per barrel (determined under section 4441) of the diesel fuel so used.''

(B) Paragraph (1) of section 6427(i) is amended by inserting ''(m),'' after ''(l),''.

(C) Paragraph (4) of section 6427(i), as amended by subpart B, is amended—

(i) by striking ''OR 4091'' in the paragraph heading and inserting '', 4091, OR 4441'', and

(ii) by striking ''subsection (l)'' each place it appears and inserting ''subsections (l) and (m)''.

(c) CIVIL PENALTY FOR USING REDUCED-RATE FUEL FOR TAXABLE USE.—

(1) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

''SEC. 6714. DYED FUEL SOLD FOR USE OR USED IN TAXABLE USE.

''(a) IMPOSITION OF PENALTY.—If any dyed fuel—

''(1) is sold by any person for any use which such person knows or has reason to know is not a reduced-tax use of such fuel, or

''(2) is used by any person for a use other than a reduced-tax use and such person knew, or had reason to know, that such fuel was so dyed,

then, in addition to the tax, such person shall pay a penalty on such sale or use.

''(b) AMOUNT OF PENALTY.—The amount of the penalty under subsection (a) on any sale or use shall be the greater of—

''(1) $1,000, or

''(2) an amount equal to twice the excess of the aggregate taxes which should have been imposed under section 4441 on the fuel so sold or used over the prior taxes (if any) imposed on such fuel under such section which have not been credited or refunded.

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

''(1) DYED FUEL.—The term 'dyed fuel' means—

''(A) qualified heating oil (as defined in section 4441(b)(2)(B)), and

''(B) diesel fuel dyed in accordance with section 4441(b)(2)(C).

''(2) REDUCED-TAX USE.—The term 'reduced-tax use' means, with respect to any fuel, the use for which such fuel was dyed.''

(2) CLERICAL AMENDMENT.—The table of sections for such part I is amended by adding at the end thereof the following new item:

''Sec. 6714. Dyed fuel sold for use or used in taxable use.''

(d) TECHNICAL AMENDMENTS.—

(1)(A) Subsection (a) of section 6675 is amended by inserting ''section 4442 (relating to refunds of petroleum tax for certain sales and uses), section 4444(f) (relating to methane recovered from biomass or coal mining), section 4445(e) (relating to coal used in production of coke for steel),'' before ''section 6420''.

(B) Subsection (b) of section 6675 is amended by inserting ''4442, 4444(f), 4445(e),'' before ''6420''.

(2) Section 6206 is amended—

(A) by inserting ''(a) FUEL TAXES.—'' before ''Any portion of'', and

(B) by adding at the end thereof the following new subsection:

''(b) BTU TAXES.—Any portion of a payment made under section 4442, 4444(f), or 4445(e) 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 it were a tax imposed by subchapter A of chapter 36 and as if the person who made

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 a claim under section 4442, 4444(f), or 4445(e).''

(3)(A) The section heading for section 6206 is amended by striking ''UNDER SECTIONS 6420, 6421, AND 6427'' and inserting ''FOR CERTAIN FUELS TAX REFUNDS AND ENERGY TAX REFUNDS''.

(B) The item relating to section 6206 in the table of sections for subchapter A of chapter 63 is amended by striking ''under sections 6420, 6421, and 6427'' and inserting ''for certain fuels tax refunds and energy tax refunds''.

(4) 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 (xii) relating to section 4101(d) and inserting a comma,

(C) by redesignating the clause (xii) relating to section 338(h)(10)(C) as clause (xiii) and by striking the period at the end thereof and inserting '', or'', and

(D) by inserting after clause (xiii), as so redesignated, the following new clause:

''(xiv) section 4453(c) (relating to information reporting with respect to energy taxes).''

(5) Sections 7210, section 7603, subsections (b) and (c)(2) of section 7604, section 7605, and 7610(c) are each amended by inserting ''4453(a)(5)(B),'' before ''6420(e)(2)'' each place it appears.

(6) Subparagraph (A) of section 9505(c)(3) is amended by striking ''subchapter A'' and inserting ''subchapter B''.

(7) The table of subchapters for chapter 36 is amended by striking the items relating to subchapters A and B and inserting the following:

''Subchapter A. Energy taxes.
''Subchapter B. Harbor maintenance tax.
''Subchapter C. Transportation by water.''

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 1994.

Subpart B—Modifications to Tax on Diesel Fuel

SEC. 14242. MODIFICATIONS TO TAX ON DIESEL FUEL.

(a) IN GENERAL.—Subparts A and B of part III of subchapter A of chapter 32 (relating to manufacturers excise taxes) are amended to read as follows:

"Subpart A—Gasoline and Diesel Fuel

''Sec. 4081. Imposition of tax.
''Sec. 4082. Exemptions for diesel fuel.
''Sec. 4083. Definitions and special rule.
''Sec. 4084. Cross references.

"SEC. 4081. IMPOSITION OF TAX.

''(a) TAX IMPOSED.—

''(1) TAX ON REMOVAL, ENTRY, OR SALE.—

''(A) IN GENERAL.—There is hereby imposed a tax at the rate specified in paragraph (2) on—

''(i) the removal of a taxable fuel from any refinery,

''(ii) the removal of a taxable fuel from any terminal,

''(iii) the entry into the United States of any taxable fuel for consumption, use, or warehousing, and

''(iv) the sale of a taxable fuel to any person who is not registered under section 4101 unless there was a prior taxable removal or entry of such fuel under clause (i), (ii), or (iii).

''(B) EXEMPTION FOR BULK TRANSFERS TO REGISTERED TERMINALS.—The tax imposed by this paragraph shall not apply to any removal or entry of a taxable fuel transferred in

bulk to a terminal if the person removing or entering the taxable fuel and the operator of such terminal are registered under section 4101.

''(2) RATES OF TAX.—

''(A) IN GENERAL.—The rate of the tax imposed by this section is the sum of—

''(i) the Highway Trust Fund financing rate,

''(ii) the Leaking Underground Storage Tank Trust Fund financing rate, and

''(iii) the deficit reduction rate.

''(B) RATES.—For purposes of subparagraph (A)—

''(i) the Highway Trust Fund financing rate is—

''(I) 11.5 cents per gallon in the case of gasoline, and

''(II) 17.5 cents per gallon in the case of diesel fuel,

''(ii) the Leaking Underground Storage Tank Trust Fund financing rate is 0.1 cent per gallon, and

''(iii) the deficit reduction rate is 2.5 cents per gallon.

"(b) TREATMENT OF REMOVAL OR SUBSEQUENT SALE BY BLENDER.—

"(1) IN GENERAL.—There is hereby imposed a tax at the rate specified in subsection (a) on taxable fuel removed or sold by the blender thereof.

"(2) CREDIT FOR TAX PREVIOUSLY PAID.—If—

"(A) tax is imposed on the removal or sale of a taxable fuel by reason of paragraph (1), and

"(B) the blender establishes the amount of the tax paid with respect to such fuel by reason of subsection (a),

the amount of the tax so paid shall be allowed as a credit against the tax imposed by reason of paragraph (1).

"(c) TAXABLE FUELS MIXED WITH ALCOHOL AT REFINERY, ETC.—

"(1) REDUCED RATES.—

"(A) IN GENERAL.—Under regulations prescribed by the Secretary, subsection (a) shall be applied by substituting rates which are the applicable fraction of the otherwise applicable rates in the case of the removal or entry of any taxable fuel for use in producing at the time of such removal or entry a qualified alcohol mix-

ture. Subject to such terms and conditions as the Secretary may prescribe (including the application of section 4101), the treatment under the preceding sentence also shall apply to use in producing such a mixture after the time of such removal or entry.

''(B) APPLICABLE FRACTION.—For purposes of subparagraph (A), the applicable fraction is—

''(i) in the case of a qualified alcohol mixture which contains gasoline, the fraction the numerator of which is 10 and the denominator of which is—

''(I) 9 in the case of 10 percent gasohol,

''(II) 9.23 in the case of 7.7 percent gasohol, and

''(II) 9.43 in the case of 5.7 percent gasohol, and

''(ii) in the case of a qualified alcohol mixture which does not contain gasoline, 10/9.

''(2) LATER SEPARATION OF FUEL FROM QUALIFIED ALCOHOL MIXTURE.—If any person separates the taxable fuel from a qualified alcohol mix-

ture on which tax was imposed under subsection (a) at the otherwise applicable Highway Trust Fund financing rate (or its equivalent) by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the refiner of such taxable fuel. The amount of tax imposed on any removal of such fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior removal or entry of such fuel.

''(3) ALCOHOL; QUALIFIED ALCOHOL MIXTURE.—For purposes of this subsection—

''(A) ALCOHOL.—The term 'alcohol' includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal (including peat). Such term does not include alcohol with a proof of less than 190 (determined without regard to any added denaturants).

''(B) QUALIFIED ALCOHOL MIXTURE.—The term 'qualified alcohol mixture' means—

''(i) any mixture of gasoline with alcohol if at least 5.7 percent of such mixture is alcohol, and

''(ii) any mixture of diesel fuel with alcohol if at least 10 percent of such mixture is alcohol.

''(4) OTHERWISE APPLICABLE RATES FOR GASOLINE MIXTURES.—For purposes of this subsection—

''(A) IN GENERAL.—In the case of the Highway Trust Fund financing rate, the otherwise applicable rate for gasoline in a qualified alcohol mixture is—

''(i) 6.1 cents a gallon for 10 percent gasohol,

''(ii) 7.342 cents a gallon for 7.7 percent gasohol, and

''(iii) 8.422 cents a gallon for 5.7 percent gasohol.

In the case of a mixture none of the alcohol in which consists of ethanol, clauses (i), (ii), and (iii) shall be applied by substituting '5.5 cents' for '6.1 cents', '6.88 cents' for '7.342 cents', and '8.08 cents' for '8.422 cents'.

''(B) 10 PERCENT GASOHOL.—The term '10 percent gasohol' means any mixture of gasoline with alcohol if at least 10 percent of such mixture is alcohol.

"(C) 7.7 PERCENT GASOHOL.—The term '7.7 percent gasohol' means any mixture of gasoline with alcohol if at least 7.7 percent, but not 10 percent or more, of such mixture is alcohol.

"(D) 5.7 PERCENT GASOHOL.—The term '5.7 percent gasohol' means any mixture of gasoline with alcohol if at least 5.7 percent, but not 7.7 percent or more, of such mixture is alcohol.

"(5) OTHERWISE APPLICABLE RATES FOR DIESEL FUEL MIXTURES.—For purposes of this subsection, in the case of the Highway Trust Fund financing rate, the otherwise applicable rate for diesel fuel in a qualified alcohol mixture is 12.1 cents per gallon (11.5 cents per gallon in the case of a qualified alcohol mixture none of the alcohol in which consists of ethanol).

"(6) TERMINATION.—Paragraph (1) shall not apply to any removal or sale after September 30, 2000.

"(d) TERMINATION.—

"(1) HIGHWAY TRUST FUND FINANCING RATE.—On and after October 1, 1999, the Highway

Trust Fund financing rate under subsection (a)(2) shall not apply.

''(2) LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—The Leaking Underground Storage Tank Trust Fund financing rate under subsection (a)(2) shall not apply after December 31, 1995.

''(3) DEFICIT REDUCTION RATE.—On and after October 1, 1995, the deficit reduction rate under subsection (a)(2) shall not apply.

''(e) REFUNDS IN CERTAIN CASES.—Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable fuel establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such taxable fuel, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.

"SEC. 4082. EXEMPTIONS FOR DIESEL FUEL.

''(a) IN GENERAL.—The tax imposed by section 4081 shall not apply to diesel fuel—

''(1) which the Secretary determines is destined for a nontaxable use,

''(2) which is indelibly dyed in accordance with regulations which the Secretary shall prescribe, and

''(3) which meets such marking requirements (if any) as may be prescribed by the Secretary in regulations.

