

Union Calendar No. 206

105TH CONGRESS
1ST Session

H. R. 2645

[Report No. 105-356]

A BILL

To make technical corrections related to the Taxpayer Relief Act of 1997 and certain other tax legislation.

OCTOBER 29, 1997

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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To make technical corrections related to the Taxpayer Relief Act of 1997
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IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 1997

Mr. ARCHER (for himself and Mr. RANGEL) introduced the following bill;
which was referred to the Committee on Ways and Means

OCTOBER 29, 1997

Reported with amendments, committed to the Committee of the Whole House
on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in *italie*]

A BILL

To make technical corrections related to the Taxpayer Relief
Act of 1997 and certain other tax legislation.

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. SHORT TITLE.**

4 This Act may be cited as the “Tax Technical Correc-

5 tions Act of 1997”.

1 **SEC. 2. DEFINITIONS.**

2 For purposes of this Act—

3 (1) 1986 CODE.—The term “1986 Code”
4 means the Internal Revenue Code of 1986.

5 (2) 1997 ACT.—The term “1997 Act” means
6 the Taxpayer Relief Act of 1997.

7 **SEC. 3. AMENDMENTS RELATED TO TITLE I OF 1997 ACT.**

8 (a) AMENDMENTS RELATED TO SECTION 101(a) OF
9 1997 ACT.—

10 (1) Subsection (d) of section 24 of the 1986
11 Code is amended—

12 (A) by striking paragraphs (3) and (4),

13 (B) by redesignating paragraph (5) as
14 paragraph (3), and

15 (C) by striking paragraphs (1) and (2) and
16 inserting the following new paragraphs:

17 “(1) IN GENERAL.—In the case of a taxpayer
18 with 3 or more qualifying children for any taxable
19 year, the aggregate credits allowed under subpart C
20 shall be increased by the lesser of—

21 “(A) the credit which would be allowed
22 under this section without regard to this sub-
23 section and the limitation under section 26(a),
24 or

25 “(B) the amount by which the aggregate
26 amount of credits allowed by this subpart (with-

1 out regard to this subsection) would increase if
2 the limitation imposed by section 26(a) were in-
3 creased by the excess (if any) of—

4 “(i) the taxpayer’s social security
5 taxes for the taxable year, over

6 “(ii) the credit allowed under section
7 ~~32 for the taxable year.~~ 32 (determined
8 without regard to subsection (n)) for the
9 taxable year.

10 *The amount of the credit allowed under this sub-*
11 *section shall not be treated as a credit allowed*
12 *under this subpart and shall reduce the amount*
13 *of credit otherwise allowable under subsection (a)*
14 *without regard to section 26(a).*

15 “(2) REDUCTION OF CREDIT TO TAXPAYER
16 SUBJECT TO ALTERNATIVE MINIMUM TAX.—The
17 credit determined under this subsection for the tax-
18 able year shall be reduced by the excess (if any) of—

19 “(A) the amount of tax imposed by section
20 55 (relating to alternative minimum tax) with
21 respect to such taxpayer for such taxable year,
22 over

23 “(B) the amount of the reduction under
24 section 32(h) with respect to such taxpayer for
25 such taxable year.”

1 (2) Paragraph (3) of section 24(d) of the 1986
2 Code (as redesignated by paragraph (1)) is amended
3 by striking “paragraph (3)” and inserting “para-
4 graph (1)”.

5 (b) AMENDMENTS RELATED TO SECTION 101(b) OF
6 1997 ACT.—

7 (1) The subsection (m) of section 32 of the
8 1986 Code added by section 101(b) of the 1997 Act
9 is amended to read as follows:

10 “(n) SUPPLEMENTAL CHILD CREDIT.—

11 “(1) IN GENERAL.—In the case of a taxpayer
12 with respect to whom a credit is allowed under sec-
13 tion 24 for the taxable year, the credit otherwise al-
14 lowable under this section shall be increased by the
15 lesser of—

16 “(A) the credit which would be allowed
17 under section 24 without regard to this sub-
18 section and the limitation under section 26(a),
19 or

20 “(B) the amount by which the aggregate
21 amount of credits allowed by subpart A (with-
22 out regard to this subsection) would be reduced
23 if the limitation imposed by section 26(a) were
24 reduced by the excess (if any) of—

1 “(i) the credit allowed by this section
2 (without regard to this subsection) for the
3 taxable year, over

4 “(ii) the taxpayer’s social security
5 taxes (as defined in section 24(d)) for the
6 taxable year.

7 The credit determined under this subsection shall be
8 allowed without regard to any other provision of this
9 section, including subsection (d).

10 “(2) COORDINATION WITH OTHER CREDITS.—

11 “(A) IN GENERAL.—The amount of the
12 credit under this subsection shall reduce the
13 amount of the credit otherwise allowable under
14 section 24, but the amount of the credit under
15 this subsection (and such reduction) shall not
16 otherwise be taken into account in determining
17 the amount of any other credit allowable under
18 this part.

19 “(B) TREATMENT OF CREDIT UNDER SEC-
20 TION 24(d).—For purposes of this subsection,
21 the credit determined under section 24(d) shall
22 be treated as not allowed under section 24.”

23 **SEC. 4. AMENDMENTS RELATED TO TITLE II OF 1997 ACT.**

24 (a) AMENDMENTS RELATED TO SECTION 201 OF
25 1997 ACT.—

1 ~~(1)~~ Subparagraph ~~(B)~~ of section 25A(h)~~(1)~~ of
2 the 1986 Code is amended by striking “\$1,000”
3 each place it appears and inserting “\$100”.

4 ~~(2)~~ (1) The item relating to section 25A in the
5 table of sections for subpart A of part IV of sub-
6 chapter A of chapter 1 of the 1986 Code is amended
7 to read as follows:

 “Sec. 25A. Hope and Lifetime Learning credits.”

8 ~~(2)~~ (2) Subsection (a) of section 6050S of the
9 1986 Code is amended to read as follows:

10 “(a) IN GENERAL.—Any person—

11 “(1) which is an eligible educational institu-
12 tion—

13 “(A) which receives payments for qualified
14 tuition and related expenses with respect to any
15 individual for any calendar year, or

16 “(B) which makes reimbursements or re-
17 funds (or similar amounts) to any individual of
18 qualified tuition and related expenses,

19 “(2) which is engaged in a trade or business of
20 making payments to any individual under an insur-
21 ance arrangement as reimbursements or refunds (or
22 similar amounts) of qualified tuition and related ex-
23 penses, or

24 “(3) except as provided in regulations, any per-
25 son which is engaged in a trade or business and, in

1 the course of which, receives from any individual in-
2 terest aggregating \$600 or more for any calendar
3 year on 1 or more qualified education loans,
4 shall make the return described in subsection (b) with re-
5 spect to the individual at such time as the Secretary may
6 by regulations prescribe.”

7 ~~(4)~~ (3) Subparagraph (A) of section 201(e)(2)
8 of the 1997 Act is amended to read as follows:

9 “(A) Subparagraph (B) of section
10 6724(d)(1) (relating to definitions) is amended
11 by redesignating clauses (x) through (xv) as
12 clauses (xi) through (xvi), respectively, and by
13 inserting after clause (ix) the following new
14 clause:

15 ““(x) section 6050S (relating to re-
16 turns relating to payments for qualified
17 tuition and related expenses),’”.

18 (b) AMENDMENTS RELATED TO SECTION 211 OF
19 1997 ACT.—

20 (1) Paragraph (3) of section 135(c) of the 1986
21 Code is amended to read as follows:

22 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
23 The term ‘eligible educational institution’ has the
24 meaning given such term by section 529(e)(5).”.

1 (2) Subparagraph (A) of section 529(c)(3) of
2 the 1986 Code is amended by striking “section
3 72(b)” and inserting “section 72”.

4 (c) AMENDMENTS RELATED TO SECTION 213 OF
5 1997 ACT.—

6 (1)(A) Section 530(b)(1)(E) of the 1986 Code
7 (defining education individual retirement account) is
8 amended to read as follows:

9 “(E) Any balance to the credit of the des-
10 ignated beneficiary on the date on which the
11 beneficiary attains age 30 shall be distributed
12 within 30 days after such date to the bene-
13 ficiary or, if the beneficiary dies before attain-
14 ing age 30, shall be distributed within 30 days
15 after the date of death to the estate of such
16 beneficiary.”

17 (B) Subsection (d) of section 530 of the 1986
18 Code is amended by adding at the end the following
19 new paragraph:

20 “(8) DEEMED DISTRIBUTION ON REQUIRED
21 DISTRIBUTION DATE.—In any case in which a dis-
22 tribution is required under subsection (b)(1)(E), any
23 balance to the credit of a designated beneficiary as
24 of the close of the 30-day period referred to in such

1 subsection for making such distribution shall be
2 deemed distributed at the close of such period.”

