

104TH CONGRESS
2D SESSION

S. 1568

To amend the Internal Revenue Code of 1986 to provide for the extension of certain expiring provisions.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, FEBRUARY 7), 1996

Mr. HATCH (for himself, Mr. BAUCUS, Mr. SIMPSON, and Mr. D'AMATO) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for the extension of certain expiring provisions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. WORK OPPORTUNITY TAX CREDIT.**

4 (a) AMOUNT OF CREDIT.—Subsection (a) of section
5 51 of the Internal Revenue Code of 1986 (relating to
6 amount of credit) is amended by striking “40 percent”
7 and inserting “35 percent”.

8 (b) MEMBERS OF TARGETED GROUPS.—Subsection
9 (d) of section 51 of the Internal Revenue Code of 1986
10 is amended to read as follows:

1 “(d) MEMBERS OF TARGETED GROUPS.—For pur-
2 poses of this subpart—

3 “(1) IN GENERAL.—An individual is a member
4 of a targeted group if such individual is—

5 “(A) a qualified IV–A recipient,

6 “(B) a qualified veteran,

7 “(C) a qualified ex-felon,

8 “(D) a high-risk youth,

9 “(E) a vocational rehabilitation referral,

10 “(F) a qualified summer youth employee,

11 or

12 “(G) a qualified food stamp recipient.

13 “(2) QUALIFIED IV–A RECIPIENT.—

14 “(A) IN GENERAL.—The term ‘qualified
15 IV–A recipient’ means any individual who is
16 certified by the designated local agency as being
17 a member of a family receiving assistance under
18 a IV–A program for at least a 9-month period
19 ending during the 9-month period ending on the
20 hiring date.

21 “(B) IV–A PROGRAM.—For purposes of
22 this paragraph, the term ‘IV–A program’ means
23 any program providing assistance under a State
24 plan approved under part A of title IV of the
25 Social Security Act (relating to assistance for

1 needy families with minor children) and any
2 successor of such program.

3 “(3) QUALIFIED VETERAN.—

4 “(A) IN GENERAL.—The term ‘qualified
5 veteran’ means any veteran who is certified by
6 the designated local agency as being—

7 “(i) a member of a family receiving
8 assistance under a IV–A program (as de-
9 fined in paragraph (2)(B)) for at least a 9-
10 month period ending during the 12-month
11 period ending on the hiring date, or

12 “(ii) a member of a family receiving
13 assistance under a food stamp program
14 under the Food Stamp Act of 1977 for at
15 least a 3-month period ending during the
16 12-month period ending on the hiring date.

17 “(B) VETERAN.—For purposes of subpara-
18 graph (A), the term ‘veteran’ means any indi-
19 vidual who is certified by the designated local
20 agency as—

21 “(i)(I) having served on active duty
22 (other than active duty for training) in the
23 Armed Forces of the United States for a
24 period of more than 180 days, or

1 “(II) having been discharged or re-
2 leased from active duty in the Armed
3 Forces of the United States for a service-
4 connected disability, and

5 “(ii) not having any day during the
6 60-day period ending on the hiring date
7 which was a day of extended active duty in
8 the Armed Forces of the United States.

9 For purposes of clause (ii), the term ‘extended
10 active duty’ means a period of more than 90
11 days during which the individual was on active
12 duty (other than active duty for training).

13 “(4) QUALIFIED EX-FELON.—The term ‘quali-
14 fied ex-felon’ means any individual who is certified
15 by the designated local agency—

16 “(A) as having been convicted of a felony
17 under any statute of the United States or any
18 State,

19 “(B) as having a hiring date which is not
20 more than 1 year after the last date on which
21 such individual was so convicted or was released
22 from prison, and

23 “(C) as being a member of a family which
24 had an income during the 6 months imme-
25 diately preceding the earlier of the month in

1 which such income determination occurs or the
2 month in which the hiring date occurs, which,
3 on an annual basis, would be 70 percent or less
4 of the Bureau of Labor Statistics lower living
5 standard.