''(b) NONTAXABLE USE.—For purposes of this section, the term 'nontaxable use' means—

''(1) any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of the imposition of tax on any sale thereof,

''(2) any use in a train, and

''(3) any use described in section 6427(b)(1).

''(c) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out this section, including regulations requiring the conspicuous labeling of retail diesel fuel pumps and other delivery facilities to assure that persons are aware of which fuel is available only for nontaxable uses.

''(d) CROSS REFERENCE.—

"For tax on train, motorboat, and certain bus uses of fuel purchased tax-free, see section 4041(a)(1).

"SEC. 4083. DEFINITIONS AND SPECIAL RULE.

''(a) TAXABLE FUEL.—For purposes of this subpart—

''(1) IN GENERAL.—The term 'taxable fuel' means—

''(A) gasoline, and

''(B) diesel fuel.

''(2) GASOLINE.—The term 'gasoline' includes, to the extent prescribed in regulations—

''(A) gasoline blend stocks, and

''(B) products commonly used as additives in gasoline.

For purposes of subparagraph (A), the term 'gasoline blend stock' means any petroleum product component of gasoline.

''(3) DIESEL FUEL.—The term 'diesel fuel' means any liquid (other than gasoline) which is suitable for use as a fuel in a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat.

''(b) CERTAIN USES DEFINED AS REMOVAL.—If any person uses taxable fuel (other than in the production of gasoline, diesel fuel, or special fuels referred to in section 4041), such use shall for the purposes of this chapter be considered a removal.

"SEC. 4084. CROSS REFERENCES.

"(1) For provisions to relieve farmers from excise tax in the case of gasoline used on the farm for farming purposes, see section 6420.

"(2) For provisions to relieve purchasers of gasoline from excise tax in the case of gasoline used for certain nonhighway purposes, used by local transit systems, or sold for certain exempt purposes, see section 6421.

"(3) For provisions to relieve purchasers from excise tax in the case of taxable fuel not used for taxable purposes, see section 6427.

"Subpart B—Aviation Fuel

''Sec. 4091. Imposition of tax.
''Sec. 4092. Exemptions.
''Sec. 4093. Definitions.

"SEC. 4091. IMPOSITION OF TAX.

''(a) IN GENERAL.—There is hereby imposed a tax on the sale of aviation fuel by the producer or the importer thereof or by any producer of aviation fuel.

''(b) RATE OF TAX.—

''(1) IN GENERAL.—The rate of the tax imposed by subsection (a) shall be the sum of—

''(A) the Airport and Airway Trust Fund financing rate, and

''(B) the Leaking Underground Storage Tank Trust Fund financing rate.

''(2) AIRPORT AND AIRWAY TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Airport and Airway Trust Fund financing rate is 17.5 cents per gallon.

"(3) LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Leaking Underground Storage Tank Trust Fund financing rate is 0.1 cent per gallon.

"(4) TERMINATION OF RATES.—

"(A) The Airport and Airway Trust Fund financing rate shall not apply on and after January 1, 1996.

"(B) The Leaking Underground Storage Tank Fund financing rate shall not apply during any period during which the Leaking Underground Storage Tank Trust Fund financing rate under section 4081 does not apply.

"(c) REDUCED RATE OF TAX FOR AVIATION FUEL IN ALCOHOL MIXTURE, ETC.—

"(1) IN GENERAL.—The Airport and Airway Trust Fund financing rate shall be—

"(A) 4.1 cents per gallon in the case of the sale of any mixture of aviation fuel if—

"(i) at least 10 percent of such mixture consists of alcohol (as defined in section 4081(c)(3)), and

"(ii) the aviation fuel in such mixture was not taxed under subparagraph (B), and

"(B) 4.56 cents per gallon in the case of the sale of aviation fuel for use (at the time of such sale) in producing a mixture described in subparagraph (A).

In the case of a sale described in subparagraph (B), the Leaking Underground Storage Tank Trust Fund financing rate shall be 1/9 cent per gallon.

"(2) LATER SEPARATION.—If any person separates the aviation fuel from a mixture of the aviation fuel and alcohol on which tax was imposed under subsection (a) at the Airport and Airway Trust Fund financing rate equivalent to 4.1 cents per gallon by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the producer of such aviation fuel. The amount of tax imposed on any sale of such aviation fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior sale of such fuel.

"(3) TERMINATION.—Paragraph (1) shall not apply to any sale after September 30, 2000.

''(d) LOWER RATES OF TAX ON ALCOHOL MIXTURES NOT MADE FROM ETHANOL.—In the case of a mixture described in subsection (c)(1)(A)(i) none of the alcohol in which is ethanol—

''(1) subsections (c)(1)(A) and (c)(2) shall each be applied by substituting rates which are 0.6 cents less than the rates contained therein, and

''(2) subsection (c)(1)(B) shall be applied by substituting rates which are 10/9 of the rates determined under paragraph (1).

''SEC. 4092. EXEMPTIONS.

''(a) NONTAXABLE USES.—The Airport and Airway Trust Fund financing rate under section 4091 shall not apply to aviation fuel sold by a producer or importer for use by the purchaser in a nontaxable use (as defined in section 6427(l)(2)(B)).

''(b) SALES TO PRODUCER.—Under regulations prescribed by the Secretary, the tax imposed by section 4091 shall not apply to aviation fuel sold to a producer of such fuel.

''(c) SUPPLIES FOR VESSELS AND AIRCRAFT.—Under regulations prescribed by the Secretary, the Leaking Underground Storage Tank Trust Fund financing rate under section 4091 shall not apply to aviation fuel sold

for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)).

"SEC. 4093. DEFINITIONS.

''(a) AVIATION FUEL.—For purposes of this subpart, the term 'aviation fuel' means any liquid (other than any product taxable under section 4081) which is suitable for use as a fuel in an aircraft.

''(b) PRODUCER.—For purposes of this subpart—

''(1) CERTAIN PERSONS TREATED AS PRODUCERS.—

''(A) IN GENERAL.—The term 'producer' includes any person described in subparagraph (B) and registered under section 4101 with respect to the tax imposed by section 4091.

''(B) PERSONS DESCRIBED.—A person is described in this subparagraph if such person is—

''(i) a refiner, blender, or wholesale distributor of aviation fuel, or

''(ii) a dealer selling aviation fuel exclusively to producers of aviation fuel.

''(C) REDUCED RATE PURCHASERS TREATED AS PRODUCERS.—Any person to whom aviation fuel is sold at a reduced rate under this

subpart shall be treated as the producer of such fuel.

''(2) WHOLESALE DISTRIBUTOR.—For purposes of paragraph (1), the term 'wholesale distributor' includes any person who sells aviation fuel to producers, retailers, or to users who purchase in bulk quantities and deliver into bulk storage tanks. Such term does not include any person who (excluding the term 'wholesale distributor' from paragraph (1)) is a producer or importer.''

(b) CIVIL PENALTY FOR USING REDUCED-RATE FUEL FOR TAXABLE USE.—

(1) Paragraph (1) of section 6714(c), as added by subpart A, is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end thereof the following new subparagraph:

''(C) diesel fuel dyed in accordance with section 4082.''

(2) Paragraph (2) of section 6714(b), as added by subpart A, is amended by striking ''section 4441'' and inserting ''sections 4081 and 4441'' and by striking ''such section'' and inserting ''such sections''.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 40 is amended by striking ‘‘, section 4081(c), or section 4091(c)’’ and inserting ‘‘or section 4081(c)’’.

(2) Subsection (a) of section 4101 is amended by striking ‘‘4081’’ and inserting ‘‘4041(a)(1), 4081,’’.

(3) Section 4102 is amended by striking ‘‘gasoline’’ and inserting ‘‘any taxable fuel (as defined in section 4083)’’.

(4) Paragraph (1) of section 4041(a) is amended to read as follows:

‘‘(1) TAX ON DIESEL FUEL IN CERTAIN CASES.—

‘‘(A) IN GENERAL.—There is hereby imposed a tax on any liquid other than gasoline (as defined in section 4083)—

‘‘(i) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat for use as a fuel in such vehicle, train, or boat, or

‘‘(ii) used by any person as a fuel in a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat un-

less there was a taxable sale of such fuel under clause (i).

''(B) EXEMPTION FOR PREVIOUSLY TAXED FUEL.—No tax shall be imposed by this paragraph on the sale or use of diesel fuel if there was a taxable sale of such fuel under section 4081 and the tax thereon was not credited or refunded.

''(C) RATE OF TAX.—

''(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the rate of the tax imposed by this paragraph shall be the sum of the Highway Trust Fund financing rate on diesel fuel and the deficit reduction rate in effect under section 4081 at the time of such sale or use.

''(ii) HIGHWAY RATE NOT TO APPLY TO TRAINS.—The Highway Trust Fund financing rate shall not apply to any sale for use, or use, of fuel in a train.

''(iii) CERTAIN BUS USES.—If the limitation in section 6427(b)(2)(A) applies to fuel sold for use or used in an automobile bus, the Highway Trust Fund financing

rate shall be 3 cents per gallon and the deficit reduction rate shall not apply.''

(5) Paragraph (2) of section 4041(a) is amended by striking ''or paragraph (1) of this subsection'' and by inserting ''on gasoline'' after ''Highway Trust Fund financing rate''.

(6) Paragraph (2) of section 4041(c) is amended by striking ''any product taxable under section 4081'' and inserting ''gasoline (as defined in section 4083)''.

(7) Paragraph (2) of section 4041(d) is amended—

(A) by striking ''(other than a product taxable under section 4081)'' and inserting ''(other than gasoline (as defined in section 4083))'', and

(B) by striking ''section 4091'' and inserting ''section 4081''.

(8) Paragraph (3) of section 4041(d) is amended by striking ''(other than any product taxable under section 4081)'' and inserting ''(other than gasoline (as defined in section 4083))''.

(9) Subparagraph (A) of section 4041(k)(1) is amended by striking ''sections 4081(c) and 4091(c),

as the case may be'' and inserting ''section 4081(c)''.

(10) Subparagraph (B) of section 4041(m)(1) is amended by striking ''section 4091(d)(1)'' and inserting ''section 4091(c)(1)''.

(11) Section 6206 is amended by striking ''4041 or 4091'' and inserting ''4041, 4081, or 4091''.

(12) Paragraph (1) of section 6302(f) is amended by inserting ''on gasoline'' after ''section 4081'' and after ''such tax''.

(13) Paragraph (1) of section 6412(a) is amended by striking ''gasoline'' each place it appears (including the heading) and inserting ''taxable fuel''.

(14)(A) Subparagraph (A) of section 6416(a)(4) is amended by striking ''product'' each place it appears and inserting ''gasoline''.

(B) Subparagraph (B) of section 6416(a)(4) is amended by striking all that follows ''substituting'' and inserting '' 'any gasoline taxable under section 4081' for 'aviation fuel' therein).''

(15) Sections 6420(c)(5) and 6421(e)(1) are each amended by striking ''section 4082(b)'' and inserting ''section 4083(a)''.

(16) Subsection (b) of section 6427 is amended—

(A) by striking ''if any fuel'' in paragraph (1) and inserting ''if any diesel fuel (as defined in section 4083(a))'', and

(B) by striking ''4091'' each place it appears and inserting ''4081''.

(17)(A) Paragraph (1) of section 6427(f) is amended by striking ''4091(c)(1)(A), or 4091(d)(1)(A)'' and inserting ''or 4091(c)(1)(A)''.

(B) Paragraph (2) of section 6427(f) is amended to read as follows:

''(2) DEFINITIONS.—For purposes of paragraph (1)—

''(A) REGULAR TAX RATE.—The term 'regular tax rate' means—

''(i) in the case of gasoline or diesel fuel, the aggregate rate of tax imposed by section 4081 determined without regard to subsection (c) thereof, and

''(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 determined without regard to subsection (c) thereof.

''(B) INCENTIVE TAX RATE.—The term 'incentive tax rate' means—

''(i) in the case of gasoline or diesel fuel, the aggregate rate of tax imposed by section 4081 with respect to fuel described in subsection (c)(1) thereof, and

''(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 with respect to fuel described in subsection (c)(1)(B) thereof.''