3 (2)(A) Paragraph (1) of section 530(d) of the
4 1986 Code is amended by striking “section 72(b)”
5 and inserting “section 72”.

6 (B) Subsection (e) of section 72 of the 1986
7 Code is amended by inserting after paragraph (8)
8 the following new paragraph:

9 “(9) EXTENSION OF PARAGRAPH (2)(B) TO
10 QUALIFIED STATE TUITION PROGRAMS AND EDU-
11 CATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—
12 Notwithstanding any other provision of this sub-
13 section, paragraph (2)(B) shall apply to amounts re-
14 ceived under a qualified State tuition program (as
15 defined in section 529(b)) or under an education in-
16 dividual retirement account (as defined in section
17 530(b)). The rule of paragraph (8)(B) shall apply
18 for purposes of this paragraph.”

19 (3) So much of section 530(d)(4)(C) of the
20 1986 Code as precedes clause (ii) thereof is amended
21 to read as follows:

22 “(C) CONTRIBUTIONS RETURNED BEFORE
23 DUE DATE OF RETURN.—Subparagraph (A)
24 shall not apply to the distribution of any con-

1 tribution made during a taxable year on behalf
2 of the designated beneficiary if—

3 “(i) such distribution is made on or
4 before the day prescribed by law (including
5 extensions of time) for filing the bene-
6 ficiary’s return of tax for the taxable year
7 or, if the beneficiary is not required to file
8 such a return, the 15th day of the 4th
9 month of the taxable year following the
10 taxable year, and”.

11 (4) Subparagraph (C) of section 135(c)(2) of
12 the 1986 Code is amended—

13 (A) by inserting “AND EDUCATION INDI-
14 VIDUAL RETIREMENT ACCOUNTS” in the head-
15 ing after “PROGRAM”, and

16 (B) by striking “section 529(c)(3)(A)” and
17 inserting “section 72”.

18 (5) Subparagraph (A) of section 4973(e)(1) of
19 the 1986 Code is amended by inserting before the
20 comma “(or, if less, the sum of the maximum
21 amounts permitted to be contributed under section
22 530(c) by the contributors to such accounts for such
23 year)”.

24 (d) AMENDMENT RELATED TO SECTION 224 OF
25 1997 ACT.—Section 170(e)(6)(F) of the 1986 Code (relat-

1 ing to termination) is amended by striking “1999” and
2 inserting “2000”.

3 (e) AMENDMENTS RELATED TO SECTION 225 OF
4 1997 ACT.—

5 (1) The last sentence of section 108(f)(2) of the
6 1986 Code is amended to read as follows:

7 “The term ‘student loan’ includes any loan made by
8 an educational organization described in section
9 170(b)(1)(A)(ii) or by an organization exempt from
10 tax under section 501(a) to refinance a loan to an
11 individual to assist the individual in attending any
12 such educational organization but only if the refi-
13 nancing loan is pursuant to a program of the refi-
14 nancing organization which is designed as described
15 in subparagraph (D)(ii).”

16 (2) Section 108(f)(3) of the 1986 Code is
17 amended by striking “(or by an organization de-
18 scribed in paragraph (2)(E) from funds provided by
19 an organization described in paragraph (2)(D))”.

20 (f) AMENDMENTS RELATED TO SECTION 226 OF
21 1997 ACT.—

22 (1) Section 226(a) of the 1997 Act is amended
23 by striking “section 1397E” and inserting “section
24 1397D”.

1 (2) Section 1397E(d)(4)(B) of the 1986 Code
2 is amended by striking “local education agency as
3 defined” and inserting “local educational agency as
4 defined”.

5 **SEC. 5. AMENDMENTS RELATED TO TITLE III OF 1997 ACT.**

6 (a) AMENDMENTS RELATED TO SECTION 301 OF
7 1997 ACT.—Section 219(g) of the 1986 Code is amend-
8 ed—

9 (1) by inserting “or the individual’s spouse”
10 after “individual” in paragraph (1), and

11 (2) by striking paragraph (7) and inserting:

12 “(7) SPECIAL RULE FOR SPOUSES WHO ARE
13 NOT ACTIVE PARTICIPANTS.—If this subsection ap-
14 plies to an individual for any taxable year solely be-
15 cause their spouse is an active participant, then, in
16 applying this subsection to the individual (but not
17 their spouse)—

18 “(A) the applicable dollar amount under
19 paragraph (3)(B)(i) shall be \$150,000, and

20 “(B) the amount applicable under para-
21 graph (2)(A)(ii) shall be \$10,000.”

22 (b) AMENDMENTS RELATED TO SECTION 302 OF
23 1997 ACT.—

24 (1) Section 408A(c)(3)(A) of the 1986 Code is
25 amended by striking “shall be reduced” and insert-

1 ing “shall not exceed an amount equal to the
2 amount determined under paragraph (2)(A) for such
3 taxable year, reduced”.

4 (2) Section 408A(c)(3) of the 1986 Code (relat-
5 ing to limits based on modified adjusted gross in-
6 come) is amended—

7 (A) by inserting “or a married individual
8 filing a separate return” after “joint return” in
9 subparagraph (A)(ii), and

10 (B) by striking “and the deduction under
11 section 219 shall be taken into account” in sub-
12 paragraph (C)(i).

13 (3) Section 408A(d)(2) of the 1986 Code (de-
14 fining qualified distribution) is amended by striking
15 subparagraph (B) and inserting the following:

16 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
17 SION PERIOD.—A payment or distribution from
18 a Roth IRA shall not be treated as a qualified
19 distribution under subparagraph (A) if such
20 payment or distribution is made before the ex-
21 clusion date for the Roth IRA.

22 “(C) EXCLUSION DATE.—For purposes of
23 this section, the exclusion date for any Roth
24 IRA is the first day of the taxable year imme-

1 diately following the 5-taxable-year period be-
2 ginning with—

3 “(i) the first taxable year for which a
4 contribution to any Roth IRA maintained
5 for the benefit of the individual was made,
6 or

7 “(ii) in the case of a Roth IRA to
8 which 1 or more qualified rollover con-
9 tributions were made—

10 “(I) from an individual retire-
11 ment plan other than a Roth IRA, or

12 “(II) from another Roth IRA to
13 the extent such contributions are
14 properly allocable to contributions de-
15 scribed in subclause (I),

16 the most recent taxable year for which any
17 such qualified rollover contribution was
18 made.”

19 (4) Section 408A(d)(3) of the 1986 Code (relat-
20 ing to rollovers from IRAs other than Roth IRAs)
21 is amended by adding at the end the following:

22 “(F) SPECIAL RULE FOR APPLYING SEC-
23 TION 72.—

24 “(i) IN GENERAL.—If—

1 “(I) any distribution from a Roth
2 IRA is made before the exclusion
3 date, and

4 “(II) any portion of such dis-
5 tribution is properly allocable to a
6 qualified rollover contribution de-
7 scribed in paragraph (2)(C)(ii),

8 then section 72(t) shall be applied as if
9 such portion were includible in gross in-
10 come.

11 “(ii) LIMITATION.—Clause (i) shall
12 apply only to the extent of the amount in-
13 cludible in gross income under subpara-
14 graph (A)(i) by reason of the qualified roll-
15 over contribution.

16 “(G) SPECIAL RULES FOR CONTRIBUTIONS
17 TO WHICH 4-YEAR AVERAGING APPLIES.—In the
18 case of a qualified rollover contribution to a
19 Roth IRA of a distribution to which subpara-
20 graph (A)(iii) applied, the following rules shall
21 apply:

22 “(i) DEATH OF DISTRIBUTE.—

23 “(I) IN GENERAL.—If the indi-
24 vidual required to include amounts in
25 gross income under such subpara-

1 graph dies before all of such amounts
2 are included, all remaining amounts
3 shall be included in gross income for
4 the taxable year which includes the
5 date of death.

6 “(II) SPECIAL RULE FOR SURVIV-
7 ING SPOUSE.—If the spouse of the in-
8 dividual described in subclause (I) ac-
9 quires the Roth IRA to which such
10 qualified rollover contribution is prop-
11 erly allocable, the spouse may elect to
12 include the remaining amounts de-
13 scribed in subclause (I) in the
14 spouse’s gross income in the taxable
15 years of the spouse ending with or
16 within the taxable years of such indi-
17 vidual in which such amounts would
18 otherwise have been includible.

