

105TH CONGRESS
2^D SESSION

H. R. 4738

AN ACT

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, provide tax relief for farmers and small businesses, and for other purposes.

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To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, provide tax relief for farmers and small businesses, and for other purposes.

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

1 **SECTION 1. AMENDMENT OF 1986 CODE; TABLE OF CON-**
 2 **TENTS.**

3 (a) AMENDMENT OF 1986 CODE.—Except as other-
 4 wise expressly provided, whenever in this Act an amend-
 5 ment or repeal is expressed in terms of an amendment
 6 to, or repeal of, a section or other provision, the reference
 7 shall be considered to be made to a section or other provi-
 8 sion of the Internal Revenue Code of 1986.

9 (b) TABLE OF CONTENTS.—

Sec. 1. Amendment of 1986 Code; table of contents.

TITLE I—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING
 PROVISIONS

Subtitle A—Tax Provisions

Sec. 101. Research credit.

Sec. 102. Work opportunity credit.

Sec. 103. Income averaging for farmers made permanent.

Sec. 104. Contributions of stock to private foundations; expanded public inspec-
 tion of private foundations' annual returns.

Sec. 105. Subpart F exemption for active financing income.

Sec. 106. Disclosure of return information on income contingent student loans.

Subtitle B—Generalized System of Preferences

Sec. 111. Extension of Generalized System of Preferences.

TITLE II—OTHER PROVISIONS

Sec. 201. Depreciation study.

Sec. 202. Production flexibility contract payments.

Sec. 203. 100 percent deduction for health insurance costs of self-employed in-
 dividuals.

Sec. 204. Increase in volume cap on private activity bonds.

Sec. 205. Modification of estimated tax safe harbors.

Sec. 206. Exemption for students employed by State schools, colleges, or uni-
 versities.

TITLE III—REVENUE OFFSETS

Sec. 301. Treatment of certain deductible liquidating distributions of regulated
 investment companies and real estate investment trusts.

Sec. 302. Inclusion of rotavirus gastroenteritis as a taxable vaccine.

Sec. 303. Clarification and expansion of mathematical error assessment proce-
 dures.

Sec. 304. Clarification of definition of specified liability loss.

TITLE IV—TECHNICAL CORRECTIONS

Sec. 401. Definitions; coordination with other titles.

Sec. 402. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.

Sec. 403. Amendments related to Taxpayer Relief Act of 1997.

Sec. 404. Amendments related to Tax Reform Act of 1984.

Sec. 405. Other amendments.

1 **TITLE I—EXTENSION AND MODI-**
2 **FICATION OF CERTAIN EXPIR-**
3 **ING PROVISIONS**

4 **Subtitle A—Tax Provisions**

5 **SEC. 101. RESEARCH CREDIT.**

6 (a) TEMPORARY EXTENSION.—Paragraph (1) of sec-
7 tion 41(h) (relating to termination) is amended—

8 (1) by striking “June 30, 1998” and inserting
9 “December 31, 1999”;

10 (2) by striking “24-month” and inserting “42-
11 month”; and

12 (3) by striking “24 months” and inserting “42
13 months”.

14 (b) TECHNICAL AMENDMENT.—Subparagraph (D) of
15 section 45C(b)(1) is amended by striking “June 30, 1998”
16 and inserting “December 31, 1999”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to amounts paid or incurred after
19 June 30, 1998.

20 **SEC. 102. WORK OPPORTUNITY CREDIT.**

21 (a) TEMPORARY EXTENSION.—Subparagraph (B) of
22 section 51(c)(4) (relating to termination) is amended by

1 striking “June 30, 1998” and inserting “December 31,
2 1999”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to individuals who begin work for
5 the employer after June 30, 1998.

6 **SEC. 103. INCOME AVERAGING FOR FARMERS MADE PER-**
7 **MANENT.**

8 Subsection (c) of section 933 of the Taxpayer Relief
9 Act of 1997 is amended by striking “, and before January
10 1, 2001”.

11 **SEC. 104. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDA-**
12 **TIONS; EXPANDED PUBLIC INSPECTION OF**
13 **PRIVATE FOUNDATIONS’ ANNUAL RETURNS.**

14 (a) SPECIAL RULE FOR CONTRIBUTIONS OF STOCK
15 MADE PERMANENT.—

16 (1) IN GENERAL.—Paragraph (5) of section
17 170(e) is amended by striking subparagraph (D)
18 (relating to termination).