(18) Subsection (h) of section 6427 is amended by striking ''section 4082(b)'' and inserting ''section 4083(a)(2)''.

(19) Paragraph (3) of section 6427(i) is amended—

(A) by striking ''GASOHOL'' in the heading and inserting ''ALCOHOL MIXTURE'', and

(B) by striking ''gasoline used to produce gasohol (as defined in section 4081(c)(1))'' in subparagraph (A) and inserting ''gasoline or diesel fuel used to produce a qualified alcohol mixture (as defined in section 4081(c)(3))''.

(20) The heading of paragraph (4) of section 6427(i) is amended by inserting ''4081 OR'' before ''4091''.

(21) Subsection (l) of section 6427 is amended to read as follows:

''(l) NONTAXABLE USES OF DIESEL FUEL AND AVIATION FUEL.—

''(1) IN GENERAL.—Except as provided in subsection (k) and in paragraphs (3) and (4) of this subsection, if—

''(A) any diesel fuel on which tax has been imposed by section 4081, or

''(B) any aviation fuel on which tax has been imposed by section 4091,

is used by any person in a nontaxable use, the Secretary shall pay (without interest) to the ultimate purchaser of such fuel an amount equal to the aggregate amount of tax imposed on such fuel under section 4081 or 4091, as the case may be.

''(2) NONTAXABLE USE.—For purposes of this subsection, the term 'nontaxable use' means—

''(A) in the case of diesel fuel, any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of the imposition of tax on any sale thereof, and

''(B) in the case of aviation fuel, any use which is exempt from the tax imposed by sec-

tion 4041(c)(1) other than by reason of the imposition of tax on any sale thereof.

''(3) LIMIT ON REFUND OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—Paragraph (1) shall not apply to so much of the tax imposed by section 4081 or 4091 as is attributable to the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section in the case of—

''(A) fuel used in a diesel-powered train, and

''(B) fuel used in any aircraft (other than as supplies for vessels or aircraft, within the meaning of section 4221(d)(3)).

''(4) NO REFUND OF DEFICIT REDUCTION TAX ON FUEL USED IN TRAINS.—Fuel used in a diesel-powered train shall be treated as a nontaxable use for purposes of this section, except that paragraph (1) shall not apply to so much of the tax imposed by section 4081 as is attributable to the deficit reduction rate imposed by such section unless such fuel was used by a State or any political subdivision thereof.''

(22) Paragraph (1) of section 9503(b) is amended—

(A) by striking ''gasoline),'' in subparagraph (E) and inserting ''gasoline and diesel fuel), and'',

(B) by striking subparagraph (F), and

(C) by redesignating subparagraph (G) as subparagraph (F).

(23)(A) Subparagraph (B) of section 9503(b)(4) is amended by striking '', 4081, and 4091'' and inserting ''and 4081''.

(B) Subparagraph (C) of section 9503(b)(4), as amended by subtitle A, is amended by striking ''4091'' and inserting ''4081''.

(24) Subparagraph (D) of section 9503(c)(6) is amended by striking '', 4081, and 4091'' and inserting ''and 4081''.

(25) Paragraph (2) of section 9503(e) is amended—

(A) by striking '', 4081, and 4091'' and inserting ''and 4081'', and

(B) by striking '', 4081, or 4091'' and inserting ''or 4081''.

(26) Subsection (b) of section 9508 is amended—

(A) by inserting ''and diesel fuel'' after ''gasoline'' in paragraph (2),

(B) by striking ''diesel fuel and'' in paragraph (3), and

(C) by striking ''4091'' in the last sentence, as added by subtitle A, and inserting ''4081''.

(27) The table of subparts for part III of subchapter A of chapter 32 is amended by striking the items relating to subparts A and B and inserting the following new items:

''Subpart A. Gasoline and diesel fuel.
''Subpart B. Aviation fuel.''

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on April 1, 1994.

SEC. 14243. FLOOR STOCKS TAX.

(a) IN GENERAL.—There is hereby imposed a floor stocks tax on diesel fuel held by any person on April 1, 1994, if—

(1) no tax was imposed on such fuel under section 4041(a) or 4091 of the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act, and

(2) tax would have been imposed by section 4081 of such Code, as amended by this Act, on any prior removal, entry, or sale of such fuel had such section 4081 applied to all prior removals, entries, and sales of such fuel.

(b) RATE OF TAX.—The rate of the tax imposed by subsection (a) shall be the amount of tax which would be imposed under section 4081 of the Internal Revenue Code of 1986 if there were a taxable sale of such fuel on such date.

(c) LIABILITY AND PAYMENT OF TAX.—

(1) LIABILITY FOR TAX.—A person holding the diesel fuel on April 1, 1994, to which the tax imposed by this section applies shall be liable for such tax.

(2) METHOD OF PAYMENT.—The tax imposed by this section shall be paid in such manner as the Secretary shall prescribe.

(3) TIME FOR PAYMENT.—The tax imposed by this section shall be paid on or before January 31, 1995.

(d) DEFINITIONS.—For purposes of this section—

(1) DIESEL FUEL.—The term ''diesel fuel'' has the meaning given such term by section 4083(a) of such Code.

(2) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury or his delegate.

(e) EXCEPTIONS.—

(1) PERSONS ENTITLED TO CREDIT OR REFUND.—The tax imposed by this section shall not

apply to fuel held by any person exclusively for any use to the extent a credit or refund of the tax imposed by section 4081 is allowable for such use.

(2) COMPLIANCE WITH DYEING REQUIRED.—Paragraph (1) shall not apply to the holder of any fuel if the holder of such fuel fails to comply with any requirement imposed by the Secretary with respect to dyeing and marking such fuel.

(f) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4081 of such Code shall, insofar as applicable and not inconsistent with the provisions of this section, apply with respect to the floor stock taxes imposed by this section to the same extent as if such taxes were imposed by such section 4081.

Subpart C—Extension of Motor Fuel Tax Rates; Increased Deposits Into Highway Trust Fund

SEC. 14244. EXTENSION OF MOTOR FUEL TAX RATES; INCREASED DEPOSITS INTO HIGHWAY TRUST FUND.

(a) IN GENERAL.—Clause (i) of section 4081(a)(2)(B), as amended by subpart B, is amended—

(1) by striking ''11.5 cents'' and inserting ''14 cents'', and

(2) by striking ''17.5 cents'' and inserting ''20 cents''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 4081(c)(4), as so amended, is amended to read as follows:

''(A) IN GENERAL.—In the case of the Highway Trust Fund financing rate, the otherwise applicable rate for gasoline in a qualified alcohol mixture is—

''(i) 8.6 cents a gallon for 10 percent gasohol,

''(ii) 9.842 cents a gallon for 7.7 percent gasohol, and

''(iii) 10.922 cents a gallon for 5.7 percent gasohol.

In the case of a mixture none of the alcohol in which consists of ethanol, clauses (i), (ii), and (iii) shall be applied by substituting '8.0 cents' for '8.6 cents', '9.38 cents' for '9.842 cents', and '10.58 cents' for '10.922'.''

(2) Paragraph (5) of section 4081(c), as so amended, is amended—

(A) by striking ''12.1 cents'' and inserting ''14.6 cents'', and

(B) by striking ''11.5 cents'' and inserting ''14.0''.

(3) Subparagraph (A) of section 4041(m)(1) is amended to read as follows:

''(A) under subsection (a)(2) the Highway Trust Fund financing shall be 7 cents per gallon, and''.

(4) Paragraph (4) of section 6427(l), as amended by subpart B, is amended—

(A) by striking ''the deficit reduction rate'' and inserting ''2.5 cents per gallon of the Highway Trust Fund financing rate'', and

(B) by striking ''DEFICIT REDUCTION TAX'' in the heading and inserting ''PORTION OF TAX''.

(5) Subsection (b) of section 9503 is amended by adding at the end thereof the following new paragraph:

''(6) RETENTION OF CERTAIN TAXES IN GENERAL FUND.—

''(A) IN GENERAL.—There shall not be taken into account under paragraphs (1) and (2)—

''(i) the tax imposed by section 4081 on diesel fuel used in any train, and

''(ii) so much of the following taxes as are attributable to 2.5 cents of the Highway Trust Fund financing rate:

''(I) Motorboat fuel taxes (as defined in subsection (c)(4)(D)).

''(II) Small-engine fuel taxes (as defined in subsection (c)(5)(B)).

''(III) Nonhighway recreational fuel taxes (as defined in subsection (c)(6)(D)).

''(B) TRANSFERS FROM HIGHWAY TRUST FUND.—For purposes of determining the amount paid from the Highway Trust Fund under paragraphs (4), (5), and (6) of subsection (c), the Highway Trust Fund financing rates shall be treated as being 2.5 cents less than the otherwise applicable rates.''

(c) INCREASE IN DEPOSITS IN MASS TRANSIT ACCOUNT.—Paragraph (2) of section 9503(e) is amended by striking ''1.5 cents'' and inserting ''2 cents''.

(d) REPEAL OF EXPIRED PROVISIONS.—

(1) Subparagraph (A) of section 4081(a)(2) (relating to rate of tax), as amended by subpart B, is amended—

(A) by adding ''and'' at the end of clause (i),

(B) by striking '', and'' at the end of clause (ii) and inserting a period, and

(C) by striking clause (iii).

(2) Subparagraph (B) of section 4081(a)(2), as so amended, is amended—

(A) by adding ''and'' at the end of clause (i),

(B) by striking '', and'' at the end of clause (ii) and inserting a period, and

(C) by striking clause (iii).

(3) Subsection (d) of section 4081, as so amended, is amended by striking paragraph (3).

(4) Paragraphs (1) and (2) of section 4041(a) (as so amended), and paragraph (3) of section 4041(c), are each amended by striking ''the sum of the Highway Trust Fund financing rate and the diesel fuel deficit reduction rate'' and by inserting ''the Highway Trust Fund financing rate''.

(5) Clause (ii) of section 4041(a)(1)(C), as so amended, is amended—

(A) by striking ''The Highway Trust Fund financing rate'' and inserting ''So much of the

Highway Trust Fund financing rate as exceeds 2.5 cents per gallon'', and

(B) by striking ''HIGHWAY RATE'' in the heading and inserting ''PORTION OF HIGHWAY RATE''.

(6) Clause (iii) of section 4041(a)(1)(C), as so amended, is amended by striking ''and the deficit reduction rate shall not apply''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect October 1, 1995, but the amendment made by subsection (c) shall apply only to amounts attributable to taxes imposed on or after such date.

PART V—COMPLIANCE PROVISIONS

SEC. 14251. REPORTING REQUIRED FOR CERTAIN PAYMENTS TO CORPORATIONS.

(a) SECTION 6041.—Section 6041 (relating to information at source) is amended by adding at the end thereof the following new subsection:

''(f) SPECIAL RULES FOR PAYMENTS FOR SERVICES.—No payment for the performance of services shall be exempt from the requirements of this section merely because it is a payment to a corporation.''

(b) SECTION 6041A(a).—Subsection (a) of section 6041A is amended by adding at the end thereof the follow-

ing new sentence: ''A payment shall not be exempt from the requirements of this subsection merely because it is a payment to a corporation.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after December 31, 1993.

SEC. 14252. MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT AND RETURN-PREPARER PENALTIES.

(a) REASONABLE BASIS REQUIRED.—

(1) SUBSTANTIAL UNDERSTATEMENT PENALTY.—Clause (ii) of section 6662(d)(2)(B) (relating to reduction for understatement due to position of taxpayer or disclosed item) is amended to read as follows:

''(ii) any item if—

''(I) the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return, and

''(II) there is a reasonable basis for the tax treatment of such item by the taxpayer.''

(2) RETURN PREPARER PENALTY.—Paragraph (3) of section 6694(a) (relating to understatement of

taxpayer's liability by income tax return preparer) is amended to read as follows:

''(3) the requirements of subclauses (I) and (II) of section 6662(d)(2)(B)(ii) are not satisfied with respect to such position,''.