19 “(ii) ADDITIONAL TAX FOR EARLY
20 DISTRIBUTION.—

21 “(I) IN GENERAL.—If any dis-
22 tribution from a Roth IRA is made
23 before the exclusion date, and any
24 portion of such distribution is prop-
25 erly allocable to such qualified rollover

1 contribution, the distributee's tax
2 under this chapter for the taxable
3 year in which the amount is received
4 shall be increased by 10 percent of the
5 amount of such portion not in excess
6 of the amount includible in gross in-
7 come under subparagraph (A)(i) by
8 reason of such qualified rollover con-
9 tribution.

10 “(II) TREATMENT OF TAX.—For
11 purposes of this title, any tax imposed
12 by subclause (I) shall be treated as a
13 tax imposed by section 72(t) and shall
14 be in addition to any other tax im-
15 posed by such section.”

16 (5)(A) Section 408A(d)(4) of the 1986 Code is
17 amended to read as follows:

18 “(4) AGGREGATION AND ORDERING RULES.—
19 “(A) AGGREGATION RULES.—Section
20 408(d)(2) shall be applied separately with re-
21 spect to—
22 “(i) Roth IRAs and other individual
23 retirement plans,

1 “(ii) Roth IRAs described in para-
2 graph (2)(C)(ii) and Roth IRAs not so de-
3 scribed, and

4 “(iii) Roth IRAs described in para-
5 graph (2)(C)(ii) with different exclusion
6 dates.

7 “(B) ORDERING RULES.—For purposes of
8 applying section 72 to any distribution from a
9 Roth IRA which is not a qualified distribution,
10 such distribution shall be treated as made—

11 “(i) from contributions to the extent
12 that the amount of such distribution, when
13 added to all previous distributions from the
14 Roth IRA, does not exceed the aggregate
15 contributions to the Roth IRA, and

16 “(ii) from such contributions in the
17 following order:

18 “(I) Qualified rollover contribu-
19 tions to the extent includible in gross
20 income in the manner described in
21 paragraph (3)(A)(iii).

22 “(II) Qualified rollover contribu-
23 tions not described in subclause (I) to
24 the extent includible in gross income
25 under paragraph (3)(A).

1 “(III) Contributions not de-
2 scribed in subclause (I) or (II).

3 Such rules shall also apply in determining the
4 character of qualified rollover contributions
5 from one Roth IRA to another Roth IRA.”

6 (B) Section 408A(d)(1) of the 1986 Code is
7 amended to read as follows:

8 “(1) EXCLUSION.—Any qualified distribution
9 from a Roth IRA shall not be includible in gross in-
10 come.”

11 (6)(A) Section 408A(d) of the 1986 Code (re-
12 lating to distribution rules) is amended by adding at
13 the end the following:

14 “(6) TAXPAYER MAY MAKE ADJUSTMENTS BE-
15 FORE DUE DATE.—

16 “(A) IN GENERAL.—Except as provided by
17 the Secretary, if, on or before the due date for
18 any taxable year, a taxpayer transfers in a
19 trustee-to-trustee transfer any contribution to
20 an individual retirement plan made during such
21 taxable year from such plan to any other indi-
22 vidual retirement plan, then, for purposes of
23 this chapter, such contribution shall be treated
24 as having been made to the transferee plan
25 (and not the transferor plan).

1 “(B) SPECIAL RULES.—

2 “(i) TRANSFER OF EARNINGS.—Sub-
3 paragraph (A) shall not apply to the trans-
4 fer of any contribution unless such transfer
5 is accompanied by any net income allocable
6 to such contribution.

7 “(ii) NO DEDUCTION.—Subparagraph
8 (A) shall apply to the transfer of any con-
9 tribution only to the extent no deduction
10 was allowed with respect to the contribu-
11 tion to the transferor plan.

12 “(C) DUE DATE.—For purposes of this
13 paragraph, the due date for any taxable year is
14 the last date for filing the return of tax for
15 such taxable year (including extensions).”

16 (B) Section 408A(d)(3) of the 1986 Code, as
17 amended by this subsection, is amended by striking
18 subparagraph (D) and by redesignating subpara-
19 graphs (E), (F), and (G) as subparagraphs (D), (E),
20 and (F), respectively.

21 (7) Section 302(b) of the 1997 Act is amended
22 by striking “Section 4973(b)” and inserting “Sec-
23 tion 4973”.

24 (8) Section 408A of the 1986 Code is amended
25 by adding at the end the following new subsection:

1 “(f) INDIVIDUAL RETIREMENT PLAN.—For purposes
2 of this section, except as provided by the Secretary, the
3 term ‘individual retirement plan’ shall not include a sim-
4 plified employee pension or a simple retirement account.”

5 (c) AMENDMENTS RELATED TO SECTION 303 OF
6 1997 ACT.—

7 (1) Section 72(t)(8)(E) of the 1986 Code is
8 amended—

9 (A) by striking “120 days” and inserting
10 “120th day”, and

11 (B) by striking “60 days” and inserting
12 “60th day”.

13 (2)(A) Section 402(c) of the 1986 Code is
14 amended by adding at the end the following:

15 “(11) DENIAL OF ROLLOVER TREATMENT FOR
16 TRANSFERS OF HARDSHIP DISTRIBUTIONS TO INDI-
17 VIDUAL RETIREMENT PLANS.—This subsection shall
18 not apply to the transfer of any hardship distribu-
19 tion described in section 401(k)(2)(B)(i)(IV) from a
20 qualified cash or deferred arrangement to an eligible
21 retirement plan described in clause (i) or (ii) of
22 paragraph (8)(B).”

23 (B) The amendment made by this paragraph
24 shall apply to distributions made after December 31,
25 1997.

1 (d) AMENDMENTS RELATED TO SECTION 311 OF
2 1997 ACT.—

3 (1) Subsection (h) of section 1 of the 1986
4 Code (relating to maximum capital gains rate) is
5 amended to read as follows:

6 “(h) MAXIMUM CAPITAL GAINS RATE.—

7 “(1) IN GENERAL.—If a taxpayer has a net
8 capital gain for any taxable year, the tax imposed by
9 this section for such taxable year shall not exceed
10 the sum of—

11 “(A) a tax computed at the rates and in
12 the same manner as if this subsection had not
13 been enacted on the greater of—

14 “(i) taxable income reduced by the net
15 capital gain, or

16 “(ii) the lesser of—

17 “(I) the amount of taxable in-
18 come taxed at a rate below 28 per-
19 cent, or

20 “(II) taxable income reduced by
21 the adjusted net capital gain,

22 “(B) 10 percent of so much of the ad-
23 justed net capital gain (or, if less, taxable in-
24 come) as does not exceed the excess (if any)
25 of—

1 “(i) the amount of taxable income
2 which would (without regard to this para-
3 graph) be taxed at a rate below 28 per-
4 cent, over

5 “(ii) the taxable income reduced by
6 the adjusted net capital gain,

7 “(C) 20 percent of the adjusted net capital
8 gain (or, if less, taxable income) in excess of the
9 amount on which a tax is determined under
10 subparagraph (B),

11 “(D) 25 percent of the excess (if any) of—

12 “(i) the unrecaptured section 1250
13 gain (or, if less, the net capital gain), over

14 “(ii) the excess (if any) of—

15 “(I) the sum of the amount on
16 which tax is determined under sub-
17 paragraph (A) plus the net capital
18 gain, over

19 “(II) taxable income, and

20 “(E) 28 percent of the amount of taxable
21 income in excess of the sum of the amounts on
22 which tax is determined under the preceding
23 subparagraphs of this paragraph.

24 “(2) REDUCED CAPITAL GAIN RATES FOR
25 QUALIFIED 5-YEAR GAIN.—

1 “(A) REDUCTION IN 10-PERCENT RATE.—

2 In the case of any taxable year beginning after
3 December 31, 2000, the rate under paragraph
4 (1)(B) shall be 8 percent with respect to so
5 much of the amount to which the 10-percent
6 rate would otherwise apply as does not exceed
7 qualified 5-year gain, and 10 percent with re-
8 spect to the remainder of such amount.

9 “(B) REDUCTION IN 20-PERCENT RATE.—

10 The rate under paragraph (1)(C) shall be 18
11 percent with respect to so much of the amount
12 to which the 20-percent rate would otherwise
13 apply as does not exceed the lesser of—

14 “(i) the excess of qualified 5-year gain
15 over the amount of such gain taken into
16 account under subparagraph (A) of this
17 paragraph, or

18 “(ii) the amount of qualified 5-year
19 gain (determined by taking into account
20 only property the holding period for which
21 begins after December 31, 2000),

22 and 20 percent with respect to the remainder of
23 such amount. For purposes of determining
24 under the preceding sentence whether the hold-
25 ing period of property begins after December

1 31, 2000, the holding period of property ac-
2 quired pursuant to the exercise of an option (or
3 other right or obligation to acquire property)
4 shall include the period such option (or other
5 right or obligation) was held.