19 (2) EFFECTIVE DATE.—The amendment made
20 by paragraph (1) shall apply to contributions made
21 after June 30, 1998.

22 (b) EXPANDED PUBLIC INSPECTION OF PRIVATE
23 FOUNDATIONS’ ANNUAL RETURNS, ETC.—

24 (1) IN GENERAL.—Section 6104 (relating to
25 publicity of information required from certain ex-

1 empt organizations and certain trusts) is amended
2 by striking subsections (d) and (e) and inserting
3 after subsection (c) the following new subsection:

4 “(d) PUBLIC INSPECTION OF CERTAIN ANNUAL RE-
5 TURNS AND APPLICATIONS FOR EXEMPTION.—

6 “(1) IN GENERAL.—In the case of an organiza-
7 tion described in subsection (c) or (d) of section 501
8 and exempt from taxation under section 501(a)—

9 “(A) a copy of—

10 “(i) the annual return filed under sec-
11 tion 6033 (relating to returns by exempt
12 organizations) by such organization; and

13 “(ii) if the organization filed an appli-
14 cation for recognition of exemption under
15 section 501, the exempt status application
16 materials of such organization,

17 shall be made available by such organization for
18 inspection during regular business hours by any
19 individual at the principal office of such organi-
20 zation and, if such organization regularly main-
21 tains 1 or more regional or district offices hav-
22 ing 3 or more employees, at each such regional
23 or district office; and

24 “(B) upon request of an individual made
25 at such principal office or such a regional or

1 district office, a copy of such annual return and
2 exempt status application materials shall be
3 provided to such individual without charge
4 other than a reasonable fee for any reproduc-
5 tion and mailing costs.

6 The request described in subparagraph (B) must be
7 made in person or in writing. If such request is
8 made in person, such copy shall be provided imme-
9 diately and, if made in writing, shall be provided
10 within 30 days.

11 “(2) 3-YEAR LIMITATION ON INSPECTION OF
12 RETURNS.—Paragraph (1) shall apply to an annual
13 return filed under section 6033 only during the 3-
14 year period beginning on the last day prescribed for
15 filing such return (determined with regard to any
16 extension of time for filing).

17 “(3) EXCEPTIONS FROM DISCLOSURE REQUIRE-
18 MENT.—

19 “(A) NONDISCLOSURE OF CONTRIBUTORS,
20 ETC.—Paragraph (1) shall not require the dis-
21 closure of the name or address of any contribu-
22 tor to the organization. In the case of an orga-
23 nization described in section 501(d), paragraph
24 (1) shall not require the disclosure of the copies

1 referred to in section 6031(b) with respect to
2 such organization.

3 “(B) NONDISCLOSURE OF CERTAIN OTHER
4 INFORMATION.—Paragraph (1) shall not re-
5 quire the disclosure of any information if the
6 Secretary withheld such information from pub-
7 lic inspection under subsection (a)(1)(D).

8 “(4) LIMITATION ON PROVIDING COPIES.—
9 Paragraph (1)(B) shall not apply to any request if,
10 in accordance with regulations promulgated by the
11 Secretary, the organization has made the requested
12 documents widely available, or the Secretary deter-
13 mines, upon application by an organization, that
14 such request is part of a harassment campaign and
15 that compliance with such request is not in the pub-
16 lic interest.

17 “(5) EXEMPT STATUS APPLICATION MATE-
18 RIALS.—For purposes of paragraph (1), the term
19 ‘exempt status applicable materials’ means the appli-
20 cation for recognition of exemption under section
21 501 and any papers submitted in support of such
22 application and any letter or other document issued
23 by the Internal Revenue Service with respect to such
24 application.”.

25 (2) CONFORMING AMENDMENTS.—

1 (A) Subsection (c) of section 6033 is
2 amended by adding “and” at the end of para-
3 graph (1), by striking paragraph (2), and by re-
4 designating paragraph (3) as paragraph (2).