(b) SPECIAL TAX SHELTER RULE.—Subclause (II) of section 6662(d)(2)(C)(i) (relating to special rules for tax shelters) is amended by inserting before the period at the end thereof the following: ''and the reasonably anticipated after-tax benefits from the taxpayer's investment in such shelter do not significantly exceed the reasonably anticipated pre-tax economic profit or loss from such investment''.

(c) REASONABLE CAUSE EXCEPTION.—Paragraph (1) of section 6664(c) is revised by striking ''this part'' and inserting ''section 6662''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due dates for which (determined without regard to extensions) are after December 31, 1993.

SEC. 14253. RETURNS RELATING TO THE CANCELLATION OF INDEBTEDNESS BY CERTAIN FINANCIAL ENTITIES.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concern-

ing transactions with other persons) is amended by adding at the end thereof the following new section:

"SEC. 6050P. RETURNS RELATING TO THE CANCELLATION OF INDEBTEDNESS BY CERTAIN FINANCIAL ENTITIES.

''(a) IN GENERAL.—Any applicable financial entity which discharges (in whole or in part) the indebtedness of any person during any calendar year shall make a return (at such time and in such form as the Secretary may by regulations prescribe) setting forth—

''(1) the name, address, and TIN of each person whose indebtedness was discharged during such calendar year,

''(2) the date of the discharge and the amount of the indebtedness discharged, and

''(3) such other information as the Secretary may prescribe.

''(b) EXCEPTION.—Subsection (a) shall not apply to any discharge of less than $600.

''(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE FINANCIAL ENTITY.—The term 'applicable financial entity' means—

''(A) any financial institution described in section 581 or 591(a) and any credit union,

"(B) the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, and the National Credit Union Administration, and any successor or subunit of any of the foregoing, and

"(C) any other corporation which is a direct or indirect subsidiary of an entity referred to in subparagraph (A) but only if, by virtue of being affiliated with such entity, such other corporation is subject to supervision and examination by a Federal or State agency which regulates entities referred to in subparagraph (A).

"(2) GOVERNMENTAL UNITS.—In the case of an entity described in paragraph (1)(B), any return under this section shall be made by the officer or employee appropriately designated for the purpose of making such return.

"(d) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED TO BE FURNISHED.—Every applicable financial entity required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the entity required to make such return, and

"(2) the information required to be shown on the return with respect to such person.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made."

(b) PENALTIES.—

(1) RETURNS.—Subparagraph (B) of section 6724(d)(1) is amended by redesignating clauses (viii) through (xv) as clauses (ix) through (xvi), respectively, and by inserting after clause (vii) the following new clause:

"(viii) section 6050P (relating to returns relating to the cancellation of indebtedness by certain financial entities),".

(2) STATEMENTS.—Paragraph (2) of section 6724(d) is amended by redesignating subparagraphs (P) through (S) as subparagraphs (Q) through (T), respectively, and by inserting after subparagraph (O) the following new subparagraph:

"(P) section 6050P(d) (relating to returns relating to the cancellation of indebtedness by certain financial entities),".

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61

is amended by adding at the end thereof the following new item:

"Sec. 6050P. Returns relating to the cancellation of indebtedness by certain financial entities."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness after the date of the enactment of this Act.

PART VI—TREATMENT OF INTANGIBLES

SEC. 14261. 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 institu-

tion, 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, 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) involving the acquisition of assets constituting a trade business or substantial portion thereof:

''(A) Any interest in a film, sound recording, video tape, book, or similar property.

''(B) Any right to receive tangible property or services under a contract or granted by a governmental unit or agency or instrumentality thereof.

''(C) Any interest in a patent or copyright.

''(D) To the extent provided in regulations, any right under a contract (or granted by a governmental unit or an agency or instrumentality thereof) if such right—

''(i) has a fixed duration of less than 14 years, or

''(ii) is fixed as to amount and, without regard to this section, would be recoverable 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.

''(7) CERTAIN TRANSACTION COSTS.—Any fees for professional services, and any transaction costs, incurred by parties to a transaction with respect to

which any portion of the gain or loss is not recognized under part III of subchapter C.

''(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. For purposes of this subparagraph, deductions allowable under section

1253(d) shall be treated as deductions allowable for amortization.

''(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 REFERENCES.—

"(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.

(i) ANNUAL REPORTS ON OUTSTANDING CASES.—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 regarding the volume of cases still outstanding that involve disputes regarding the amortization of intangibles, progress made in resolving such cases, efforts made to coordinate settlement proceedings, and factors inhibiting the resolution of such cases. The report shall also address the impact of the amendments made by this section on the volume of disputes regarding the amortization of intangibles. The first such annual report shall be submitted on or before December 31, 1994.

SEC. 14262. 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 January 5, 1993.

(2) BINDING CONTRACT EXCEPTION.—The amendments made by this section shall not apply to any partner retiring on or after January 5, 1993, if a written contract to purchase such partner's interest in the partnership was binding on January 4, 1993, and at all times thereafter before such purchase.

PART VII—MISCELLANEOUS PROVISIONS

SEC. 14271. SUBSTANTIATION REQUIREMENT FOR DEDUCTION OF CERTAIN CHARITABLE CONTRIBUTIONS.

(a) SUBSTANTIATION REQUIREMENT.—Section 170(f) (providing special rules relating to the deduction of charitable contributions and gifts) is amended by adding at the end the following new paragraph:

"(8) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

"(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of $750 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

"(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it provides information sufficient to substantiate the amount of the deductible contribution. If the contribution was made by means of a payment part of which constituted consideration for goods or services provided by the donee organization, the acknowl-

edgment must provide a good faith estimate of the value of such goods or services.

''(C) CONTEMPORANEOUS.—For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

''(i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or

''(ii) the due date (including extensions) for filing such return.

''(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONEE ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

''(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may pro-

vide that some or all of the requirements of this paragraph do not apply in appropriate cases.''

(b) EFFECTIVE DATE.—The provisions of this section shall apply to contributions made on or after January 1, 1994.

SEC. 14272. DISCLOSURE RELATED TO QUID PRO QUO CONTRIBUTIONS.

(a) DISCLOSURE REQUIREMENT.—Subchapter B of chapter 61 (relating to information and returns) is amended by redesignating section 6115 as section 6116 and by inserting after section 6114 the following new section:

''SEC. 6115. DISCLOSURE RELATED TO QUID PRO QUO CONTRIBUTIONS.

''(a) DISCLOSURE REQUIREMENT.—If an organization described in section 170(c) (other than paragraph (1) thereof) receives a quid pro quo contribution, the organization shall, in connection with the solicitation or receipt of the contribution—

''(1) inform the donor that the amount of the contribution that is deductible for Federal income tax purposes is limited to the excess of the amount of any money and the value of any property other than money contributed by the donor over the value of the goods or services provided by the organization, and

''(2) provide the donor with a good faith estimate of the value of such goods or services.

''(b) QUID PRO QUO CONTRIBUTION.—For purposes of this section, the term 'quid pro quo contribution' means a payment made partly as a contribution and partly in consideration for goods or services provided to the payor by the donee organization.''

(b) PENALTY FOR FAILURE TO DISCLOSE.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6713 the following new section:

''SEC. 6714. FAILURE TO MEET DISCLOSURE REQUIREMENTS APPLICABLE TO QUID PRO QUO CONTRIBUTIONS.

''(a) IMPOSITION OF PENALTY.—If an organization fails to meet the disclosure requirement of section 6115 with respect to a quid pro quo contribution, such organization shall pay a penalty of $10 for each contribution in respect of which the organization fails to make the required disclosure, except that the total penalty imposed by this subsection with respect to a particular fundraising event or mailing shall not exceed $5,000.

''(b) REASONABLE CAUSE EXCEPTION.—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) CLERICAL AMENDMENTS.—

(1) The table for subchapter B of chapter 61 is amended by striking the item relating to section 6115 and inserting the following new item:

''Sec. 6115. Disclosure related to quid pro quo contributions.
''Sec. 6116. Cross reference.''

(2) The table for part I of subchapter B of chapter 68 is amended by inserting after the item for section 6713 the following new item:

''Sec. 6714. Failure to meet disclosure requirements applicable to quid pro quo contributions.''

(d) EFFECTIVE DATE.—The provisions of this section shall apply to quid pro quo contributions made on or after January 1, 1994.

SEC. 14273. DISALLOWANCE OF INTEREST ON CERTAIN OVERPAYMENTS OF TAX.

(a) GENERAL RULE.—Subsection (e) of section 6611 is amended to read as follows:

''(e) DISALLOWANCE OF INTEREST ON CERTAIN OVERPAYMENTS.—

''(1) REFUNDS WITHIN 45 DAYS AFTER RETURN IS FILED.—If any overpayment of tax imposed by this title is refunded within 45 days after the last day prescribed for filing the return of such tax (determined without regard to any extension of time for

filing the return) or, in the case of a return filed after such last date, is refunded within 45 days after the date the return is filed, no interest shall be allowed under subsection (a) on such overpayment.

''(2) REFUNDS AFTER CLAIM FOR CREDIT OR REFUND.—If—

''(A) the taxpayer files a claim for a credit or refund for any overpayment of tax imposed by this title, and

''(B) such overpayment is refunded within 45 days after such claim is filed,

no interest shall be allowed on such overpayment from the date the claim is filed until the day the refund is made.

''(3) IRS INITIATED ADJUSTMENTS.—If an adjustment initiated by the Secretary, results in a refund or credit of an overpayment, interest on such overpayment shall be computed by subtracting 45 days from the number of days interest would otherwise be allowed with respect to such overpayment.''

(b) EFFECTIVE DATES.—

(1) Paragraph (1) of section 6611(e) of the Internal Revenue Code of 1986 (as amended by subsection (a)) shall apply in the case of returns the

due date for which (determined without regard to extensions) is on or after January 1, 1994.

(2) Paragraph (2) of section 6611(e) of such Code (as so amended) shall apply in the case of claims for credit or refund of any overpayment filed on or after January 1, 1995, regardless of the taxable period to which such refund relates.

(3) Paragraph (3) of section 6611(e) of such Code (as so amended) shall apply in the case of any refund paid on or after January 1, 1995, regardless of the taxable period to which such refund relates.

SEC. 14274. DENIAL OF DEDUCTION RELATING TO TRAVEL EXPENSES.

(a) IN GENERAL.—Section 274(m) (relating to additional limitations on travel expenses) is amended by adding at the end thereof the following new paragraph:

''(3) TRAVEL EXPENSES OF SPOUSE, DEPENDENT, OR OTHERS.—No deduction shall be allowed under this chapter (other than section 217) for travel expenses paid or incurred with respect to a spouse, dependent, or other individual accompanying the taxpayer (or an officer or employee of the taxpayer) on business travel, unless—

''(A) the spouse, dependent, or other individual is an employee of the taxpayer,

''(B) the travel of the spouse, dependent, or other individual is for a bona fide business purpose, and

''(C) such expenses would otherwise be deductible by the spouse, dependent, or other individual.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14275. INCREASE IN WITHHOLDING FROM SUPPLEMENTAL WAGE PAYMENTS.

If an employer elects under Treasury Regulation 31.3402 (g)–1 to determine the amount to be deducted and withheld from any supplemental wage payment by using a flat percentage rate, the rate to be used in determining the amount to be so deducted and withheld shall not be less than 28 percent. The preceding sentence shall apply to payments made after December 31, 1993.

Subtitle C—Empowerment Zones and Enterprise Communities, Etc.

PART I—EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

SEC. 14301. DESIGNATION AND TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(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 Empowerment Zones and Enterprise Communities

''Part I. Designation.
''Part II. Incentives for empowerment zones and enterprise communities.
''Part III. Additional incentives for empowerment zones.
''Part IV. Regulations.

"PART I—DESIGNATION

''Sec. 1391. Designation procedure.
''Sec. 1392. Eligibility criteria.
''Sec. 1393. Definitions and special rules.