6 Any determination under subparagraph (C) shall be
7 valid for the 45-day period beginning on the date
8 such determination is made.

9 “(5) HIGH-RISK YOUTH.—

10 “(A) IN GENERAL.—The term ‘high-risk
11 youth’ means any individual who is certified by
12 the designated local agency—

13 “(i) as having attained age 18 but not
14 age 25 on the hiring date, and

15 “(ii) as having his principal place of
16 abode within an empowerment zone or en-
17 terprise community.

18 “(B) YOUTH MUST CONTINUE TO RESIDE
19 IN ZONE.—In the case of a high-risk youth, the
20 term ‘qualified wages’ shall not include wages
21 paid or incurred for services performed while
22 such youth’s principal place of abode is outside
23 an empowerment zone or enterprise community.

24 “(6) VOCATIONAL REHABILITATION REFER-
25 RAL.—The term ‘vocational rehabilitation referral’

1 means any individual who is certified by the des-
2 ignated local agency as—

3 “(A) having a physical or mental disability
4 which, for such individual, constitutes or results
5 in a substantial handicap to employment, and

6 “(B) having been referred to the employer
7 upon completion of (or while receiving) rehabili-
8 tative services pursuant to—

9 “(i) an individualized written rehabili-
10 tation plan under a State plan for voca-
11 tional rehabilitation services approved
12 under the Rehabilitation Act of 1973, or

13 “(ii) a program of vocational rehabili-
14 tation carried out under chapter 31 of title
15 38, United States Code.

16 “(7) QUALIFIED SUMMER YOUTH EMPLOYEE.—

17 “(A) IN GENERAL.—The term ‘qualified
18 summer youth employee’ means any individ-
19 ual—

20 “(i) who performs services for the em-
21 ployer between May 1 and September 15,

22 “(ii) who is certified by the designated
23 local agency as having attained age 16 but
24 not 18 on the hiring date (or if later, on
25 May 1 of the calendar year involved),

1 “(iii) who has not been an employee
2 of the employer during any period prior to
3 the 90-day period described in subpara-
4 graph (B)(i), and

5 “(iv) who is certified by the des-
6 ignated local agency as—

7 “(I) having his principal place of
8 abode within an empowerment zone or
9 enterprise community, or

10 “(II) being a member of a family
11 receiving assistance under a food
12 stamp program under the Food
13 Stamp Act of 1977 for at least a 3-
14 month period ending during the 12-
15 month period ending on the hiring
16 date.

17 “(B) SPECIAL RULES FOR DETERMINING
18 AMOUNT OF CREDIT.—For purposes of applying
19 this subpart to wages paid or incurred to any
20 qualified summer youth employee—

21 “(i) subsection (b)(2) shall be applied
22 by substituting ‘any 90-day period between
23 May 1 and September 15’ for ‘the 1-year
24 period beginning with the day the individ-
25 ual begins work for the employer’, and

1 “(ii) subsection (b)(3) shall be applied
2 by substituting ‘\$3,000’ for ‘\$6,000’.

3 The preceding sentence shall not apply to an in-
4 dividual who, with respect to the same em-
5 ployer, is certified as a member of another tar-
6 geted group after such individual has been a
7 qualified summer youth employee.

8 “(C) YOUTH MUST CONTINUE TO RESIDE
9 IN ZONE.—Paragraph (5)(B) shall apply for
10 purposes of subparagraph (A)(iv)(I).

11 “(8) QUALIFIED FOOD STAMP RECIPIENT.—

12 “(A) IN GENERAL.—The term ‘qualified
13 food stamp recipient’ means any individual who
14 is certified by the designated local agency—

15 “(i) as having attained age 18 but not
16 age 25 on the hiring date, and

17 “(ii) as being a member of a family
18 receiving assistance under a food stamp
19 program under the Food Stamp Act of
20 1977 for at least a 3-month period ending
21 during the 12-month period ending on the
22 hiring date.