5 (B) Subparagraph (C) of section
6 6652(c)(1) is amended by striking “subsection
7 (d) or (e)(1) of section 6104 (relating to public
8 inspection of annual returns)” and inserting
9 “section 6104(d) with respect to any annual re-
10 turn”.

11 (C) Subparagraph (D) of section
12 6652(c)(1) is amended by striking “section
13 6104(e)(2) (relating to public inspection of ap-
14 plications for exemption)” and inserting “sec-
15 tion 6104(d) with respect to any exempt status
16 application materials (as defined in such sec-
17 tion)”.

18 (D) Section 6685 is amended by striking
19 “or (e)”.

20 (E) Section 7207 is amended by striking
21 “or (e)”.

22 (3) EFFECTIVE DATE.—

23 (A) IN GENERAL.—Except as provided in
24 subparagraph (B), the amendments made by
25 this subsection shall apply to requests made

1 after the later of December 31, 1998, or the
2 60th day after the Secretary of the Treasury
3 first issues the regulations referred to in such
4 section 6104(d)(4) of the Internal Revenue
5 Code of 1986, as amended by this section.

6 (B) PUBLICATION OF ANNUAL RETURNS.—
7 Section 6104(d) of such Code, as in effect be-
8 fore the amendments made by this subsection,
9 shall not apply to any return the due date for
10 which is after the date such amendments take
11 effect under subparagraph (A).

12 **SEC. 105. SUBPART F EXEMPTION FOR ACTIVE FINANCING**
13 **INCOME.**

14 (a) INCOME DERIVED FROM BANKING, FINANCING,
15 OR SIMILAR BUSINESSES.—Section 954(h) (relating to in-
16 come derived in the active conduct of banking, financing,
17 or similar businesses) is amended to read as follows:

18 “(h) SPECIAL RULE FOR INCOME DERIVED IN THE
19 ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR
20 BUSINESSES.—

21 “(1) IN GENERAL.—For purposes of subsection
22 (c)(1), foreign personal holding company income
23 shall not include qualified banking or financing in-
24 come of an eligible controlled foreign corporation.

1 “(2) ELIGIBLE CONTROLLED FOREIGN COR-
2 PORATION.—For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘eligible con-
4 trolled foreign corporation’ means a controlled
5 foreign corporation which—

6 “(i) is predominantly engaged in the
7 active conduct of a banking, financing, or
8 similar business, and

9 “(ii) conducts substantial activity with
10 respect to such business.

11 “(B) PREDOMINANTLY ENGAGED.—A con-
12 trolled foreign corporation shall be treated as
13 predominantly engaged in the active conduct of
14 a banking, financing, or similar business if—

15 “(i) more than 70 percent of the gross
16 income of the controlled foreign corpora-
17 tion is derived directly from the active and
18 regular conduct of a lending or finance
19 business from transactions with customers
20 which are not related persons,

21 “(ii) it is engaged in the active con-
22 duct of a banking business and is an insti-
23 tution licensed to do business as a bank in
24 the United States (or is any other corpora-

1 tion not so licensed which is specified by
2 the Secretary in regulations), or

3 “(iii) it is engaged in the active con-
4 duct of a securities business and is reg-
5 istered as a securities broker or dealer
6 under section 15(a) of the Securities Ex-
7 change Act of 1934 or is registered as a
8 Government securities broker or dealer
9 under section 15C(a) of such Act (or is
10 any other corporation not so registered
11 which is specified by the Secretary in regu-
12 lations).

13 “(3) QUALIFIED BANKING OR FINANCING IN-
14 COME.—For purposes of this subsection—

15 “(A) IN GENERAL.—The term ‘qualified
16 banking or financing income’ means income of
17 an eligible controlled foreign corporation
18 which—

19 “(i) is derived in the active conduct of
20 a banking, financing, or similar business
21 by—

22 “(I) such eligible controlled for-
23 eign corporation, or

1 “(II) a qualified business unit of
2 such eligible controlled foreign cor-
3 poration,

4 “(ii) is derived from one or more
5 transactions—

6 “(I) with customers located in a
7 country other than the United States,
8 and

9 “(II) substantially all of the ac-
10 tivities in connection with which are
11 conducted directly by the corporation
12 or unit in its home country, and

13 “(iii) is treated as earned by such cor-
14 poration or unit in its home country for
15 purposes of such country’s tax laws.