"SEC. 1391. DESIGNATION PROCEDURE.

''(a) IN GENERAL.—From among the areas nominated for designation under this section, the appropriate Secretaries may, in consultation with the Enterprise Board, designate empowerment zones and enterprise communities.

''(b) NUMBER OF DESIGNATIONS.—

"(1) ENTERPRISE COMMUNITIES.—The appropriate Secretaries may designate in the aggregate 100 nominated areas as enterprise communities under this section, subject to the availability of eligible nominated areas. Of that number, not more than 65 may be designated in urban areas, not more than 30 may be designated in rural areas, and not more than 5 may be designated by the Secretary of the Interior in Indian reservations.

"(2) EMPOWERMENT ZONES.—The appropriate Secretaries may designate in the aggregate 10 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 6 may be designated in urban areas, not more than 3 may be designated in rural areas, and not more than 1 may be designated by the Secretary of the Interior in an Indian reservation. If 6 empowerment zones are designated in urban areas, no less than 1 shall be designated in an urban area the most populous city of which has a population of 500,000 or less. The Secretary of Housing and Urban Development shall designate empowerment zones located in urban areas in such a manner that the aggregate population of all such zones does not exceed 750,000.

"(c) PERIOD DESIGNATIONS MAY BE MADE.—A designation may be made under this section only after 1993 and before 1996.

"(d) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

"(1) IN GENERAL.—Any designation under this section shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

"(A) the close of the 10th calendar year beginning on or after such date of designation,

"(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.

"(2) REVOCATION OF DESIGNATION.—

"(A) IN GENERAL.—The appropriate Secretary, in consultation with the Enterprise Board, may revoke the designation under this section of an area 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, or fails to make progress in achieving the benchmarks set forth in, the strategic plan under subsection (f)(2).

"(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.

"(e) LIMITATIONS ON DESIGNATIONS.—An area may be designated under subsection (a) only if—

"(1) the area is nominated by 1 or more local governments and the State or States in which it is located for designation under this section,

"(2) such State or States and the local governments have the authority—

"(A) to nominate the area for designation under this section, and

"(B) to provide the assurances described in paragraph (3),

"(3) such State or States and the local governments provide written assurances satisfactory to the appropriate Secretary that the strategic plan described in the application under subsection (f)(2) for such area will be implemented,

''(4) the appropriate Secretary determines that any information furnished is reasonably accurate, and

''(5) such State or States and local governments certify that no portion of the area nominated is already included in an empowerment zone or in an enterprise community or in an area otherwise nominated to be designated under this section.

''(f) APPLICATION.—An application for designation as an empowerment zone or as an enterprise community shall—

''(1) demonstrate that the nominated area satisfies the eligibility criteria described in section 1392,

''(2) include a strategic plan for accomplishing the purposes of this subchapter that—

''(A) describes the coordinated economic, human, community, and physical development plan and related activities proposed for the nominated area,

''(B) describes the process by which the affected community is a full partner in the process of developing and implementing the plan and the extent to which local institutions and

organizations have contributed to the planning process,

''(C) identifies the amount of State, local, and private resources that will be available in the nominated area and the private/public partnerships to be used, which may include participation by, and cooperation with, universities, medical centers, and other private and public entities,

''(D) identifies the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities,

''(E) identifies baselines, methods, and benchmarks for measuring the success of carrying out the strategic plan, including the extent to which poor persons and families will be empowered to become economically self-sufficient, and

''(F) does not include any action to assist any establishment in relocating from one area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the estab-

lishment of a new branch, affiliate, or subsidiary is permitted if—

''(i) the establishment of the new branch, affiliate, or subsidiary will not result in a decrease in employment 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 operation, and

''(3) include such other information as may be required by the appropriate Secretary or the Enterprise Board.

''SEC. 1392. ELIGIBILITY CRITERIA.

''(a) IN GENERAL.—A nominated area shall be eligible for designation under section 1391 only if it meets the following criteria:

''(1) POPULATION.—The nominated area has a maximum population of—

''(A) in the case of an urban area, the lesser of—

''(i) 200,000, or

''(ii) the greater of 50,000 or 10 percent of the population of the most populous city located within the nominated area, and

''(B) in the case of a rural area, 30,000.

''(2) DISTRESS.—The nominated area is one of pervasive poverty, unemployment, and general distress.

''(3) SIZE.—The nominated area—

''(A) does not exceed 20 square miles if an urban area or 1,000 square miles if a rural area or an Indian reservation,

''(B) has a boundary which is continuous, or, except in the case of a rural area located in more than 1 State, consists of not more than 3 noncontiguous parcels,

''(C)(i) in the case of an urban area, is located entirely within no more than 2 contiguous States, and

''(ii) in the case of a rural area, is located entirely within no more than 3 contiguous States, and

"(D) 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) unless the poverty rate for each population census tract in such district is not less than 35 percent (30 percent in the case of an enterprise community).

"(4) POVERTY RATE.—The poverty rate—

"(A) for each population census tract within the nominated area is not less than 20 percent,

"(B) for at least 90 percent of the population census tracts within the nominated area is not less than 25 percent, and

"(C) for at least 50 percent of the population census tracts within the nominated area is not less than 35 percent.

"(b) SPECIAL RULES RELATING TO DETERMINATION OF POVERTY RATE.—For purposes of subsection (a)(4)—

"(1) TREATMENT OF CENSUS TRACTS WITH SMALL POPULATIONS.—

"(A) TRACTS WITH NO POPULATION.—In the case of a population census tract with no population—

"(i) such tract shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4), but

"(ii) such tract shall be treated as having a zero poverty rate for purposes of applying subparagraph (C) thereof.

"(B) TRACTS WITH POPULATIONS OF LESS THAN 2,000.—A population census tract with a population of less than 2,000 shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4) if more than 75 percent of such tract is zoned for commercial or industrial use.

"(2) DISCRETION TO ADJUST REQUIREMENTS.—Where necessary to carry out the purposes of this subchapter, the appropriate Secretary may reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the population census tracts (or, if fewer, 5 population census tracts) in the nominated area:

"(A) The 20 percent threshold in subsection (a)(4)(A).

"(B) The 25 percent threshold in subsection (a)(4)(B).

"(C) The 35 percent threshold in subsection (a)(4)(C).

If the appropriate Secretary elects to reduce the threshold under subparagraph (C) for an enterprise community, such Secretary may (in lieu of applying the preceding sentence) reduce by 10 percentage points the threshold under subparagraph (C) for 3 population census tracts.

"(3) EACH NONCONTIGUOUS AREA MUST SATISFY POVERTY RATE RULE.—A nominated area may not include a noncontiguous parcel unless such parcel separately meets (subject to paragraphs (1) and (2)) the criteria set forth in subsection (a)(4).

"(4) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates.

"(c) FACTORS TO CONSIDER.—From among the nominated areas eligible for designation under section 1391 by the appropriate Secretary, such appropriate Secretary shall make designations of empowerment zones and enterprise communities on the basis of—

''(1) the effectiveness of the strategic plan submitted pursuant to section 1391(f)(2) and the assurances made pursuant to section 1391(e)(3), and

''(2) criteria specified by the Enterprise Board.

"SEC. 1393. DEFINITIONS AND SPECIAL RULES.

''(a) IN GENERAL.—For purposes of this subchapter—

''(1) APPROPRIATE SECRETARY.—The term 'appropriate Secretary' means—

''(A) the Secretary of Housing and Urban Development in the case of any nominated area which is located in an urban area,

''(B) the Secretary of Agriculture in the case of any nominated area which is located in a rural area, and

''(C) the Secretary of the Interior in the case of any nominated area which is located in an Indian reservation.

''(2) ENTERPRISE BOARD.—The term 'Enterprise Board' means any board hereafter established and designated for purposes of this subchapter as the 'Enterprise Board'.

''(3) 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.

''(4) URBAN AREA.—The term 'urban area' means an area which is not a rural area.

''(5) INDIAN RESERVATION.—

''(A) IN GENERAL.—The term 'Indian reservation' means a reservation as defined in—

''(i) section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), or

''(ii) section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

''(B) GOVERNMENTS.—In the case of an area in an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be deemed to be both the State and local governments with respect to such area.

''(6) 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.

''(7) NOMINATED AREA.—The term 'nominated area' means an area which is nominated by 1 or more local governments and the State or States in which it is located for designation under section 1391.

''(8) GOVERNMENTS.—If more than 1 State or 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.

''(9) SPECIAL RULE.—An area shall be treated as nominated by a State and a local government if it is nominated by such other entity as may be specified by the Enterprise Board.

''(10) USE OF CENSUS DATA.—Population and poverty rate shall be determined by the most recent decennial census data available.

''(b) EMPOWERMENT ZONE; ENTERPRISE COMMUNITY.—For purposes of this title, the terms 'empowerment

zone' and 'enterprise community' mean areas designated as such under section 1391.

"PART II—INCENTIVES FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

''Sec. 1394. Incentives.

"SEC. 1394. INCENTIVES.

''(a) INCREASE IN LOW INCOME HOUSING CREDIT.—For purposes of section 42(d)(5)(C), a building shall be treated as located in a qualified census tract if—

''(1) such building is located in a census tract having a poverty rate of at least 30 percent (determined in accordance with section 1393(a)(10)), and

''(2) such building is located in an empowerment zone or an enterprise community.

''(b) TAX EXEMPT ENTERPRISE ZONE FACILITY BONDS.—

''(1) IN GENERAL.—For purposes of part IV of subchapter B of chapter 1 (relating to tax exemption requirements for State and local bonds), the term 'exempt facility bond' includes any bond issued as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to provide any enterprise zone facility.

''(2) ENTERPRISE ZONE FACILITY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'enterprise zone facility' means any qualified zone property the principal user of which is an enterprise zone business (as defined in section 1399B), and any land which is functionally related and subordinate to such property.

''(B) QUALIFIED ZONE PROPERTY.—The term 'qualified zone property' has the meaning given such term by section 1399(c); except that—

''(i) section 1399(c)(3) shall not apply, and

''(ii) the references to empowerment zones shall be treated as including references to enterprise communities.

''(3) LIMITATION ON AMOUNT OF BONDS.—

''(A) IN GENERAL.—Paragraph (1) shall not apply to any issue if the aggregate amount of outstanding enterprise zone facility bonds allocable to any enterprise zone business (taking into account such issue) exceeds—

''(i) $3,000,000 with respect to any 1 empowerment zone or enterprise community, or

"(ii) $20,000,000 with respect to all empowerment zones and enterprise communities.

"(B) AGGREGATE ENTERPRISE ZONE FACILITY BOND BENEFIT.—For purposes of subparagraph (A), the aggregate amount of outstanding enterprise zone facility bonds allocable to any business shall be determined under rules similar to the rules of section 144(a)(10), taking into account only bonds to which paragraph (1) applies.

"(4) ACQUISITION OF LAND AND EXISTING PROPERTY PERMITTED.—The requirements of sections 147(c)(1)(A) and 147(d) shall not apply to any bond described in paragraph (1).

"(5) PARTIAL EXEMPTION FROM VOLUME CAP.—Only for purposes of section 146, the term 'private activity bond' shall not include 50 percent of any bond issued as part of an issue described in paragraph (1).

"(6) PENALTY FOR CEASING TO MEET REQUIREMENTS.—

"(A) FAILURES CORRECTED.—An issue which fails to meet 1 or more of the require-

ments of paragraphs (1) and (2) shall be treated as meeting such requirements if—

''(i) the issuer and any principal user in good faith attempted to meet such requirements, and

''(ii) any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

''(B) LOSS OF DEDUCTIONS WHERE FACILITY CEASES TO BE QUALIFIED.—No deduction shall be allowed under this chapter for interest on any financing provided from any bond to which paragraph (1) applies with respect to any facility to the extent such interest accrues during the period beginning on the first day of the calendar year which includes the date on which—

''(i) substantially all of the facility with respect to which the financing was provided ceases to be used in an empowerment zone or enterprise community, or

''(ii) the principal user of such facility ceases to be an enterprise zone business (as defined in section 1399B, but treating

references to empowerment zones as including references to enterprise communities).