23 “(9) HIRING DATE.—The term ‘hiring date’
24 means the day the individual is hired by the em-
25 ployer.

1 “(10) DESIGNATED LOCAL AGENCY.—The term
2 ‘designated local agency’ means a State employment
3 security agency established in accordance with the
4 Act of June 6, 1933, as amended (29 U.S.C. 49–
5 49n).

6 “(11) SPECIAL RULES FOR CERTIFICATIONS.—

7 “(A) IN GENERAL.—An individual shall
8 not be treated as a member of a targeted group
9 unless—

10 “(i) on or before the day on which
11 such individual begins work for the em-
12 ployer, the employer has received a certifi-
13 cation from a designated local agency that
14 such individual is a member of a targeted
15 group, or

16 “(ii)(I) on or before the day the indi-
17 vidual is offered employment with the em-
18 ployer, a pre-screening notice is completed
19 by the employer with respect to such indi-
20 vidual, and

21 “(II) not later than the 14th day after
22 the individual begins work for the em-
23 ployer, the employer submits such notice,
24 signed by the employer and the individual
25 under penalties of perjury, to the des-

1 ignated local agency as part of a written
2 request for such a certification from such
3 agency.

4 For purposes of this paragraph, the term ‘pre-
5 screening notice’ means a document (in such
6 form as the Secretary shall prescribe) which
7 contains information provided by the individual
8 on the basis of which the employer believes that
9 the individual is a member of a targeted group.

10 “(B) INCORRECT CERTIFICATIONS.—If—

11 “(i) an individual has been certified
12 by a designated local agency as a member
13 of a targeted group, and

14 “(ii) such certification is incorrect be-
15 cause it was based on false information
16 provided by such individual,

17 the certification shall be revoked and wages
18 paid by the employer after the date on which
19 notice of revocation is received by the employer
20 shall not be treated as qualified wages.

21 “(C) EXPLANATION OF DENIAL OF RE-
22 QUEST.—If a designated local agency denies a
23 request for certification of membership in a tar-
24 geted group, such agency shall provide to the

1 person making such request a written expla-
2 nation of the reasons for such denial.”.

3 (c) MINIMUM EMPLOYMENT PERIOD.—Paragraph
4 (3) of section 51(i) of the Internal Revenue Code of 1986
5 (relating to certain individuals ineligible) is amended to
6 read as follows:

7 “(3) INDIVIDUALS NOT MEETING MINIMUM EM-
8 PLOYMENT PERIOD.—No wages shall be taken into
9 account under subsection (a) with respect to any in-
10 dividual unless such individual either—

11 “(A) is employed by the employer at least
12 180 days (20 days in the case of a qualified
13 summer youth employee), or

14 “(B) has completed at least 250 hours
15 (120 hours in the case of a qualified summer
16 youth employee) of services performed for the
17 employer.”.

18 (d) TERMINATION.—Paragraph (4) of section 51(c)
19 of the Internal Revenue Code of 1986 (relating to wages
20 defined) is amended to read as follows:

21 “(4) TERMINATION.—The term ‘wages’ shall
22 not include any amount paid or incurred to an indi-
23 vidual who begins work for the employer—

24 “(A) after December 31, 1994, and before
25 January 1, 1996, or

1 “(B) after December 31, 1997.”.

2 (e) REDESIGNATION OF CREDIT.—

3 (1) Sections 38(b)(2) and 51(a) of the Internal
4 Revenue Code of 1986 are each amended by striking
5 “targeted jobs credit” and inserting “work oppor-
6 tunity credit”.

7 (2) The subpart heading for subpart F of part
8 IV of subchapter A of chapter 1 of such Code is
9 amended by striking “**Targeted Jobs Credit**”
10 and inserting “**Work Opportunity Credit**”.