16 “(B) LIMITATION ON NONBANKING AND
17 NONSECURITIES BUSINESSES.—No income of
18 an eligible controlled foreign corporation not de-
19 scribed in clause (ii) or (iii) of paragraph
20 (2)(B) (or of a qualified business unit of such
21 corporation) shall be treated as qualified bank-
22 ing or financing income unless more than 30
23 percent of such corporation’s or unit’s gross in-
24 come is derived directly from the active and
25 regular conduct of a lending or finance business

1 from transactions with customers which are not
2 related persons and which are located within
3 such corporation's or unit's home country.

4 “(C) SUBSTANTIAL ACTIVITY REQUIRE-
5 MENT FOR CROSS BORDER INCOME.—The term
6 ‘qualified banking or financing income’ shall
7 not include income derived from 1 or more
8 transactions with customers located in a coun-
9 try other than the home country of the eligible
10 controlled foreign corporation or a qualified
11 business unit of such corporation unless such
12 corporation or unit conducts substantial activity
13 with respect to a banking, financing, or similar
14 business in its home country.

15 “(D) DETERMINATIONS MADE SEPA-
16 RATELY.—For purposes of this paragraph, the
17 qualified banking or financing income of an eli-
18 gible controlled foreign corporation and each
19 qualified business unit of such corporation shall
20 be determined separately for such corporation
21 and each such unit by taking into account—

22 “(i) in the case of the eligible con-
23 trolled foreign corporation, only items of
24 income, deduction, gain, or loss and activi-
25 ties of such corporation not properly allo-

1 cable or attributable to any qualified busi-
2 ness unit of such corporation, and

3 “(ii) in the case of a qualified busi-
4 ness unit, only items of income, deduction,
5 gain, or loss and activities properly alloca-
6 ble or attributable to such unit.

7 “(4) LENDING OR FINANCE BUSINESS.—For
8 purposes of this subsection, the term ‘lending or fi-
9 nance business’ means the business of—

10 “(A) making loans,

11 “(B) purchasing or discounting accounts
12 receivable, notes, or installment obligations,

13 “(C) engaging in leasing (including enter-
14 ing into leases and purchasing, servicing, and
15 disposing of leases and leased assets),

16 “(D) issuing letters of credit or providing
17 guarantees,

18 “(E) providing charge and credit card
19 services, or

20 “(F) rendering services or making facilities
21 available in connection with activities described
22 in subparagraphs (A) through (E) carried on
23 by—

1 “(i) the corporation (or qualified busi-
2 ness unit) rendering services or making fa-
3 cilities available, or

4 “(ii) another corporation (or qualified
5 business unit of a corporation) which is a
6 member of the same affiliated group (as
7 defined in section 1504, but determined
8 without regard to section 1504(b)(3)).

9 “(5) OTHER DEFINITIONS.—For purposes of
10 this subsection—

11 “(A) CUSTOMER.—The term ‘customer’
12 means, with respect to any controlled foreign
13 corporation or qualified business unit, any per-
14 son which has a customer relationship with
15 such corporation or unit and which is acting in
16 its capacity as such.

17 “(B) HOME COUNTRY.—Except as pro-
18 vided in regulations—

19 “(i) CONTROLLED FOREIGN CORPORA-
20 TION.—The term ‘home country’ means,
21 with respect to any controlled foreign cor-
22 poration, the country under the laws of
23 which the corporation was created or orga-
24 nized.

1 “(ii) QUALIFIED BUSINESS UNIT.—

2 The term ‘home country’ means, with re-
3 spect to any qualified business unit, the
4 country in which such unit maintains its
5 principal office.

6 “(C) LOCATED.—The determination of
7 where a customer is located shall be made
8 under rules prescribed by the Secretary.

9 “(D) QUALIFIED BUSINESS UNIT.—The
10 term ‘qualified business unit’ has the meaning
11 given such term by section 989(a).

12 “(E) RELATED PERSON.—The term ‘relat-
13 ed person’ has the meaning given such term by
14 subsection (d)(3).

15 “(6) COORDINATION WITH EXCEPTION FOR
16 DEALERS.—Paragraph (1) shall not apply to income
17 described in subsection (c)(2)(C)(ii) of a dealer in
18 securities (within the meaning of section 475) which
19 is an eligible controlled foreign corporation described
20 in paragraph (2)(B)(iii).