''(C) EXCEPTION IF ZONE CEASES.—Subparagraphs (A) and (B) shall not apply solely by reason of the termination or revocation of a designation as an empowerment zone or an enterprise community.

''(D) EXCEPTION FOR BANKRUPTCY.—Subparagraphs (A) and (B) shall not apply to any cessation resulting from bankruptcy.

''(c) ENTERPRISE ZONE FACILITY BONDS NOT SUBJECT TO INTEREST DEDUCTION LIMITATIONS ON FINANCIAL INSTITUTIONS.—Any tax-exempt bond described in subsection (b)(1)—

''(1) shall be treated as acquired before August 8, 1986, for purposes of sections 265(b) and 291(e)(1)(B), and

''(2) shall not be taken into account in determining whether any issuer is a qualified small issuer for purposes of section 265(b).

''(d) ADDITIONAL LOW-INCOME HOUSING CREDIT AMOUNT.—

''(1) IN GENERAL.—Each State which includes any empowerment zone or enterprise community

shall receive an additional State housing credit ceiling amount for purposes of section 42 of $818,000 for each such zone or community.

''(2) ADDITIONAL AMOUNT MUST BE ALLOCATED TO BUILDINGS IN DESIGNATED AREAS.—

''(A) IN GENERAL.—The portion of the additional amount received under paragraph (1) by reason of any empowerment zone or enterprise community which may be applied to increase the State housing credit ceiling for any calendar year shall not exceed the lesser of—

''(i) the unused portion of such additional amount with respect to such zone or community, or

''(ii) the aggregate housing credit dollar amount allocated from such ceiling for such year to buildings located in such zone or community.

''(B) UNUSED PORTION.—For purposes of subparagraph (A), the unused portion for any calendar year of the additional amount received under paragraph (1) is the amount equal to the excess of—

"(i) the additional amount received under paragraph (1) by the State by reason of the zone or community, over

"(ii) the aggregate of the increases in the State housing credit ceiling by reason of such amount for all prior calendar years.

"(3) AVAILABILITY OF ADDITIONAL AMOUNT.—None of the additional amount received under paragraph (1) may be applied after 1996.

"(4) AREAS LOCATED IN MORE THAN 1 STATE.—In the case of an empowerment zone or enterprise community which is located in more than 1 State, the $818,000 amount shall be allocated among such States in proportion to the population of such zone or community which is within each such State.

"(5) ZONES LOCATED IN CONSTITUTIONAL HOME RULE CITIES.—If any empowerment zone or enterprise community is located in a constitutional home rule city (as defined in section 42(h)(4)(E)), the additional amount received under paragraph (1) shall be allocated to such city and shall not be taken into account in determining such city's share of the

State housing credit ceiling under section 42(h)(4)(E).

"PART III—ADDITIONAL INCENTIVES FOR EMPOWERMENT ZONES

''SUBPART A. Empowerment zone employment credit.
''SUBPART B. Zone resident empowerment savings credit.
''SUBPART C. Depreciation and other incentives.

"Subpart A—Empowerment Zone Employment Credit

''Sec. 1396. Empowerment zone employment credit.
''Sec. 1397. Other definitions and special rules.

"SEC. 1396. EMPOWERMENT ZONE EMPLOYMENT CREDIT.

''(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the empowerment zone employment credit determined under this section with respect to any employer for any taxable year is the applicable percentage of the qualified zone wages paid or incurred during the calendar year which ends with or within such taxable year.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the term 'applicable percentage' means the percentage determined in accordance with the following table:

"In the case of wages paid or incurred during calendar year:	The applicable percentage is:
1994 through 2000	25
2001	20
2002	15
2003	10
2004	5

''(c) 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 a calendar year shall not exceed $20,000.

"(3) COORDINATION WITH TARGETED JOBS CREDIT.—

"(A) IN GENERAL.—The term 'qualified zone wages' shall not include wages taken into account in determining the credit under section 51.

"(B) COORDINATION WITH PARAGRAPH (2).—The $20,000 amount in paragraph (2) shall be reduced for any calendar year by the amount of wages paid or incurred during such year which are taken into account in determining the credit under section 51.

"(d) 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 an empowerment 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 empowerment 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),

''(B) any 5-percent owner (as defined in section 416(i)(1)(B)),

''(C) any individual employed by the employer for less than 90 days,

''(D) any individual employed by the employer at any facility described in section 144(c)(6)(B), and

"(E) any individual employed by the employer in a trade or business the principal activity of which is farming (within the meaning of subparagraphs (A) or (B) of section 2032A(e)(5)), but only if, as of the close of the taxable year, the sum of—

"(i) the aggregate unadjusted bases (or, if greater, the fair market value) of the assets owned by the employer which are used in such a trade or business, and

"(ii) the aggregate value of assets leased by the employer which are used in such a trade or business (as determined under regulations prescribed by the Secretary),

exceeds $500,000.

"(3) SPECIAL RULES RELATED TO TERMINATION OF EMPLOYMENT.—

"(A) IN GENERAL.—Paragraph (2)(C) shall not apply to—

"(i) a termination of employment of an individual who before the close of the period referred to in paragraph (2)(C) 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

''(ii) 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 (2)(C), 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.

''SEC. 1397. OTHER DEFINITIONS AND SPECIAL RULES.

''(a) WAGES.—For purposes of this subpart—

''(1) IN GENERAL.—The term 'wages' has the same meaning as when used in section 51.

''(2) CERTAIN TRAINING AND EDUCATIONAL BENEFITS.—

''(A) IN GENERAL.—The following amounts shall be treated as wages paid to an employee:

''(i) Any amount paid or incurred by an employer which is excludable from the gross income of an employee under section 127, but only to the extent paid or incurred to a person not related to the employer.

''(ii) In the case of an employee who has not attained the age of 19, any amount paid or incurred by an employer for any youth training program operated by such employer in conjunction with local education officials.

''(B) RELATED PERSON.—A person is related to any other person if the person bears a relationship to such other person specified in section 267(b) or 707(b)(1), or such person and such other person are engaged in trades or businesses under common control (within the

meaning of subsections (a) and (b) of section 52). For purposes of the preceding sentence, in applying section 267(b) or 707(b)(1), '10 percent' shall be substituted for '50 percent'.

''(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 1396 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—Zone Resident Empowerment Savings Credit

''Sec. 1398. Zone resident empowerment savings credit.

"SEC. 1398. ZONE RESIDENT EMPOWERMENT SAVINGS CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, the amount of the zone resident empowerment savings credit determined under this section with respect to any employer for any taxable year is 50 percent of the qualified savings contributions for the taxable year.

''(b) QUALIFIED SAVINGS CONTRIBUTIONS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified savings contribution' means any contribution by an employer to a defined contribution plan—

''(A) which is made on behalf of an employee in connection with services performed by such employee while such employee is a qualified zone employee, and

''(B) with respect to which the employee has a nonforfeitable right.

''(2) LIMITATION BASED ON COMPENSATION.—

''(A) IN GENERAL.—The qualified savings contributions taken into account with respect to any qualified zone employee for any taxable year shall not exceed an amount equal to 2 per-

cent of so much of the employee's compensation (as defined in section 414(s)) as does not exceed $35,000.

''(B) ZONE DESIGNATION IN EFFECT FOR PARTIAL YEAR.—If a designation of an area as an empowerment zone is in effect for less than the entire taxable year, the $35,000 amount under subparagraph (A) shall be ratably reduced to reflect the portion of the year such designation is not in effect.

''(3) CERTAIN CONTRIBUTIONS EXCLUDED.—The term 'qualified savings contribution' shall not include any contribution—

''(A) to a plan subject to the funding requirements of section 412,

''(B) to a tax credit employee stock ownership plan (as defined in section 409(a)) or to an employee stock ownership plan (as defined in section 4975(e)(7)),

''(C) to a stock bonus plan, or

''(D) which is an elective deferral (within the meaning of section 402(g)(3)).

''(4) SIMPLIFIED EMPLOYEE PENSION.—A contribution to an individual savings plan pursuant to a simplified employee pension (as defined in section

408(k)) shall be treated as a contribution to a defined contribution plan.

''(c) EMPLOYER REQUIREMENTS.—This section shall apply to an employer for any taxable year only if—

''(1) the employer elects the application of this section, and

''(2) the plan pursuant to which any qualified savings contribution is made provides that any contribution to such plan (whether or not a qualified savings contribution) may be withdrawn by a qualified zone employee as described in section 72(t)(2)(B) or (D).

''(d) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED ZONE EMPLOYEE.—The term 'qualified zone employee' has the meaning given such term by section 1396(d).

''(2) DEFINED CONTRIBUTION PLAN.—The term 'defined contribution plan' means a defined contribution plan (as defined in section 414(i)) which is described in section 401(a) and includes a trust exempt from tax under section 501(a).

''(e) TREATMENT OF PLANS.—A plan shall not be treated as failing to meet any requirement of part I of subchapter D of chapter 1 by reason of permitting withdrawals required to be permitted under subsection (c)(2).

"Subpart C—Depreciation and Other Incentives

''Sec. 1399. Depreciation benefits.
''Sec. 1399A. Additional exclusion from volume cap for certain enterprise zone facility bonds.
''Sec. 1399B. Enterprise zone business.

"SEC. 1399. DEPRECIATION BENEFITS.

''(a) INCREASE IN EXPENSING UNDER SECTION 179.—

''(1) IN GENERAL.—In the case of an enterprise zone business, for purposes of section 179—

''(A) qualified zone property shall be treated as section 179 property,

''(B) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(i) $50,000, or

''(ii) the cost of qualified zone property placed in service during the taxable year, and

''(C) section 179(b)(2) shall be applied by substituting 'by one-half of the amount by which the cost of qualified zone property (other than real property) and other section 179 property' for 'by the amount by which the cost of section 179 property'.

''(b) ACCELERATED DEPRECIATION.—

''(1) IN GENERAL.—For purposes of section 168(a), with respect to qualified zone property of an

enterprise zone business, the applicable recovery period shall be determined in accordance with the table contained in paragraph (2) in lieu of the table contained in section 168(c).

''(2) APPLICABLE RECOVERY PERIOD FOR QUALIFIED ZONE PROPERTY.—For purposes of paragraph (1)—

"In the case of:	The applicable recovery period is:
3-year property	2 years
5-year property	3 years
7-year property	4 years
10-year property	6 years
15-year property	9 years
20-year property	12 years
Nonresidential real property	22 years.

''(3) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—Paragraph (1) shall apply for purposes of determining alternative minimum taxable income under section 55.

''(c) QUALIFIED ZONE PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified zone property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after the date on which the designation of the empowerment zone took effect,

"(B) the original use of which in an empowerment zone commences with the taxpayer, and

"(C) substantially all of the use of which is in an empowerment zone and is in the active conduct of a trade or business by the taxpayer in such zone.

"(2) SPECIAL RULE FOR SUBSTANTIAL RENOVATIONS.—In the case of any property which is substantially renovated by the taxpayer, the requirements of subparagraphs (A) and (B) of paragraph (1) 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 empowerment 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.

"(3) EXCEPTION FOR ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified zone property' does not include any property to which the al-

ternative depreciation system under section 168(g) applies, determined—

''(A) without regard to section 168(g)(7) (relating to election to use alternative depreciation system), and

''(B) after the application of section 280F(b) (relating to listed property with limited business use).

''(d) SPECIAL RULES FOR SALE-LEASEBACKS.—For purposes of subsection (c)(1)(B), if property is sold and leased back by the taxpayer within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback.

''(e) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified zone property of any business which ceases to be an enterprise zone business.

''SEC. 1399A. ADDITIONAL EXCLUSION FROM VOLUME CAP FOR CERTAIN ENTERPRISE ZONE FACILITY BONDS.