6 “(3) NET CAPITAL GAIN TAKEN INTO ACCOUNT
7 AS INVESTMENT INCOME.—For purposes of this sub-
8 section, the net capital gain for any taxable year
9 shall be reduced (but not below zero) by the amount
10 which the taxpayer takes into account as investment
11 income under section 163(d)(4)(B)(iii).

12 “(4) ADJUSTED NET CAPITAL GAIN.—For pur-
13 poses of this subsection, the term ‘adjusted net cap-
14 ital gain’ means net capital gain reduced (but not
15 below zero) by the sum of—

16 “(A) unrecaptured section 1250 gain, and

17 “(B) 28 percent rate gain.

18 “(5) 28 PERCENT RATE GAIN.—For purposes of
19 this subsection—

20 “(A) IN GENERAL.—The term ‘28 percent
21 rate gain’ means the excess (if any) of—

22 “(i) the sum of—

23 “(I) the aggregate long-term cap-
24 ital gain from property held for more

1 than 1 year but not more than 18
2 months,

3 “(II) collectibles gain, and

4 “(III) section 1202 gain, over

5 “(ii) the sum of—

6 “(I) the aggregate long-term cap-
7 ital loss (not described in subclause
8 (IV)) from property referred to in
9 clause (i)(I),

10 “(II) collectibles loss,

11 “(III) the net short-term capital
12 loss, and

13 “(IV) the amount of long-term
14 capital loss carried under section
15 1212(b)(1)(B) to the taxable year.

16 “(B) SPECIAL RULES.—

17 “(i) SHORT SALES AND OPTIONS.—

18 Rules similar to the rules of subsections
19 (b) and (d) of section 1233 shall apply to
20 substantially identical property, and sec-
21 tion 1092(f) with respect to stock, held for
22 more than 1 year but not more than 18
23 months.

24 “(ii) SECTION 1256 CONTRACTS.—

25 Amounts treated as long-term capital gain

1 or loss under section 1256(a)(3) shall be
2 treated as attributable to property held for
3 more than 18 months.

4 “(6) COLLECTIBLES GAIN AND LOSS.—For pur-
5 poses of this subsection—

6 “(A) IN GENERAL.—The terms ‘collectibles
7 gain’ and ‘collectibles loss’ mean gain or loss
8 (respectively) from the sale or exchange of a
9 collectible (as defined in section 408(m) without
10 regard to paragraph (3) thereof) which is a
11 capital asset held for more than 18 months but
12 only to the extent such gain is taken into ac-
13 count in computing gross income and such loss
14 is taken into account in computing taxable in-
15 come.

16 “(B) PARTNERSHIPS, ETC.—For purposes
17 of subparagraph (A), any gain from the sale of
18 an interest in a partnership, S corporation, or
19 trust which is attributable to unrealized appre-
20 ciation in the value of collectibles shall be treat-
21 ed as gain from the sale or exchange of a col-
22 lectible. Rules similar to the rules of section
23 751 shall apply for purposes of the preceding
24 sentence.

1 “(7) UNRECAPTURED SECTION 1250 GAIN.—For
2 purposes of this subsection—

3 “(A) IN GENERAL.—The term
4 ‘unrecaptured section 1250 gain’ means the ex-
5 cess (if any) of—

6 “(i) the amount of long-term capital
7 gain (not otherwise treated as ordinary in-
8 come) which would be treated as ordinary
9 income if—

10 “(I) section 1250(b)(1) included
11 all depreciation and the applicable
12 percentage under section 1250(a)
13 were 100 percent, and

14 “(II) only gain from property
15 held for more than 18 months were
16 taken into account, over

17 “(ii) the excess (if any) of—

18 “(I) the amount described in
19 paragraph (5)(A)(ii), over

20 “(II) the amount described in
21 paragraph (5)(A)(i).

22 “(B) LIMITATION WITH RESPECT TO SEC-
23 TION 1231 PROPERTY.—The amount described
24 in subparagraph (A)(i) from sales, exchanges,
25 and conversions described in section

1 1231(a)(3)(A) for any taxable year shall not ex-
2 ceed the net section 1231 gain (as defined in
3 section 1231(c)(3)) for such year.

4 “(8) SECTION 1202 GAIN.—For purposes of this
5 subsection, the term ‘section 1202 gain’ means an
6 amount equal to the gain excluded from gross in-
7 come under section 1202(a).

8 “(9) QUALIFIED 5-YEAR GAIN.—For purposes
9 of this subsection, the term ‘qualified 5-year gain’
10 means the amount of long-term capital gain which
11 would be computed for the taxable year if only gains
12 from the sale or exchange of property held by the
13 taxpayer for more than 5 years were taken into ac-
14 count. The determination under the preceding sen-
15 tence shall be made without regard to collectibles
16 gain, gain described in paragraph (7)(A)(i), and sec-
17 tion 1202 gain.

18 “(10) COORDINATION WITH RECAPTURE OF
19 NET ORDINARY LOSSES UNDER SECTION 1231.—If
20 any amount is treated as ordinary income under sec-
21 tion 1231(c), such amount shall be allocated among
22 the separate categories of net section 1231 gain (as
23 defined in section 1231(c)(3)) in such manner as the
24 Secretary may by forms or regulations prescribe.

1 “(11) REGULATIONS.—The Secretary may pre-
2 scribe such regulations as are appropriate (including
3 regulations requiring reporting) to apply this sub-
4 section in the case of sales and exchanges by pass-
5 thru entities and of interests in such entities.

6 “(12) PASS-THRU ENTITY DEFINED.—For pur-
7 poses of this subsection, the term ‘pass-thru entity’
8 means—

9 “(A) a regulated investment company,

10 “(B) a real estate investment trust,

11 “(C) an S corporation,

12 “(D) a partnership,

13 “(E) an estate or trust,

14 “(F) a common trust fund,

15 “(G) a foreign investment company which
16 is described in section 1246(b)(1) and for which
17 an election is in effect under section 1247, and

18 “(H) a qualified electing fund (as defined
19 in section 1295).

20 “(13) SPECIAL RULES FOR PERIODS DURING
21 1997.—

22 “(A) DETERMINATION OF 28 PERCENT
23 RATE GAIN.—In applying paragraph (5)—

24 “(i) the amount determined under
25 subclause (I) of paragraph (5)(A)(i) shall

1 include long-term capital gain (not other-
2 wise described in paragraph (5)(A)(i))
3 which is properly taken into account for
4 the portion of the taxable year before May
5 7, 1997,

6 “(ii) the amounts determined under
7 subclause (I) of paragraph (5)(A)(ii) shall
8 include long-term capital loss (not other-
9 wise described in paragraph (5)(A)(ii))
10 which is properly taken into account for
11 the portion of the taxable year before May
12 7, 1997, and

13 “(iii) clauses (i)(I) and (ii)(I) of para-
14 graph (5)(A) shall be applied by not taking
15 into account any gain and loss on property
16 held for more than 1 year but not more
17 than 18 months which is properly taken
18 into account for the portion of the taxable
19 year after May 6, 1997, and before July
20 29, 1997.

21 “(B) OTHER SPECIAL RULES.—

22 “(i) DETERMINATION OF UNRE-
23 CAPTURED SECTION 1250 GAIN NOT TO IN-
24 CLUDE PRE-MAY 7, 1997 GAIN.—The
25 amount determined under paragraph

1 (7)(A)(i) shall not include gain properly
2 taken into account for the portion of the
3 taxable year before May 7, 1997.

4 “(ii) OTHER TRANSITIONAL RULES
5 FOR 18-MONTH HOLDING PERIOD.—Para-
6 graphs (6)(A) and (7)(A)(i)(II) shall be
7 applied by substituting ‘1 year’ for ‘18
8 months’ with respect to gain properly
9 taken into account for the portion of the
10 taxable year after May 6, 1997, and before
11 July 29, 1997.

12 “(C) SPECIAL RULES FOR PASS-THRU EN-
13 TITIES.—In applying this paragraph with re-
14 spect to any pass-thru entity, the determination
15 of when gains and loss are properly taken into
16 account shall be made at the entity level.”