21 “(7) ANTI-ABUSE RULES.—For purposes of ap-
22 plying this subsection and subsection (c)(2)(C)(ii)—

23 “(A) there shall be disregarded any item of
24 income, gain, loss, or deduction with respect to
25 any transaction or series of transactions one of

1 the principal purposes of which is qualifying in-
2 come or gain for the exclusion under this sec-
3 tion, including any transaction or series of
4 transactions a principal purpose of which is the
5 acceleration or deferral of any item in order to
6 claim the benefits of such exclusion through the
7 application of this subsection,

8 “(B) there shall be disregarded any item of
9 income, gain, loss, or deduction of an entity
10 which is not engaged in regular and continuous
11 transactions with customers which are not re-
12 lated persons,

13 “(C) there shall be disregarded any item of
14 income, gain, loss, or deduction with respect to
15 any transaction or series of transactions utiliz-
16 ing, or doing business with—

17 “(i) one or more entities in order to
18 satisfy any home country requirement
19 under this subsection, or

20 “(ii) a special purpose entity or ar-
21 rangement, including a securitization, fi-
22 nancing, or similar entity or arrangement,
23 if one of the principal purposes of such trans-
24 action or series of transactions is qualifying in-

1 come or gain for the exclusion under this sub-
2 section, and

3 “(D) a related person, an officer, a direc-
4 tor, or an employee with respect to any con-
5 trolled foreign corporation (or qualified business
6 unit) which would otherwise be treated as a
7 customer of such corporation or unit with re-
8 spect to any transaction shall not be so treated
9 if a principal purpose of such transaction is to
10 satisfy any requirement of this subsection.

11 “(8) REGULATIONS.—The Secretary shall pre-
12 scribe such regulations as may be necessary or ap-
13 propriate to carry out the purposes of this sub-
14 section, subsection (c)(1)(B)(i), subsection
15 (c)(2)(C)(ii), and the last sentence of subsection
16 (e)(2).

17 “(9) APPLICATION.—This subsection, sub-
18 section (c)(2)(C)(ii), and the last sentence of sub-
19 section (e)(2) shall apply only to the first taxable
20 year of a foreign corporation beginning after Decem-
21 ber 31, 1998, and before January 1, 2000, and to
22 taxable years of United States shareholders with or
23 within which such taxable year of such foreign cor-
24 poration ends.”.

1 (b) INCOME DERIVED FROM INSURANCE BUSI-
2 NESS.—

3 (1) INCOME ATTRIBUTABLE TO ISSUANCE OR
4 REINSURANCE.—

5 (A) IN GENERAL.—Section 953(a) (defin-
6 ing insurance income) is amended to read as
7 follows:

8 “(a) INSURANCE INCOME.—

9 “(1) IN GENERAL.—For purposes of section
10 952(a)(1), the term ‘insurance income’ means any
11 income which—

12 “(A) is attributable to the issuing (or rein-
13 suring) of an insurance or annuity contract,
14 and

15 “(B) would (subject to the modifications
16 provided by subsection (b)) be taxed under sub-
17 chapter L of this chapter if such income were
18 the income of a domestic insurance company.

19 “(2) EXCEPTION.—Such term shall not include
20 any exempt insurance income (as defined in sub-
21 section (e)).”.

22 (B) EXEMPT INSURANCE INCOME.—Sec-
23 tion 953 (relating to insurance income) is
24 amended by adding at the end the following
25 new subsection:

1 “(e) EXEMPT INSURANCE INCOME.—For purposes of
2 this section—

3 “(1) EXEMPT INSURANCE INCOME DEFINED.—

4 “(A) IN GENERAL.—The term ‘exempt in-
5 surance income’ means income derived by a
6 qualifying insurance company which—

7 “(i) is attributable to the issuing (or
8 reinsuring) of an exempt contract by such
9 company or a qualifying insurance com-
10 pany branch of such company, and

11 “(ii) is treated as earned by such com-
12 pany or branch in its home country for
13 purposes of such country’s tax laws.