''(a) IN GENERAL.—Section 1394(b)(5) shall be applied by substituting '75 percent' for '50 percent' in the case of any bond described in section 1394(b)(1) issued

as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are used to provide qualified zone property the principal user of which is any enterprise zone business if the ownership requirements of subsection (b) are met with respect to such business.

''(b) OWNERSHIP REQUIREMENTS.—The ownership requirements of this subsection are met with respect to an enterprise zone business if—

''(1) in the case of a sole proprietorship, the principal place of abode of the proprietor is in an empowerment zone,

''(2) in the case of a corporation, more than 50 percent of the stock (by vote and value) in the corporation is owned (directly or indirectly) by individuals whose principal place of abode is in an empowerment zone, and

''(3) in the case of a partnership, more than 50 percent of the capital and profits interests in the partnership is owned (directly or indirectly) by individuals whose principal place of abode is in an empowerment zone.

''SEC. 1399B. 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) every trade or business of such entity is the active conduct of a qualified business within an empowerment zone,

''(2) at least 80 percent of the total gross income of such entity is derived from the active conduct of such business,

''(3) substantially all of the use of the tangible property of such entity (whether owned or leased) is within an empowerment zone,

''(4) substantially all of the intangible property of such entity is used in, and exclusively related to, the active conduct of any such business,

''(5) substantially all of the services performed for such entity by its employees are performed in an empowerment zone,

''(6) at least 35 percent of its employees are residents of an empowerment zone,

''(7) less than 5 percent of the average of the aggregate unadjusted bases of the property of such

entity is attributable to 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, and

''(8) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to 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 an empowerment zone,

''(2) substantially all of the use of the tangible property of such individual in such business (whether owned or leased) is within an empowerment zone,

''(3) substantially all of the intangible property of such business is used in, and exclusively related to, the active conduct of such business,

''(4) substantially all of the services performed for such individual in such business by employees of

such business are performed in an empowerment zone,

''(5) at least 35 percent of such employees are residents of an empowerment zone,

''(6) 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 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, and

''(7) 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 nonqualified financial property.

For purposes of this subsection, the term 'employee' includes the proprietor.

''(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 to others of real property located in an

empowerment zone shall be treated as a qualified business if and only if—

''(A) the property is not residential rental property (as defined in section 168(e)(2)), and

''(B) at least 50 percent of the gross rental income from the real property is from enterprise zone businesses.

''(3) RENTAL OF TANGIBLE PERSONAL PROPERTY.—The rental to others 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 an empowerment 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.

''(5) CERTAIN BUSINESSES EXCLUDED.—The term 'qualified business' shall not include—

''(A) any trade or business consisting of the operation of any facility described in section 144(c)(6)(B), and

''(B) any trade or business the principal activity of which is farming (within the meaning

of subparagraphs (A) or (B) of section 2032A(e)(5)), but only if, as of the close of the preceding taxable year, the sum of—

''(i) the aggregate unadjusted bases (or, if greater, the fair market value) of the assets owned by the taxpayer which are used in such a trade or business, and

''(ii) the aggregate value of assets leased by the taxpayer which are used in such a trade or business,

exceeds $500,000.

For purposes of subparagraph (B), rules similar to the rules of section 1397(b) shall apply.

''(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).

"PART IV—REGULATIONS

''Sec. 1399C. Regulations.

"SEC. 1399C. REGULATIONS.

''The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of parts II and III, including—

''(1) regulations limiting the benefit of parts II and III 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 parts II and III, and

''(3) regulations dealing with inadvertent failures of entities to be enterprise 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 empowerment zones and enterprise communities.''

SEC. 14302. EXPANSION OF TARGETED JOBS CREDIT.

(a) ALLOWANCE OF CREDIT FOR HIRING EMPOWERMENT ZONE RESIDENT.—Paragraph (1) of section 51(d) (defining members of targeted groups) is amended by striking ''or'' at the end of subparagraph (I),

by striking the period at the end of subparagraph (J) and inserting ‘‘, or’’, and by adding at the end the following new subparagraph:

‘‘(K) an economically disadvantaged empowerment zone resident.’’

(b) ECONOMICALLY DISADVANTAGED EMPOWERMENT ZONE RESIDENT.—Section 51(d) is amended by redesignating paragraphs (13) through (16) as paragraphs (14) through (17), respectively, and by inserting after paragraph (12) the following new paragraph:

‘‘(13) ECONOMICALLY DISADVANTAGED EMPOWERMENT ZONE RESIDENT.—The term ‘economically disadvantaged empowerment zone resident’ means an individual—

‘‘(A) whose principal place of abode while performing services for the employer is within an empowerment zone, and

‘‘(B) who is certified by the designated local agency as being a member of an economically disadvantaged family (as determined under paragraph (11)).

Such term shall not include a qualified zone employee (as defined in section 1396(d) without regard to paragraph (2) thereof).’’

(c) CONFORMING AMENDMENT.—Subparagraph (C) of section 51(d)(12) is amended by striking ''paragraph (14)'' and inserting ''paragraph (15)''.

SEC. 14303. TECHNICAL AND CONFORMING AMENDMENTS.

(a) CERTAIN CREDITS 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 (7), by striking the period at the end of paragraph (8) and inserting a comma, and by adding at the end the following new paragraphs:

''(9) the empowerment zone employment credit determined under section 1396(a), plus

''(10) the zone resident empowerment savings credit determined under section 1398.''

(2) Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

''(4) ENTERPRISE ZONE CREDITS.—No portion of the unused business credit which is attributable to the credit determined under section 1396 (relating to empowerment zone employment credit) or section 1398 (relating to zone resident empowerment savings credit) may be carried to any taxable year ending before January 1, 1994.''

(b) DENIAL OF DEDUCTION FOR PORTION OF WAGES EQUAL TO EMPOWERMENT 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 1396(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 empowerment zone employment credit determined under section 1396(a).''

(c) EMPLOYMENT AND SAVINGS CREDITS MAY OFFSET 25 PERCENT OF MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax) is amended by

redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

''(2) EMPOWERMENT ZONE CREDITS MAY OFFSET 25 PERCENT OF MINIMUM TAX.—

''(A) IN GENERAL.—In the case of the empowerment zone credits—

''(i) this section and section 39 shall be applied separately with respect to such credits, and

''(ii) for purposes of applying paragraph (1) to such credits—

''(I) 75 percent of the tentative minimum tax shall be substituted for the tentative minimum tax under subparagraph (A) thereof, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the empowerment zone credits).

''(B) EMPOWERMENT ZONE CREDITS.—For purposes of this paragraph, the term 'empowerment zone credits' means the portion

of the credit under subsection (a) which is attributable to the credits determined under section 1396 (relating to empowerment zone employment credit) and section 1398 (relating to zone resident empowerment savings credit).''

(d) CHANGES RELATING TO EMPOWERMENT ZONE RESIDENT EMPOWERMENT SAVINGS CREDIT.—

(1) DISALLOWANCE OF DEDUCTION.—Section 404 (relating to deduction for certain employer contributions) is amended by adding at the end the following new subsection:

''(m) COORDINATION WITH EMPOWERMENT ZONE CREDIT.—No deduction shall be allowed under this section for any qualified employer contribution taken into account in computing the credit determined under section 1398.''

(2) PENALTY-FREE DISTRIBUTIONS.—

(A) IN GENERAL.—Paragraph (2) of section 72(t) (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end thereof the following new subparagraph:

"(D) DISTRIBUTIONS FROM CERTAIN PLANS FOR FIRST HOME PURCHASES OR EDUCATIONAL EXPENSES.—

"(i) IN GENERAL.—Distributions to an individual from a qualified retirement plan—

"(I) which are qualified first-time homebuyer distributions (as defined in paragraph (6)),

"(II) to the extent such distributions do not exceed the qualified higher education expenses (as defined in paragraph (7)) of the taxpayer for the taxable year, or

"(III) to the extent such distributions do not exceed an amount equal to the aggregate investment made by the taxpayer during the taxable year in any enterprise zone business (as defined in section 1399B) that meets the ownership requirements of section 1399A(b).

"(ii) LIMITATION.—Clause (i) shall not apply to the extent that the aggregate

amount of the distributions described in clause (i) is greater than the excess of—

''(I) the qualified savings contributions (as defined in section 1398(b)) of the taxpayer, and any earnings thereon, over

''(II) the aggregate amounts to which clause (i) and the last sentence of paragraph (3)(A) applied for preceding taxable years.''

(B) DEFINITIONS.—Section 72(t) is amended by adding at the end thereof the following new paragraphs:

''(6) QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTIONS.—For purposes of paragraph (2)(D)(i)(I)—

''(A) IN GENERAL.—The term 'qualified first-time homebuyer distribution' means any payment or distribution received by an individual to the extent such payment or distribution is used by the individual before the close of the 60th day after the day on which such payment or distribution is received to pay qualified acquisition costs with respect to a principal resi-

dence of a first-time homebuyer who is such individual or the spouse of such individual.

''(B) QUALIFIED ACQUISITION COSTS.—For purposes of this paragraph, the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. Such term includes any usual or reasonable settlement, financing, or other closing costs.

''(C) FIRST-TIME HOMEBUYER; OTHER DEFINITIONS.—For purposes of this paragraph—

''(i) FIRST-TIME HOMEBUYER.—The term 'first-time homebuyer' means any individual if—

''(I) such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this paragraph applies, and

''(II) subsection (a)(6), (h), or (k) of section 1034 did not suspend the running of any period of time

specified in section 1034 with respect to such individual on the day before the date the distribution is applied pursuant to subparagraph (A)(ii).

''(ii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 1034.

''(iii) DATE OF ACQUISITION.—The term 'date of acquisition' means the date—

''(I) on which a binding contract to acquire the principal residence to which subparagraph (A) applies is entered into, or

''(II) on which construction or reconstruction of such a principal residence is commenced.

''(D) SPECIAL RULE WHERE DELAY IN ACQUISITION.—If any distribution from any qualified retirement plan fails to meet the requirements of subparagraph (A) solely by reason of a delay or cancellation of the purchase or construction of the residence, the amount of the distribution may be recontributed to the plan from which it was distributed within 120 days after the date of such distribution.

''(7) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of paragraph (2)(D)(ii)(II)—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse, or

''(iii) the taxpayer's child (as defined in section 151(c)(3)) or grandchild,

at an eligible educational institution (as defined in section 135(c)(3)).

''(B) COORDINATION WITH SAVINGS BOND PROVISIONS.—The amount of qualified higher education expenses for any taxable year shall be reduced by any amount excludable from gross income under section 135.''

(C) CONFORMING AMENDMENTS.—

(i) Subparagraph (B) of section 72(t)(2) is amended by striking ''or (C)'' and inserting '', (C), or (D)''.

(ii) Section 401(k)(2)(B)(i) is amended by striking ''or'' at the end of subclause (III), by striking ''and'' at the end of

subclause (IV) and inserting ''or'', and by inserting after subclause (IV) the following new subclause:

''(V) subject to the limitation of section 72(t)(2)(D)(ii), the date on which qualified first-time homebuyer distributions (as defined in section 72(t)(6)), distributions for qualified higher education expenses (as defined in section 72(t)(7)), or distributions for investments described in section 72(t)(2)(D)(i)(III) are made, and''.

(e) AMENDMENT OF TARGETED JOBS CREDIT.—Subparagraph (A) of section 51(i)(1) is amended by inserting '', or, if the taxpayer is an entity other than a corporation, to any individual who owns, directly or indirectly, more than 50 percent of the capital and profits interests in the entity,'' after ''of the corporation''.

(f) CARRYOVERS.—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 sec-

tion 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.''

SEC. 14304. EFFECTIVE DATE.

The amendments made by this part shall take effect on the date of the enactment of this Act.

PART II—CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS

SEC. 14311. 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 con-

tribution 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 corporation which may be designated by such corporation shall not exceed $4,000,000.

(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 July 1, 1994. At least 4 of the operational areas of the corporations selected must be rural areas (as defined by section 1393(a)(3) 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 section 1392(a)(3).