11 (3) The table of subparts for such part IV is
12 amended by striking “targeted jobs credit” and in-
13 serting “work opportunity credit”.

14 (4) The heading for paragraph (3) of section
15 1396(c) of such Code is amended by striking “TAR-
16 GETED JOBS CREDIT” and inserting “WORK OPPOR-
17 TUNITY CREDIT”.

18 (f) TECHNICAL AMENDMENTS.—

19 (1) Paragraph (1) of section 51(c) of the Inter-
20 nal Revenue Code of 1986 is amended by striking
21 “, subsection (d)(8)(D),”.

22 (2) Paragraph (3) of section 51(i) of such Code
23 is amended by striking “(d)(12)” each place it ap-
24 pears and inserting “(d)(6)”.

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to individuals who begin work for
3 the employer after December 31, 1995.

4 **SEC. 2. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE**
5 **PROGRAMS.**

6 (a) EXTENSION.—Subsection (d) of section 127 of
7 the Internal Revenue Code of 1986 (relating to edu-
8 cational assistance programs) is amended by striking “De-
9 cember 31, 1994” and inserting “December 31, 1997”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 1994.

13 **SEC. 3. RESEARCH CREDIT.**

14 (a) IN GENERAL.—Subsection (h) of section 41 of the
15 Internal Revenue Code of 1986 (relating to credit for re-
16 search activities) is amended—

17 (1) by striking “June 30, 1995” each place it
18 appears and inserting “December 31, 1997”, and

19 (2) by striking “July 1, 1995” each place it ap-
20 pears and inserting “January 1, 1998”.

21 (b) BASE AMOUNT FOR START-UP COMPANIES.—
22 Clause (i) of section 41(c)(3)(B) of the Internal Revenue
23 Code of 1986 (relating to start-up companies) is amended
24 to read as follows:

1 “(i) TAXPAYERS TO WHICH SUBPARA-
 2 GRAPH APPLIES.—The fixed-base percent-
 3 age shall be determined under this sub-
 4 paragraph if—

5 “(I) the first taxable year in
 6 which a taxpayer had both gross re-
 7 ceipts and qualified research expenses
 8 begins after December 31, 1983, or

9 “(II) there are fewer than 3 tax-
 10 able years beginning after December
 11 31, 1983, and before January 1,
 12 1989, in which the taxpayer had both
 13 gross receipts and qualified research
 14 expenses.”.

15 (c) ELECTION OF ALTERNATIVE INCREMENTAL
 16 CREDIT.—Subsection (c) of section 41 of the Internal
 17 Revenue Code of 1986 is amended by redesignating para-
 18 graphs (4) and (5) as paragraphs (5) and (6), respectively,
 19 and by inserting after paragraph (3) the following new
 20 paragraph:

21 “(4) ELECTION OF ALTERNATIVE INCREMEN-
 22 TAL CREDIT.—

23 “(A) IN GENERAL.—At the election of the
 24 taxpayer, the credit determined under sub-
 25 section (a)(1) shall be equal to the sum of—

1 “(i) 1.65 percent of so much of the
2 qualified research expenses for the taxable
3 year as exceeds 1 percent of the average
4 described in subsection (c)(1)(B) but does
5 not exceed 1.5 percent of such average,

6 “(ii) 2.2 percent of so much of such
7 expenses as exceeds 1.5 percent of such av-
8 erage but does not exceed 2 percent of
9 such average, and

10 “(iii) 2.75 percent of so much of such
11 expenses as exceeds 2 percent of such aver-
12 age.

13 “(B) ELECTION.—An election under this
14 paragraph may be made only for the first tax-
15 able year of the taxpayer beginning after June
16 30, 1995. Such an election shall apply to the
17 taxable year for which made and all succeeding
18 taxable years unless revoked with the consent of
19 the Secretary.”.