17 (2) IN GENERAL.—Paragraph (3) of section
18 55(b) of the 1986 Code is amended to read as fol-
19 lows:

20 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL
21 GAIN OF NONCORPORATE TAXPAYERS.—The amount
22 determined under the first sentence of paragraph
23 (1)(A)(i) shall not exceed the sum of—

24 “(A) the amount determined under such
25 first sentence computed at the rates and in the

1 same manner as if this paragraph had not been
2 enacted on the taxable excess reduced by the
3 lesser of—

4 “(i) the net capital gain, or

5 “(ii) the sum of—

6 “(I) the adjusted net capital
7 gain, plus

8 “(II) the unrecaptured section
9 1250 gain, plus

10 “(B) 10 percent of so much of the ad-
11 justed net capital gain (or, if less, taxable ex-
12 cess) as does not exceed the amount on which
13 a tax is determined under section 1(h)(1)(B),
14 plus

15 “(C) 20 percent of the adjusted net capital
16 gain (or, if less, taxable excess) in excess of the
17 amount on which tax is determined under sub-
18 paragraph (B), plus

19 “(D) 25 percent of the amount of taxable
20 excess in excess of the sum of the amounts on
21 which tax is determined under the preceding
22 subparagraphs of this paragraph.

23 In the case of taxable years beginning after Decem-
24 ber 31, 2000, rules similar to the rules of section
25 1(h)(2) shall apply for purposes of subparagraphs

1 (B) and (C). Terms used in this paragraph which
2 are also used in section 1(h) shall have the respec-
3 tive meanings given such terms by section 1(h) but
4 computed with the adjustments under this part.”.

5 (3) Section 57(a)(7) of the 1986 Code is
6 amended by adding at the end the following new
7 sentence: “In the case of stock the holding period of
8 which begins after December 31, 2000 (determined
9 with the application of the last sentence of section
10 1(h)(2)(B)), the preceding sentence shall be applied
11 by substituting ‘28 percent’ for ‘42 percent’.”.

12 (4) Paragraphs (11) and (12) of section 1223,
13 and section 1235(a), of the 1986 Code are each
14 amended by striking “1 year” each place it appears
15 and inserting “18 months”.

16 (e) AMENDMENTS RELATED TO SECTION 312 OF
17 1997 ACT.—

18 (1) Section 121(c)(1) of the 1986 Code is
19 amended to read as follows:

20 “(1) IN GENERAL.—In the case of a sale or ex-
21 change to which this subsection applies, the owner-
22 ship and use requirements of subsection (a), and
23 subsection (b)(3), shall not apply; but the dollar lim-
24 itation under paragraph (1) or (2) of subsection (b),
25 whichever is applicable, shall be equal to—

1 “(A) the amount which bears the same
2 ratio to such limitation (determined without re-
3 gard to this paragraph) as

4 “(B)(i) the shorter of—

5 “(I) the aggregate periods, during the
6 5-year period ending on the date of such
7 sale or exchange, such property has been
8 owned and used by the taxpayer as the
9 taxpayer’s principal residence, or

10 “(II) the period after the date of the
11 most recent prior sale or exchange by the
12 taxpayer to which subsection (a) applied
13 and before the date of such sale or ex-
14 change, bears to

15 “(ii) 2 years.”.

16 (2) Section 312(d)(2) of the 1997 Act (relating
17 to sales before date of enactment) is amended by in-
18 serting “on or” before “before” each place it ap-
19 pears in the text and heading.

20 (f) AMENDMENT RELATED TO SECTION 313 OF 1997
21 ACT.—Section 1045 of the 1986 Code is amended by add-
22 ing at the end the following new subsection:

23 “(c) LIMITATION ON APPLICATION TO PARTNER-
24 SHIPS AND S CORPORATIONS.—Subsection (a) shall apply
25 to a partnership or S corporation for a taxable year only

1 if at all times during such taxable year all of the partners
2 in the partnership, or all of the shareholders of the S cor-
3 poration, are natural persons or estates.”

4 **SEC. 6. AMENDMENTS RELATED TO TITLE V OF 1997 ACT.**

5 (a) AMENDMENTS RELATED TO SECTION 501 OF
6 1997 ACT.—

7 (1) Subsection (e) of section 2631 of the 1986
8 Code is amended by striking “an individual who
9 dies” and inserting “a generation-skipping trans-
10 fer”.

11 (2) Subsection (f) of section 501 of the 1997
12 Act is amended by inserting “(other than the
13 amendment made by subsection (d))” after “this
14 section”.

15 (b) AMENDMENTS RELATED TO SECTION 502 OF
16 1997 ACT.—

17 (1) Subsection (a) of section 2033A of the 1986
18 Code is amended to read as follows:

19 “(a) EXCLUSION.—

20 “(1) IN GENERAL.—In the case of an estate of
21 a decedent to which this section applies, the value of
22 the gross estate shall not include the lesser of—

23 “(A) the adjusted value of the qualified
24 family-owned business interests of the decedent
25 otherwise includible in the estate, or

1 “(B) the exclusion limitation with respect
2 to such estate.

3 “(2) EXCLUSION LIMITATION.—

4 “(A) IN GENERAL.—The exclusion limita-
5 tion with respect to any estate is the amount of
6 reduction in the tentative tax base with respect
7 to such estate which would be required in order
8 to reduce the tax imposed by section 2001(b)
9 (determined without regard to this section) by
10 an amount equal to the maximum credit equiva-
11 lent benefit.

12 “(B) MAXIMUM CREDIT EQUIVALENT BEN-
13 EFIT.—For purposes of subparagraph (A), the
14 term ‘maximum credit equivalent benefit’ means
15 the excess of—

16 “(i) the amount by which the ten-
17 tative tax imposed by section 2001(b) (de-
18 termined without regard to this section)
19 would be reduced if the tentative tax base
20 were reduced by \$675,000, over

21 “(ii) the amount by which the applica-
22 ble credit amount under section 2010(c)
23 with respect to such estate exceeds such
24 applicable credit amount in effect for
25 1998.

1 “(C) TENTATIVE TAX BASE.—For pur-
2 poses of this paragraph, the term ‘tentative tax
3 base’ means the amount with respect to which
4 the tax imposed by section 2001(b) would be
5 computed without regard to this section.”

6 (2) Section 2033A(b)(3) of the 1986 Code is
7 amended to read as follows:

8 “(3) INCLUDIBLE GIFTS OF INTERESTS.—The
9 amount of the gifts of qualified family-owned busi-
10 ness interests determined under this paragraph is
11 the sum of—

12 “(A) the amount of such gifts from the de-
13 cedent to members of the decedent’s family
14 taken into account under section
15 2001(b)(1)(B), plus

16 “(B) the amount of such gifts otherwise
17 excluded under section 2503(b),

18 to the extent such interests are continuously held by
19 members of such family (other than the decedent’s
20 spouse) between the date of the gift and the date of
21 the decedent’s death.”

22 (c) AMENDMENTS RELATED TO SECTION 503 OF
23 THE 1997 ACT.—

24 (1) Clause (iii) of section 6166(b)(7)(A) of the
25 1986 Code is amended to read as follows:

1 “(iii) for purposes of applying section
2 6601(j), the 2-percent portion (as defined
3 in such section) shall be treated as being
4 zero.”

5 (2) Clause (iii) of section 6166(b)(8)(A) of the
6 1986 Code is amended to read as follows:

7 “(iii) 2-PERCENT INTEREST RATE NOT
8 TO APPLY.—For purposes of applying sec-
9 tion 6601(j), the 2-percent portion (as de-
10 fined in such section) shall be treated as
11 being zero.”

12 (d) AMENDMENT RELATED TO SECTION 505 OF THE
13 1997 ACT.—Paragraphs (1) and (2) of section 7479(a)
14 of the 1986 Code are each amended by striking “an es-
15 tate,” and inserting “an estate (or with respect to any
16 property included therein),”.

17 (e) AMENDMENTS RELATED TO SECTION 506 OF
18 THE 1997 ACT.—

19 (1) Subsection (e) of section 2504 of the 1986
20 Code is amended by striking “was assessed or paid”
21 and inserting “was finally determined for purposes
22 of this chapter”.

23 (2) Paragraph (1) of section 506(e) of the 1997
24 Act is amended by striking “and (c)” and inserting
25 “, (c), and (d)”.

1 **SEC. 7. AMENDMENTS RELATED TO TITLE VII OF 1997 ACT.**

2 (a) AMENDMENT RELATED TO SECTION 1400 OF
3 1986 CODE.—Section 1400(b)(2)(B) of the 1986 Code is
4 amended by inserting “as determined on the basis of the
5 1990 census” after “percent”.

6 (b) AMENDMENTS RELATED TO SECTION 1400B OF
7 1986 CODE.—

8 (1) Section 1400B(d)(2) of the 1986 Code is
9 amended by inserting “as determined on the basis of
10 the 1990 census” after “percent”.