14 “(B) EXCEPTION FOR CERTAIN ARRANGE-
15 MENTS.—Such term shall not include income
16 attributable to the issuing (or reinsuring) of an
17 exempt contract as the result of any arrange-
18 ment whereby another corporation receives a
19 substantially equal amount of premiums or
20 other consideration in respect of issuing (or re-
21 insuring) a contract which is not an exempt
22 contract.

23 “(C) DETERMINATIONS MADE SEPA-
24 RATELY.—For purposes of this subsection and
25 section 954(i), the exempt insurance income

1 and exempt contracts of a qualifying insurance
2 company or any qualifying insurance company
3 branch of such company shall be determined
4 separately for such company and each such
5 branch by taking into account—

6 “(i) in the case of the qualifying in-
7 surance company, only items of income, de-
8 duction, gain, or loss, and activities of such
9 company not properly allocable or attrib-
10 utable to any qualifying insurance com-
11 pany branch of such company, and

12 “(ii) in the case of a qualifying insur-
13 ance company branch, only items of in-
14 come, deduction, gain, or loss and activities
15 properly allocable or attributable to such
16 branch.

17 “(2) EXEMPT CONTRACT.—

18 “(A) IN GENERAL.—The term ‘exempt
19 contract’ means an insurance or annuity con-
20 tract issued or reinsured by a qualifying insur-
21 ance company or qualifying insurance company
22 branch in connection with property in, liability
23 arising out of activity in, or the lives or health
24 of residents of, a country other than the United
25 States.

1 “(B) MINIMUM HOME COUNTRY INCOME
2 REQUIRED.—

3 “(i) IN GENERAL.—No contract of a
4 qualifying insurance company or of a
5 qualifying insurance company branch shall
6 be treated as an exempt contract unless
7 such company or branch derives more than
8 30 percent of its net written premiums
9 from exempt contracts (determined without
10 regard to this subparagraph)—

11 “(I) which cover applicable home
12 country risks, and

13 “(II) with respect to which no
14 policyholder, insured, annuitant, or
15 beneficiary is a related person (as de-
16 fined in section 954(d)(3)).

17 “(ii) APPLICABLE HOME COUNTRY
18 RISKS.—The term ‘applicable home coun-
19 try risks’ means risks in connection with
20 property in, liability arising out of activity
21 in, or the lives or health of residents of,
22 the home country of the qualifying insur-
23 ance company or qualifying insurance com-
24 pany branch, as the case may be, issuing

1 or reinsuring the contract covering the
2 risks.

3 “(C) SUBSTANTIAL ACTIVITY REQUIRE-
4 MENTS FOR CROSS BORDER RISKS.—A contract
5 issued by a qualifying insurance company or
6 qualifying insurance company branch which
7 covers risks other than applicable home country
8 risks (as defined in subparagraph (B)(ii)) shall
9 not be treated as an exempt contract unless
10 such company or branch, as the case may be—

11 “(i) conducts substantial activity with
12 respect to an insurance business in its
13 home country, and

14 “(ii) performs in its home country
15 substantially all of the activities necessary
16 to give rise to the income generated by
17 such contract.

18 “(3) QUALIFYING INSURANCE COMPANY.—The
19 term ‘qualifying insurance company’ means any con-
20 trolled foreign corporation which—

21 “(A) is subject to regulation as an insur-
22 ance (or reinsurance) company by its home
23 country, and is licensed, authorized, or regu-
24 lated by the applicable insurance regulatory
25 body for its home country to sell insurance, re-

1 insurance, or annuity contracts to persons other
2 than related persons (within the meaning of
3 section 954(d)(3)) in such home country,

4 “(B) derives more than 50 percent of its
5 aggregate net written premiums from the
6 issuance or reinsurance by such controlled for-
7 eign corporation and each of its qualifying in-
8 surance company branches of contracts—

9 “(i) covering applicable home country
10 risks (as defined in paragraph (2)) of such
11 corporation or branch, as the case may be,
12 and

13 “(ii) with respect to which no policy-
14 holder, insured, annuitant, or beneficiary is
15 a related person (as defined in section
16 954(d)(3)),

17 except that in the case of a branch, such pre-
18 miums shall only be taken into account to the
19 extent such premiums are treated as earned by
20 such branch in its home country for purposes of
21 such country’s tax laws, and

22 “(C) is engaged in the insurance business
23 and would be subject to tax under subchapter
24 L if it were a domestic corporation.