20 (d) INCREASED CREDIT FOR CONTRACT RESEARCH
21 EXPENSES WITH RESPECT TO CERTAIN RESEARCH CON-
22 SORTIA.—Paragraph (3) of section 41(b) of the Internal
23 Revenue Code of 1986 is amended by adding at the end
24 the following new subparagraph:

1 “(C) AMOUNTS PAID TO CERTAIN RE-
2 SEARCH CONSORTIA.—

3 “(i) IN GENERAL.—Subparagraph (A)
4 shall be applied by substituting ‘75 per-
5 cent’ for ‘65 percent’ with respect to
6 amounts paid or incurred by the taxpayer
7 to a qualified research consortium for
8 qualified research.

9 “(ii) QUALIFIED RESEARCH CONSOR-
10 TIUM.—The term ‘qualified research con-
11 sortium’ means any organization described
12 in subsection (e)(6)(B) if—

13 “(I) at least 15 unrelated tax-
14 payers paid (during the calendar year
15 in which the taxable year of the tax-
16 payer begins) amounts to such organi-
17 zation for qualified research,

18 “(II) no 3 persons paid during
19 such calendar year more than 50 per-
20 cent of the total amounts paid during
21 such calendar year for qualified re-
22 search, and

23 “(III) no person contributed
24 more than 20 percent of such total
25 amounts.

1 For purposes of subclause (I), all persons
2 treated as a single employer under sub-
3 section (a) or (b) of section 52 shall be
4 treated as related taxpayers.”.

5 (e) CONFORMING AMENDMENT.—Subparagraph (D)
6 of section 28(b)(1) of the Internal Revenue Code of 1986
7 is amended by striking “June 30, 1995” and inserting
8 “December 31, 1997”.

9 (f) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as provided in para-
11 graph (2), the amendments made by this section
12 shall apply to taxable years ending after June 30,
13 1995.

14 (2) SUBSECTIONS (c) AND (d).—The amend-
15 ments made by subsections (c) and (d) shall apply
16 to taxable years beginning after June 30, 1995.

17 **SEC. 4. ORPHAN DRUG TAX CREDIT.**

18 (a) RECATEGORIZED AS A BUSINESS CREDIT.—

19 (1) IN GENERAL.—Section 28 of the Internal
20 Revenue Code of 1986 (relating to clinical testing
21 expenses for certain drugs for rare diseases or condi-
22 tions) is transferred to subpart D of part IV of sub-
23 chapter A of chapter 1 of such Code, inserted after
24 section 45B, and redesignated as section 45C.

1 (2) CONFORMING AMENDMENT.—Subsection (b)
2 of section 38 of such Code (relating to general busi-
3 ness credit) is amended by striking “plus” at the
4 end of paragraph (10), by striking the period at the
5 end of paragraph (11) and inserting “, plus”, and
6 by adding at the end the following new paragraph:

7 “(12) the orphan drug credit determined under
8 section 45C(a).”.

9 (3) CLERICAL AMENDMENTS.—

10 (A) The table of sections for subpart B of
11 such part IV is amended by striking the item
12 relating to section 28.

13 (B) The table of sections for subpart D of
14 such part IV is amended by adding at the end
15 the following new item:

“Sec. 45C. Clinical testing expenses for certain drugs for rare diseases or
conditions.”.

16 (b) CREDIT TERMINATION.—Subsection (e) of sec-
17 tion 45C of the Internal Revenue Code of 1986, as reded-
18 ignated by subsection (a)(1), is amended by striking “De-
19 cember 31, 1994” and inserting “December 31, 1997”.

20 (c) NO PRE-1995 CARRYBACKS.—Subsection (d) of
21 section 39 of the Internal Revenue Code of 1986 (relating
22 to carryback and carryforward of unused credits) is
23 amended by adding at the end the following new para-
24 graph:

1 “(7) NO CARRYBACK OF SECTION 45C CREDIT
2 BEFORE 1995.—No portion of the unused business
3 credit for any taxable year which is attributable to
4 the orphan drug credit determined under section
5 45C may be carried back to a taxable year beginning
6 before January 1, 1995.”.