(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 individ-

uals 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.

Subtitle D—Other Provisions

PART I—DISCLOSURE PROVISIONS

SEC. 14401. DISCLOSURE OF RETURN INFORMATION FOR ADMINISTRATION OF CERTAIN VETERANS PROGRAMS.

(a) GENERAL RULE.—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking ''September 30, 1997'' in the second sentence following clause (viii) and inserting ''September 30, 1998''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 14402. DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.

(a) GENERAL RULE.—Subsection (l) of section 6103 (relating to confidentiality and disclosure of returns and return information) is amended by adding at the end thereof the following new paragraph:

"(13) DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.—

"(A) IN GENERAL.—The Secretary may, upon written request from the Secretary of Education, disclose to officers and employees of the Department of Education return information with respect to a taxpayer who has received an applicable student loan and whose loan repayment amounts are based in whole or in part on the taxpayer's income. Such return information shall be limited to—

"(i) taxpayer identity information with respect to such taxpayer,

"(ii) the filing status of such taxpayer, and

"(iii) the adjusted gross income of such taxpayer.

"(B) RESTRICTION ON USE OF DISCLOSED INFORMATION.—Return information disclosed under subparagraph (A) may be used by officers and employees of the Department of Education only for the purposes of, and to the extent necessary in, establishing the appropriate

income contingent repayment amount for an applicable student loan.

''(C) APPLICABLE STUDENT LOAN.—For purposes of this paragraph, the term 'applicable student loan' means—

''(i) any loan made under the program authorized under part D of title IV of the Higher Education Act of 1965, and

''(ii) any loan made under part B or E of title IV of the Higher Education Act of 1965 which is in default and has been assigned to the Department of Education.

''(D) TERMINATION.—This paragraph shall not apply to any request made after September 30, 1998.''

(b) CONFORMING AMENDMENTS.—

(1) So much of paragraph (4) of section 6103(m) as precedes subparagraph (B) thereof is amended to read as follows:

''(4) INDIVIDUALS WHO OWE AN OVERPAYMENT OF FEDERAL PELL GRANTS OR WHO HAVE DEFAULTED ON STUDENT LOANS ADMINISTERED BY THE DEPARTMENT OF EDUCATION.—

''(A) IN GENERAL.—Upon written request by the Secretary of Education, the Secretary

may disclose the mailing address of any taxpayer—

''(i) who owes an overpayment of a grant awarded to such taxpayer under subpart 1 of part A of title IV of the Higher Education Act of 1965, or

''(ii) who has defaulted on a loan—

''(I) made under part B, D, or E of title IV of the Higher Education Act of 1965, or

''(II) made pursuant to section 3(a)(1) of the Migration and Refugee Assistance Act of 1962 to a student at an institution of higher education,

for use only by officers, employees, or agents of the Department of Education for purposes of locating such taxpayer for purposes of collecting such overpayment or loan.''

(2) Subparagraph (B) of section 6103(m)(4) is amended—

(A) in clause (i), by striking ''under part B'' and inserting ''under part B or D''; and

(B) in clause (ii), by striking ''under part E'' and inserting ''under subpart 1 of part A, or part D or E,'';

(3) Section 6103(p) is amended—

(A) in paragraph (3)(A), by striking ''(11), or (12), (m)'' and inserting ''(11), (12), or (13), (m)'';

(B) in paragraph (4)—

(i) in the matter preceding subparagraph (A), by striking out ''(10), or (11),'' and inserting ''(10), (11), or (13),'', and

(ii) in subparagraph (F)(ii), by striking ''(11), or (12),'' and inserting ''(11), (12), or (13),''.

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

(d) STUDY OF INTERNAL REVENUE SERVICE COLLECTION OF STUDENT LOANS.—

(1) GENERAL RULE.—The Secretary of the Treasury, in consultation with the Secretary of Education, shall conduct a study of the feasibility of implementing a system for the repayment of Federal student loans through wage withholding or other means involving the Internal Revenue Service. Such study shall include an examination of—

(A) whether the Internal Revenue Service could implement such a system within its cur-

rent resources and without adversely affecting the ability of the Internal Revenue Service to collect tax revenues,

(B) the cumulative impact on voluntary compliance with the tax system of increased disclosure of tax return information and increased Internal Revenue Service involvement in nontax collection activities,

(C) the anticipated effect on the management of Federal student loan collections and on borrower repayment of such loans, and

(D) the ability of the Internal Revenue Service to effectively service student loans.

(2) RECOMMENDATIONS.—Not later than the date 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Congress a report on the study conducted under paragraph (1) (together with such legislative recommendations as such Secretary may deem advisable).

SEC. 14403. USE OF RETURN INFORMATION FOR INCOME VERIFICATION UNDER CERTAIN HOUSING ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Subparagraph (D) of section 6103(l)(7) (relating to the disclosure of return information

to Federal, State, and local agencies administering certain programs) is amended—

(1) in clause (vii), by striking ''and'' at the end;

(2) in clause (viii), by striking the period at the end and inserting ''; and'';

(3) by inserting after clause (viii) the following new clause:

''(ix) any housing assistance program administered by the Department of Housing and Urban Development that involves initial and periodic review of an applicant's or participant's income, except that return information may be disclosed under this clause only on written request by the Secretary of Housing and Urban Development and only for use by officers and employees of the Department of Housing and Urban Development with respect to applicants for and participants in such programs.''; and

(4) by adding at the end thereof the following: ''Clause (ix) shall not apply after September 30, 1998.''

(b) CONFORMING AMENDMENT.—The heading of paragraph (7) of section 6103(l) is amended by inserting after ''CODE'' the following: '', OR CERTAIN HOUSING ASSISTANCE PROGRAMS''.

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

(d) STUDY.—The Secretary of the Treasury or his delegate, in consultation with the Secretary of Housing and Urban Development, shall conduct a study on—

(1) whether the information provided under section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986 is being used effectively by the Department of Housing and Urban Development,

(2) such Department's compliance with the requirements of section 6103(p) of such Code, and

(3) the impact on the privacy rights of applicants for and participants in housing assistance programs administered by the Department of Housing and Urban Development.

The report of such study shall be submitted before January 1, 1998, to the Congress.

PART II—USER FEE PROVISIONS

SEC. 14411. FEES FOR APPLICATIONS FOR ALCOHOL LABELING AND FORMULA REVIEWS.

(a) IN GENERAL.—The Secretary of the Treasury or his delegate (hereinafter in this section referred to as the 'Secretary') shall establish a program requiring the payment of user fees for—

(1) requests for each certificate of alcohol label approval required under the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.) and for each request for exemption from such requirement, and

(2) requests for each formula review, and requests for each statement of process (including laboratory tests and analyses), under such Act or under chapter 51 of the Internal Revenue Code of 1986.

(b) PROGRAM CRITERIA.—

(1) IN GENERAL.—The fees charged under the program required by subsection (a) shall be determined such that the Secretary estimates that the aggregate of such fees received during any fiscal year will be $5,000,000.

(2) MINIMUM FEES.—The fee charged under the program required by subsection (a) shall not be less than—

(A) $50 for each request referred to in subsection (a)(1), and

(B) $250 for each request referred to in subsection (a)(2).

(c) APPLICATION OF SECTION.—Subsection (a) shall apply to requests made on or after the 90th day after the date of the enactment of this Act.

(d) DEPOSIT AND CREDIT AS OFFSETTING RECEIPTS.—The amounts collected by the Secretary under the program required by subsection (a) (to the extent such amounts do not exceed $5,000,000) shall be deposited into the Treasury as offsetting receipts and ascribed to the alcohol compliance program of the Bureau of Alcohol, Tobacco, and Firearms.

SEC. 14412. USE OF HARBOR MAINTENANCE TRUST FUND AMOUNTS FOR ADMINISTRATIVE EXPENSES.

(a) IN GENERAL.—Paragraph (3) of section 9505(c) (relating to expenditures from Harbor Maintenance Trust Fund) is amended to read as follows:

> ''(3) for the payment of all expenses of administration incurred by the Department of the Treasury in administering subchapter A of chapter 36 (relating to harbor maintenance tax), but not in excess of $5,000,000 for any fiscal year.''

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

SEC. 14413. INCREASE IN TAX ON FUEL USED IN COMMERCIAL TRANSPORTATION ON INLAND WATERWAYS.

(a) IN GENERAL.—The table contained in section 4042(a)(2)(A) is amended to read as follows:

"If the use occurs during:	The tax per gallon is:
1994	24 cents
1995	40 cents
1996	55 cents
1997 or thereafter	70 cents.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1994.

PART III—PUBLIC DEBT LIMIT

SEC. 14421. INCREASE IN PUBLIC DEBT LIMIT.

(a) GENERAL RULE.—Subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof ''$4,900,000,000,000''.

(b) REPEAL OF TEMPORARY INCREASE.—Effective on and after the date of the enactment of this Act, section 1 of Public Law 103–12 is hereby repealed.

PART IV—VACCINE PROVISIONS

SEC. 14431. EXCISE TAX ON CERTAIN VACCINES MADE PERMANENT.

(a) TAX.—Subsection (c) of section 4131 (relating to tax on certain vaccines) is amended to read as follows:

''(c) APPLICATION OF SECTION.—The tax imposed by this section shall apply—

''(1) after December 31, 1987, and before January 1, 1993, and

''(2) during periods after the date of the enactment of this subsection.''

(b) TRUST FUND.—Paragraph (1) of section 9510(c) (relating to expenditures from Vaccine Injury Compensation Trust Fund) is amended by striking ''and before October 1, 1992,''.

(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,

(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 1 year after the date of the enactment of this Act, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) FLOOR STOCKS TAX.—

(1) IMPOSITION OF TAX.—On any taxable vaccine—

(A) which was sold by the manufacturer, producer, or importer before the date of the enactment of this Act,

(B) on which no tax was imposed by section 4131 of the Internal Revenue Code of 1986 (or, if such tax was imposed, was credited or refunded), and

(C) which is held on such date by any person for sale or use,

there is hereby imposed a tax in the amount determined under section 4131(b) of such Code.

(2) LIABILITY FOR TAX AND METHOD OF PAYMENT.—

(A) LIABILITY FOR TAX.—The person holding any taxable vaccine to which the tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT.—The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

(C) TIME FOR PAYMENT.—The tax imposed by paragraph (1) shall be paid on or before the last day of the 6th month beginning after the date of the enactment of this Act.

(3) DEFINITIONS.—For purposes of this subsection, terms used in this subsection which are also used in section 4131 of such Code shall have the respective meanings such terms have in such section.

(4) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4131 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such section 4131.

SEC. 14432. CONTINUATION COVERAGE UNDER GROUP HEALTH PLANS OF COSTS OF PEDIATRIC VACCINES.

(a) IN GENERAL.—Paragraph (1) of section 4980B(f) is amended by inserting ''the coverage of the costs of pediatric vaccines (as defined under section 2162 of the Public Health Service Act) is not reduced below the coverage provided by the plan as of May 1, 1993, and only if'' after ''only if''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to plan years beginning after the date of the enactment of this Act.

SEC. 14433. CHILDHOOD IMMUNIZATION TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 (relating to trust fund code) is amended by adding at the end thereof the following new section:

"SEC. 9512. CHILDHOOD IMMUNIZATION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Childhood Immunization Trust Fund', consisting of such amounts as may be appropriated or credited to such Trust Fund as provided in this section or section 9602(b).

''(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Childhood Immunization Trust Fund amounts equivalent to the taxes received in the Treasury under any tax hereafter specified by law for purposes of this subsection.

''(c) EXPENDITURES FROM TRUST FUND.—Amounts in the Childhood Immunization Trust Fund shall be available, as provided in appropriation Acts, only for purposes of making expenditures to carry out part A of subtitle 3 of title XXI of the Public Health Service Act.''

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter A is amended by adding at the end thereof the following new item:

''Sec. 9512. Childhood Immunization Trust Fund.''

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