1 “(4) QUALIFYING INSURANCE COMPANY
2 BRANCH.—The term ‘qualifying insurance company
3 branch’ means a qualified business unit (within the
4 meaning of section 989(a)) of a controlled foreign
5 corporation if—

6 “(A) such unit is licensed, authorized, or
7 regulated by the applicable insurance regulatory
8 body for its home country to sell insurance, re-
9 insurance, or annuity contracts to persons other
10 than related persons (within the meaning of
11 section 954(d)(3)) in such home country, and

12 “(B) such controlled foreign corporation is
13 a qualifying insurance company, determined
14 under paragraph (3) as if such unit were a
15 qualifying insurance company branch.

16 “(5) LIFE INSURANCE OR ANNUITY CON-
17 TRACT.—For purposes of this section and section
18 954, the determination of whether a contract issued
19 by a controlled foreign corporation or a qualified
20 business unit (within the meaning of section 989(a))
21 is a life insurance contract or an annuity contract
22 shall be made without regard to sections 72(s),
23 101(f), 817(h), and 7702 if—

1 “(A) such contract is regulated as a life in-
2 surance or annuity contract by the corpora-
3 tion’s or unit’s home country, and

4 “(B) no policyholder, insured, annuitant,
5 or beneficiary with respect to the contract is a
6 United States person.

7 “(6) HOME COUNTRY.—For purposes of this
8 subsection, except as provided in regulations—

9 “(A) CONTROLLED FOREIGN CORPORA-
10 TION.—The term ‘home country’ means, with
11 respect to a controlled foreign corporation, the
12 country in which such corporation is created or
13 organized.

14 “(B) QUALIFIED BUSINESS UNIT.—The
15 term ‘home country’ means, with respect to a
16 qualified business unit (as defined in section
17 989(a)), the country in which the principal of-
18 fice of such unit is located and in which such
19 unit is licensed, authorized, or regulated by the
20 applicable insurance regulatory body to sell in-
21 surance, reinsurance, or annuity contracts to
22 persons other than related persons (as defined
23 in section 954(d)(3)) in such country.

24 “(7) ANTI-ABUSE RULES.—For purposes of ap-
25 plying this subsection and section 954(i)—

1 “(A) the rules of section 954(h)(7) (other
2 than subparagraph (B) thereof) shall apply,

3 “(B) there shall be disregarded any item of
4 income, gain, loss, or deduction of, or derived
5 from, an entity which is not engaged in regular
6 and continuous transactions with persons which
7 are not related persons,

8 “(C) there shall be disregarded any change
9 in the method of computing reserves a principal
10 purpose of which is the acceleration or deferral
11 of any item in order to claim the benefits of
12 this subsection or section 954(i),

13 “(D) a contract of insurance or reinsur-
14 ance shall not be treated as an exempt contract
15 (and premiums from such contract shall not be
16 taken into account for purposes of paragraph
17 (2)(B) or (3)) if—

18 “(i) any policyholder, insured, annu-
19 itant, or beneficiary is a resident of the
20 United States and such contract was mar-
21 keted to such resident and was written to
22 cover a risk outside the United States, or

23 “(ii) the contract covers risks located
24 within and without the United States and
25 the qualifying insurance company or quali-

1 fying insurance company branch does not
2 maintain such contemporaneous records,
3 and file such reports, with respect to such
4 contract as the Secretary may require,

5 “(E) the Secretary may prescribe rules for
6 the allocation of contracts (and income from
7 contracts) among 2 or more qualifying insur-
8 ance company branches of a qualifying insur-
9 ance company in order to clearly reflect the in-
10 come of such branches, and

11 “(F) premiums from a contract shall not
12 be taken into account for purposes of para-
13 graph (2)(B) or (3) if such contract reinsures
14 a contract issued or reinsured by a related per-
15 son (as defined in section 954(d)(3)).

16 For purposes of subparagraph (D), the determina-
17 tion of where risks are located shall be made under
18 the principles of section 953.

19 “(8) COORDINATION WITH SUBSECTION (c).—
20 In determining insurance income for purposes of
21 subsection (c), exempt insurance income shall not in-
22 clude income derived from exempt contracts which
23 cover risks other than applicable home country risks.