7 (d) ADDITIONAL CONFORMING AMENDMENTS.—

8 (1) Section 45C(a) of the Internal Revenue
9 Code of 1986, as redesignated by subsection (a)(1),
10 is amended by striking “There shall be allowed as a
11 credit against the tax imposed by this chapter for
12 the taxable year” and inserting “For purposes of
13 section 38, the credit determined under this section
14 for the taxable year is”.

15 (2) Section 45C(d) of such Code, as so redesign-
16 ated, is amended by striking paragraph (2) and by
17 redesignating paragraphs (3), (4), and (5) as para-
18 graphs (2), (3), and (4).

19 (3) Section 29(b)(6)(A) of such Code is amend-
20 ed by striking “sections 27 and 28” and inserting
21 “section 27”.

22 (4) Section 30(b)(3)(A) of such Code is amend-
23 ed by striking “sections 27, 28, and 29” and insert-
24 ing “sections 27 and 29”.

1 (5) Section 53(d)(1)(B) of such Code is amend-
2 ed—

3 (A) by striking “or not allowed under sec-
4 tion 28 solely by reason of the application of
5 section 28(d)(2)(B),” in clause (iii), and

6 (B) by striking “or not allowed under sec-
7 tion 28 solely by reason of the application of
8 section 28(d)(2)(B)” in clause (iv)(II).

9 (6) Section 55(c)(2) of such Code is amended
10 by striking “28(d)(2),”.

11 (7) Section 280C(b) of such Code is amended—

12 (A) by striking “section 28(b)” in para-
13 graph (1) and inserting “section 45C(b),”

14 (B) by striking “section 28” in paragraphs
15 (1) and (2)(A) and inserting “section 45C(b),”
16 and

17 (C) by striking “subsection (d)(2) thereof”
18 in paragraphs (1) and (2)(A) and inserting
19 “section 38(c)”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years ending after De-
22 cember 31, 1994.

1 **SEC. 5. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDA-**
2 **TIONS.**

3 (a) IN GENERAL.—Subparagraph (D) of section
4 170(e)(5) of the Internal Revenue Code of 1986 (relating
5 to special rule for contributions of stock for which market
6 quotations are readily available) is amended by striking
7 “December 31, 1994” and inserting “December 31,
8 1997”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to contributions made after De-
11 cember 31, 1994.

12 **SEC. 6. EXTENSION OF BINDING CONTRACT DATE FOR BIO-**
13 **MASS AND COAL FACILITIES.**

14 (a) IN GENERAL.—Subparagraph (A) of section
15 29(g)(1) of the Internal Revenue Code of 1986 (relating
16 to extension of certain facilities) is amended by striking
17 “January 1, 1997” and inserting “January 1, 1999” and
18 by striking “January 1, 1996” and inserting “July 1,
19 1997”.

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

23 **SEC. 7. EXTENSION OF TRANSITION RULE FOR CERTAIN**
24 **PUBLICLY TRADED PARTNERSHIPS.**

25 (a) IN GENERAL.—Subparagraph (B) of section
26 10211(c)(1) of the Revenue Act of 1987 (Public Law 100–

1 203) is amended by striking “December 31, 1997” and
 2 inserting “December 31, 1999”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 this section shall take effect as if included in the provisions
 5 of section 10211 of the Revenue Act of 1987.

6 **SEC. 8. EXTENSION OF GROUP LEGAL SERVICES.**

7 (a) EXTENSION.—Subsection (e) of section 120 of
 8 the Internal Revenue Code of 1986 (relating to amounts
 9 received under qualified group legal services plans) is
 10 amended by striking “June 30, 1992” and inserting “De-
 11 cember 31, 1997”.

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

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