11 (2) Section 1400B(b) of the 1986 Code is
12 amended by redesignating paragraphs (6) and (7) as
13 paragraphs (5) and (6), respectively.

14 (c) AMENDMENTS RELATED TO SECTION 1400C OF
15 1986 CODE.—

16 (1) Paragraph (1) of section 1400C(c) of the
17 1986 Code is amended to read as follows:

18 “(1) IN GENERAL.—The term ‘first-time home-
19 buyer’ means any individual if such individual (and
20 if married, such individual’s spouse) had no present
21 ownership interest in a principal residence in the
22 District of Columbia during the 1-year period ending
23 on the date of the purchase of the principal resi-
24 dence to which this section applies.”

25 (2) Subparagraph (B) of section 1400C(e)(2) of
26 the 1986 Code is amended by inserting before the

1 period “on the date the taxpayer first occupies such
2 residence”.

3 (3) Paragraph (3) of section 1400C(e) of the
4 1986 Code is amended by striking all that follows
5 “principal residence” and inserting “on the date
6 such residence is purchased.”

7 (4) Subsection (i) of section 1400C of the 1986
8 Code is amended to read as follows:

9 “(i) APPLICATION OF SECTION.—This section shall
10 apply to property purchased after August 4, 1997, and
11 before January 1, 2001.”

12 (5) Subsection (c) of section 23 of the 1986
13 Code is amended by inserting “and section 1400C”
14 after “other than this section”.

15 (6) Subparagraph (C) of section 25(e)(1) of the
16 1986 Code is amended by striking “section 23” and
17 inserting “sections 23 and 1400C”.

18 **SEC. 8. AMENDMENTS RELATED TO TITLE IX OF 1997 ACT.**

19 (a) ~~AMENDMENTS RELATED TO SECTION 901 OF~~
20 ~~1997 Act.—~~

21 ~~(1) Section 9503(e)(7) of the 1986 Code is~~
22 ~~amended by striking “resulting from the amend-~~
23 ~~ments made by” and inserting “(and transfers to~~
24 ~~the Mass Transit Account) resulting from the~~

1 amendments made by subsections (a) and (b) of sec-
2 tion 901 of”.

3 (2) Subsection (e) of section 901 of the 1997
4 Act is amended by adding at the end the following
5 new sentence: “For purposes of determining
6 amounts appropriated to the Highway Trust Fund
7 or transfers to any account, the deposits to which
8 the preceding sentence applies shall be treated as
9 made when they would have been required to be
10 made without regard to such sentence.”

11 (a) AMENDMENT RELATED TO SECTION 901 OF 1997
12 ACT.—Section 9503(c)(7) of the 1986 Code is amended—

13 (1) by striking “resulting from the amendments
14 made by” and inserting “(and transfers to the Mass
15 Transit Account) resulting from the amendments
16 made by subsections (a) and (b) of section 901 of”,
17 and

18 (2) by inserting before the period “and deposits
19 in the Highway Trust Fund (and transfers to the
20 Mass Transit Account) shall be treated as made when
21 they would have been required to be made without re-
22 gard to section 901(e) of the Taxpayer Relief Act of
23 1997”.

24 (b) AMENDMENT RELATED TO SECTION 907 OF 1997
25 ACT.—Paragraph (2) of section 9503(e) of the 1986 Code

1 is amended by striking the last sentence and inserting the
2 following new sentence: “For purposes of the preceding
3 sentence, the term ‘mass transit portion’ means, for any
4 fuel with respect to which tax was imposed under section
5 4041 or 4081 and otherwise deposited into the Highway
6 Trust Fund, the amount determined at the rate of—

7 “(A) except as otherwise provided in this
8 sentence, 2.86 cents per gallon,

9 “(B) 1.77 cents per gallon in the case of
10 any partially exempt methanol or ethanol fuel
11 (as defined in section 4041(m)) none of the al-
12 cohol in which consists of ethanol,

13 “(C) 1.86 cents per gallon in the case of
14 liquefied natural gas,

15 “(D) 2.13 cents per gallon in the case of
16 liquefied petroleum gas, and

17 “(E) 9.71 cents per MCF (determined at
18 standard temperature and pressure) in the case
19 of compressed natural gas.”

20 (c) AMENDMENT RELATED TO SECTION 976 OF 1997
21 ACT.—Section 6103(d)(5) of the 1986 Code is amended
22 by striking “section 967 of the Taxpayer Relief Act of
23 1997.” and inserting “section 976 of the Taxpayer Relief
24 Act of 1997. Subsections (a)(2) and (p)(4) and sections

1 7213 and 7213A shall not apply with respect to dislo-
2 sures or inspections made pursuant to this paragraph.”

3 **SEC. 9. AMENDMENTS RELATED TO TITLE X OF 1997 ACT.**

4 (a) AMENDMENTS RELATED TO SECTION 1001 OF
5 1997 ACT.—

6 (1) Paragraph (2) of section 1259(b) of the
7 1986 Code is amended—

8 (A) by striking “debt” each place it ap-
9 pears in clauses (i) and (ii) of subparagraph
10 (A) and inserting “position”,

11 (B) by striking “and” at the end of sub-
12 paragraph (A), and

13 (C) by redesignating subparagraph (B) as
14 subparagraph (C) and by inserting after sub-
15 paragraph (A) the following new subparagraph:

16 “(B) any hedge with respect to a position
17 described in subparagraph (A), and”.

18 (2) Section 1259(d)(1) of the 1986 Code is
19 amended by inserting “(including cash)” after
20 “property”.

21 (3) Subparagraph (D) of section 475(f)(1) of
22 the 1986 Code is amended by adding at the end the
23 following new sentence: “Subsection (d)(3) shall not
24 apply under the preceding sentence for purposes of
25 applying sections 1402 and 7704.”

1 (4) Subparagraph (C) of section 1001(d)(3) of
2 the 1997 Act is amended by striking “within the 30-
3 day period beginning on” and inserting “before the
4 close of the 30th day after”.

5 (b) AMENDMENTS RELATED TO SECTION 1012 OF
6 1997 ACT.—

7 (1) Paragraph (1) of section 1012(d) of the
8 1997 Act is amended by striking “1997, pursuant”
9 and inserting “1997; except that the amendment
10 made by subsection (a) shall apply to such distribu-
11 tions only if pursuant”.

12 (2) Subparagraph (A) of section 355(e)(3) of
13 the 1986 Code is amended—

14 (A) by striking “shall not be treated as de-
15 scribed in” and inserting “shall not be taken
16 into account in applying”, and

17 (B) by striking clause (iv) and inserting
18 the following new clause:

19 “(iv) The acquisition of stock in the
20 distributing corporation or any controlled
21 corporation to the extent that the percent-
22 age of stock owned directly or indirectly in
23 such corporation by each person owning
24 stock in such corporation immediately be-
25 fore the acquisition does not decrease.”

1 (c) AMENDMENTS RELATED TO SECTION 1014 OF
2 1997 ACT.—

3 (1) Paragraph (1) of section 351(g) of the 1986
4 Code is amended by adding “and” at the end of sub-
5 paragraph (A) and by striking subparagraphs (B)
6 and (C) and inserting the following new subpara-
7 graph:

8 “(B) if (and only if) the transferor receives
9 stock other than nonqualified preferred stock—

10 “(i) subsection (b) shall apply to such
11 transferor, and

12 “(ii) such nonqualified preferred stock
13 shall be treated as other property for pur-
14 poses of applying subsection (b).”

15 (2) Clause (ii) of section 354(a)(2)(C) of 1986
16 Code is amended by adding at the end the following
17 new subclause:

18 “(III) EXTENSION OF STATUTE
19 OF LIMITATIONS.—The statutory pe-
20 riod for the assessment of any defi-
21 ciency attributable to a corporation
22 failing to be a family-owned corpora-
23 tion shall not expire before the expira-
24 tion of 3 years after the date the Sec-
25 retary is notified by the corporation

1 (in such manner as the Secretary may
2 prescribe) of such failure, and such
3 deficiency may be assessed before the
4 expiration of such 3-year period not-
5 withstanding the provisions of any
6 other law or rule of law which would
7 otherwise prevent such assessment.”

8 (d) AMENDMENT RELATED TO SECTION 1024 OF
9 1997 ACT.—Section 6331(h)(1) of the 1986 Code is
10 amended by striking “The effect of a levy” and inserting
11 “If the Secretary approves a levy under this subsection,
12 the effect of such levy”.

13 (e) AMENDMENTS RELATED TO SECTION 1031 OF
14 1997 ACT.—

15 (1) Subsection (l) of section 4041 of the 1986
16 Code is amended by striking “subsection (e) or (f)”
17 and inserting “subsection (f) or (g)”.

18 (2) Subsection (b) of section 9502 of the 1986
19 Code is amended by moving the sentence added at
20 the end of paragraph (1) to the end of such sub-
21 section.

22 ~~(3) Section 6421(f)(2) of the 1986 Code is~~
23 ~~amended by adding at the end the following flush~~
24 ~~sentence:~~

1 “Subparagraph (B) shall not apply to fuel used as
 2 supplies for vessels or aircraft (as defined in section
 3 ~~4221(d)(3)) on flight segments outside the United~~
 4 States or beginning in the United States and ending
 5 outside the United States.”

6 (3) *Subsection (c) of section 6421 of the 1986*
 7 *Code is amended—*

8 (A) *by striking “(2)(A)” and inserting*
 9 *“(2)”, and*

10 (B) *by adding at the end the following sen-*
 11 *tence: “Subsection (a) shall not apply to gasoline*
 12 *to which this subsection applies.”*

13 (f) AMENDMENTS RELATED TO SECTION 1032 OF
 14 1997 ACT.—

15 (1) Section 1032(a) of the 1997 Act is amended
 16 by striking “Subsection (a) of section 4083” and in-
 17 serting “Paragraph (1) of section 4083(a)”.

18 (2) Section 1032(e)(12)(A) of the 1997 Act
 19 shall be applied as if “gasoline, diesel fuel,” were the
 20 material proposed to be stricken.

21 (3) Paragraph (1) of section 4101(e) of the
 22 1986 Code is amended by striking “dyed diesel fuel
 23 and kerosene” and inserting “such fuel in a dyed
 24 form”.

1 (g) AMENDMENT RELATED TO SECTION 1055 OF
2 1997 ACT.—Section 6611(g)(1) of the 1986 Code is
3 amended by striking “(e), and (h)” and inserting “and
4 (e)”.

5 (h) AMENDMENT RELATED TO SECTION 1083 OF
6 1997 ACT.—Section 1083(a)(2) of the 1997 Act is amend-
7 ed—

8 (1) by striking “21” and inserting “20”, and
9 (2) by striking “22” and inserting “21”.

10 (i) AMENDMENT RELATED TO SECTION 1084 OF
11 1997 ACT.—

12 (1) Paragraph (3) of section 264(a) of the 1986
13 Code is amended by striking “subsection (c)” and
14 inserting “subsection (d)”.

15 (2) Paragraph (4) of section 264(a) of the 1986
16 Code is amended by striking “subsection (d)” and
17 inserting “subsection (e)”.

18 (3) Paragraph (4) of section 264(f) of the 1986
19 Code is amended by adding at the end the following
20 new subparagraph:

21 “(E) MASTER CONTRACTS.—If coverage
22 for each insured under a master contract is
23 treated as a separate contract for purposes of
24 sections 817(h), 7702, and 7702A, coverage for
25 each such insured shall be treated as a separate

1 contract for purposes of subparagraph (A). For
2 purposes of the preceding sentence, the term
3 ‘master contract’ shall not include any group
4 life insurance contract (as defined in section
5 848(e)(2)).”

6 (4)(A) Clause (iv) of section 264(f)(5)(A) of the
7 1986 Code is amended by striking the second sen-
8 tence.

9 (B) Subparagraph (B) of section 6724(d)(1) of
10 the 1986 Code is amended by striking “or” at the
11 end of clause (xv), by striking the period at the end
12 of clause (xvi) and inserting “, or”, and by adding
13 at the end the following new clause:

14 “(xvii) section 264(f)(5)(A)(iv) (relat-
15 ing to reporting with respect to certain life
16 insurance and annuity contracts).”

17 (C) Paragraph (2) of section 6724(d) of the
18 1986 Code is amended by striking “or” at the end
19 of subparagraph (Y), by striking the period at the
20 end of subparagraph (Z) and inserting “or”, and by
21 adding at the end the following new subparagraph:

22 “(AA) section 264(f)(5)(A)(iv) (relating to
23 reporting with respect to certain life insurance
24 and annuity contracts).”

1 (j) AMENDMENT RELATED TO SECTION 1085 OF
2 1997 ACT.—Paragraph (5) of section 32(e) of the 1986
3 Code is amended—

4 (1) by inserting before the period at the end of
5 subparagraph (A) “and increased by the amounts
6 described in subparagraph (C)”,

7 (2) by adding “or” at the end of clause (iii) of
8 subparagraph (B), and

9 (3) by striking all that follows subclause (II) of
10 subparagraph (B)(iv) and inserting the following:

11 “(III) other trades or businesses.

12 For purposes of clause (iv), there shall not
13 be taken into account items which are at-
14 tributable to a trade or business which
15 consists of the performance of services by
16 the taxpayer as an employee.

17 “(C) CERTAIN AMOUNTS INCLUDED.—An
18 amount is described in this subparagraph if it
19 is—

20 “(i) interest received or accrued dur-
21 ing the taxable year which is exempt from
22 tax imposed by this chapter, or

23 “(ii) amounts received as a pension or
24 annuity, and any distributions or payments
25 received from an individual retirement

1 plan, by the taxpayer during the taxable
2 year to the extent not included in gross in-
3 come.

4 Clause (ii) shall not include any amount which
5 is not includible in gross income by reason of
6 section 402(e), 403(a)(4), 403(b), 408(d) (3),
7 (4), or (5), or 457(e)(10).”

8 (k) AMENDMENT RELATED TO SECTION 1088 OF
9 1997 ACT.—Section 1088(b)(2)(C) of the 1997 Act is
10 amended by inserting “more than 1 year” before “after”.

11 (l) AMENDMENT RELATED TO SECTION 1089 OF
12 1997 ACT.—Paragraphs (1)(C) and (2)(C) of section
13 664(d) of the 1986 Code are each amended by adding
14 “, and” at the end.

15 **SEC. 10. AMENDMENTS RELATED TO TITLE XI OF 1997 ACT.**

16 (a) AMENDMENT RELATED TO SECTION 1103 OF
17 1997 ACT.—The paragraph (3) of section 59(a) added by
18 section 1103 of the 1997 Act is redesignated as paragraph
19 (4).

20 (b) AMENDMENT RELATED TO SECTION 1121 OF
21 1997 ACT.—Section 1298(a)(2)(B) of the 1986 Code is
22 amended by adding at the end the following new sentence:
23 “Section 1297(e) shall not apply in determining whether
24 a corporation is a passive foreign investment company for
25 purposes of this subparagraph.”

1 (c) AMENDMENT RELATED TO SECTION 1122 OF
2 1997 ACT.—Section 672(f)(3)(B) of the 1986 Code is
3 amended by striking “section 1296” and inserting “sec-
4 tion 1297”.

5 (d) AMENDMENT RELATED TO SECTION 1123 OF
6 1997 ACT.—The subsection (e) of section 1297 of the
7 1986 Code added by section 1123 of the 1997 Act is re-
8 designated as subsection (f).

9 (e) AMENDMENT RELATED TO SECTION 1144 OF
10 1997 ACT.—Paragraphs (1) and (2) of section 1144(c)
11 of the 1997 Act are each amended by striking “6038B(b)”
12 and inserting “6038B(c) (as redesignated by subsection
13 (b))”.

14 **SEC. 11. AMENDMENTS RELATED TO TITLE XII OF 1997 ACT.**

15 (a) AMENDMENT RELATED TO SECTION 1204 OF
16 1997 ACT.—The last sentence of section 162(a) of the
17 1986 Code is amended by striking “investigate” and all
18 that follows and inserting “investigate or prosecute, or
19 provide support services for the investigation or prosecu-
20 tion of, a Federal crime.”

21 (b) AMENDMENTS RELATED TO SECTION 1205 OF
22 1997 ACT.—

23 (1) Section 6311(e)(1) of the 1986 Code is
24 amended by striking “section 6103(k)(8)” and in-
25 serting “section 6103(k)(9)”.

1 (b) The item relating to section 646 in the table of
2 sections for subpart A of part I of subchapter J of chapter
3 1 of the 1986 Code is amended by striking “Sec. 646”
4 and inserting “Sec. 645”.

5 (c) Paragraph (1) of section 2652(b) of the 1986
6 Code is amended by striking “section 646” and inserting
7 “section 645”.

8 (d) Paragraph (3) of section 1(g) of the 1986 Code
9 is amended by striking subparagraph (C) and by redesi-
10 gnating subparagraph (D) as subparagraph (C).

11 (e) Section 641 of the 1986 Code is amended by
12 striking subsection (e) and by redesignating subsection (d)
13 as subsection (c).

14 (f) Paragraph (4) of section 1361(e) of the 1986
15 Code is amended by striking “section 641(d)” and insert-
16 ing “section 641(c)”.

17 (g) Subparagraph (A) of section 6103(e)(1) of the
18 1986 Code is amended by striking clause (ii) and by redesi-
19 gnating clauses (iii) and (iv) as clauses (ii) and (iii), re-
20 spectively.

21 **SEC. 13. AMENDMENTS RELATED TO TITLE XIV OF 1997**

22 **ACT.**

23 (a) AMENDMENT RELATED TO SECTION 1434 OF
24 1997 ACT.—Paragraph (2) of section 4052(f) of the 1986

1 Code is amended by striking “this section” and inserting
2 “such section”.

3 (b) AMENDMENT RELATED TO SECTION 1436 OF
4 1997 ACT.—Paragraph (2) of section 4091(a) of the 1986
5 Code is amended by inserting “or on which tax has been
6 credited or refunded” after “such paragraph”.

7 **SEC. 14. AMENDMENTS RELATED TO TITLE XV OF 1997 ACT.**

8 (a) AMENDMENT RELATED TO SECTION 1501 OF
9 1997 ACT.—The paragraph (8) of section 408(p) of the
10 1986 Code added by section 1501(b) of the 1997 Act is
11 redesignated as paragraph (9).

12 (b) AMENDMENT RELATED TO SECTION 1505 OF
13 1997 ACT.—Section 1505(d)(2) of the 1997 Act is amend-
14 ed by striking “(b)(12)” and inserting “(b)(12)(A)(i)”.

15 (c) AMENDMENT RELATED TO SECTION 1531 OF
16 1997 ACT.—Subsection (f) of section 9811 of the 1986
17 Code (as added by section 1531 of the 1997 Act) is red-
18 igned as subsection (e).

19 **SEC. 15. AMENDMENTS RELATED TO TITLE XVI.**

20 (a) AMENDMENTS RELATED TO SECTION 1601(d) OF
21 1997 ACT.—

22 (1) AMENDMENTS RELATED TO SECTION
23 1601(d)(1)—

1 (A) Section 408(p)(2)(D)(i) of the 1986
2 Code is amended by striking “or (B)” in the
3 last sentence.

4 (B) Section 408(p) of the 1986 Code is
5 amended by adding at the end the following:

6 “(10) SPECIAL RULES FOR ACQUISITIONS, DIS-
7 POSITIONS, AND SIMILAR TRANSACTIONS.—

8 “(A) IN GENERAL.—An employer which
9 fails to meet any applicable requirement by rea-
10 son of an acquisition, disposition, or similar
11 transaction shall not be treated as failing to
12 meet such requirement during the transition pe-
13 riod if—

14 “(i) the employer satisfies require-
15 ments similar to the requirements of sec-
16 tion 410(b)(6)(C)(i)(II), and

17 “(ii) the qualified salary reduction ar-
18 rangement maintained by the employer
19 would satisfy the requirements of this sub-
20 section after the transaction if the em-
21 ployer which maintained the arrangement
22 before the transaction had remained a sep-
23 arate employer.

1 “(B) APPLICABLE REQUIREMENT.—For
2 purposes of this paragraph, the term ‘applicable
3 requirement’ means—

4 “(i) the requirement under paragraph
5 (2)(A)(i) that an employer be an eligible
6 employer,

7 “(ii) the requirement under paragraph
8 (2)(D) that an arrangement be the only
9 plan of an employer, and

10 “(iii) the participation requirements
11 under paragraph (4).

12 “(C) TRANSITION PERIOD.—For purposes
13 of this paragraph, the term ‘transition period’
14 means the period beginning on the date of any
15 transaction described in subparagraph (A) and
16 ending on the last day of the second calendar
17 year following the calendar year in which such
18 transaction occurs.”

19 (C) Section 408(p)(2) of the 1986 Code is
20 amended—

21 (i) by striking “the preceding sentence
22 shall apply only in accordance with rules
23 similar to the rules of section
24 410(b)(6)(C)(i)” in the last sentence of

1 subparagraph (C)(i)(II) and inserting “the
2 preceding sentence shall not apply”, and
3 (ii) by striking clause (iii) of subpara-
4 graph (D).

5 (2) AMENDMENT TO SECTION 1601 (d)(4).—Sec-
6 tion 1601(d)(4)(A) of the 1997 Act is amended—

7 (A) by striking “Section 403(b)(11)” and
8 inserting “Paragraphs (7)(A)(ii) and (11) of
9 section 403(b)”, and

10 (B) by striking “403(b)(1)” in clause (ii)
11 and inserting “403(b)(10)”.

12 (b) AMENDMENT RELATED TO SECTION 1601(f)(4)
13 OF 1997 ACT.—Subsection (d) of section 6427 of the
14 1986 Code is amended—

15 (1) by striking “HELICOPTERS” in the heading
16 and inserting “OTHER AIRCRAFT USES”, and

17 (2) by inserting “or a fixed-wing aircraft” after
18 “helicopter”.

19 **SEC. 16. AMENDMENT RELATED TO OMNIBUS BUDGET REC-**
20 **ONCILIATION ACT OF 1993.**

21 (a) IN GENERAL.—Section 196(c) of the 1986 Code
22 is amended by striking “and” at the end of paragraph (6),
23 by striking the period at the end of paragraph (7), and
24 insert “, and”, and by adding at the end the following
25 new paragraph:

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect as if included in the
3 amendments made by section 701(b) of the Tax Reform
4 Act of 1986.

5 **SEC. 19. MISCELLANEOUS CLERICAL AND DEADWOOD**
6 **CHANGES.**

7 (a)(1) Section 6421 of the 1986 Code is amended by
8 redesignating subsections (j) and (k) as subsections (i)
9 and (j), respectively.

10 (2) Subsection (b) of section 34 of the 1986 Code
11 is amended by striking “section 6421(j)” and inserting
12 “section 6421(i)”.

13 (3) *Subsections (a) and (b) of section 6421 of the 1986*
14 *Code are each amended by striking “subsection (j)” and in-*
15 *serting “subsection (i)”.*

16 (b) Sections 4092(b) and 6427(q)(2) of the 1986
17 Code are each amended by striking “section 4041(c)(4)”
18 and inserting “section 4041(c)(2)”.

19 (c) Sections 4221(c) and 4222(d) of the 1986 Code
20 are each amended by striking “4053(a)(6)” and inserting
21 “4053(6)”.

22 (d) Paragraph (5) of section 6416(b) of the 1986
23 Code is amended by striking “section 4216(e)(1)” each
24 place it appears and inserting “section 4216(d)(1)”.

1 (e) Paragraph (3) of section 6427(f) of the 1986
2 Code is amended by striking “, (e),”.

3 (f)(1) Section 6427 of the 1986 Code, as amended
4 by paragraph (2), is amended by redesignating subsections
5 (n), (p), (q), and (r) as subsections (m), (n), (o), and (p),
6 respectively.

7 (2) Paragraphs (1) and (2)(A) of section 6427(i) of
8 the 1986 Code are each amended by striking “(q)” and
9 inserting “(o)”.

10 (g) Subsection (e) of section 9502 of the 1986 Code
11 is amended to read as follows:

12 “(e) CERTAIN TAXES ON ALCOHOL MIXTURES TO
13 REMAIN IN GENERAL FUND.—For purposes of this sec-
14 tion, the amounts which would (but for this subsection)
15 be required to be appropriated under subparagraphs (A),
16 (C), and (D) of subsection (b)(1) shall be reduced by—

17 “(1) 0.6 cent per gallon in the case of taxes im-
18 posed on any mixture at least 10 percent of which
19 is alcohol (as defined in section 4081(c)(3)) if any
20 portion of such alcohol is ethanol, and

21 “(2) 0.67 cent per gallon in the case of fuel
22 used in producing a mixture described in paragraph
23 (1).”

24 (h)(1) Clause (i) of section 9503(c)(2)(A) of the 1986
25 Code is amended by adding “and” at the end of subclause

1 (II), by striking subclause (III), and by redesignating sub-
2 clause (IV) as subclause (III).

3 (2) Clause (ii) of such section is amended by striking
4 “gasoline, special fuels, and lubricating oil” each place it
5 appears and inserting “fuel”.

6 (i) The amendments made by this section shall take
7 effect on the date of the enactment of this Act.

8 **SEC. 20. EFFECTIVE DATE.**

9 Except as otherwise provided in this Act, the amend-
10 ments made by this Act shall take effect as if included
11 in the provisions of the Taxpayer Relief Act of 1997 to
12 which they relate.