24 “(9) REGULATIONS.—The Secretary shall pre-
25 scribe such regulations as may be necessary or ap-

1 appropriate to carry out the purposes of this sub-
 2 section and section 954(i).

3 “(10) APPLICATION.—This subsection and sec-
 4 tion 954(i) shall apply only to the first taxable year
 5 of a foreign corporation beginning after December
 6 31, 1998, and before January 1, 2000, and to tax-
 7 able years of United States shareholders with or
 8 within which such taxable year of such foreign cor-
 9 poration ends.

10 “(11) CROSS REFERENCE.—

**“For income exempt from foreign personal hold-
 ing company income, see section 954(i).”.**

11 (2) EXEMPTION FROM FOREIGN PERSONAL
 12 HOLDING COMPANY INCOME.—Section 954 (defining
 13 foreign base company income) is amended by adding
 14 at the end the following new subsection:

15 “(i) SPECIAL RULE FOR INCOME DERIVED IN THE
 16 ACTIVE CONDUCT OF INSURANCE BUSINESS.—

17 “(1) IN GENERAL.—For purposes of subsection
 18 (c)(1), foreign personal holding company income
 19 shall not include qualified insurance income of a
 20 qualifying insurance company.

21 “(2) QUALIFIED INSURANCE INCOME.—The
 22 term ‘qualified insurance income’ means income of a
 23 qualifying insurance company which is—

1 “(A) received from a person other than a
2 related person (within the meaning of sub-
3 section (d)(3)) and derived from the invest-
4 ments made by a qualifying insurance company
5 or a qualifying insurance company branch of its
6 reserves allocable to exempt contracts or of 80
7 percent of its unearned premiums from exempt
8 contracts (as both are determined in the man-
9 ner prescribed under paragraph (4)), or

10 “(B) received from a person other than a
11 related person (within the meaning of sub-
12 section (d)(3)) and derived from investments
13 made by a qualifying insurance company or a
14 qualifying insurance company branch of an
15 amount of its assets allocable to exempt con-
16 tracts equal to—

17 “(i) in the case of property, casualty,
18 or health insurance contracts, one-third of
19 its premiums earned on such insurance
20 contracts during the taxable year (as de-
21 fined in section 832(b)(4)), and

22 “(ii) in the case of life insurance or
23 annuity contracts, 10 percent of the re-
24 serves described in subparagraph (A) for
25 such contracts.

1 “(3) PRINCIPLES FOR DETERMINING INSUR-
2 ANCE INCOME.—Except as provided by the Sec-
3 retary, for purposes of subparagraphs (A) and (B)
4 of paragraph (2)—

5 “(A) in the case of any contract which is
6 a separate account-type contract (including any
7 variable contract not meeting the requirements
8 of section 817), income credited under such
9 contract shall be allocable only to such contract,
10 and

11 “(B) income not allocable under subpara-
12 graph (A) shall be allocated ratably among con-
13 tracts not described in subparagraph (A).

14 “(4) METHODS FOR DETERMINING UNEARNED
15 PREMIUMS AND RESERVES.—For purposes of para-
16 graph (2)(A)—

17 “(A) PROPERTY AND CASUALTY CON-
18 TRACTS.—The unearned premiums and reserves
19 of a qualifying insurance company or a qualify-
20 ing insurance company branch with respect to
21 property, casualty, or health insurance con-
22 tracts shall be determined using the same meth-
23 ods and interest rates which would be used if
24 such company or branch were subject to tax
25 under subchapter L, except that—

1 “(i) the interest rate determined for
2 the functional currency of the company or
3 branch, and which, except as provided by
4 the Secretary, is calculated in the same
5 manner as the Federal mid-term rate
6 under section 1274(d), shall be substituted
7 for the applicable Federal interest rate,
8 and

9 “(ii) such company or branch shall
10 use the appropriate foreign loss payment
11 pattern.

12 “(B) LIFE INSURANCE AND ANNUITY CON-
13 TRACTS.—The amount of the reserve of a quali-
14 fying insurance company or qualifying insur-
15 ance company branch for any life insurance or
16 annuity contract shall be equal to the greater
17 of—

18 “(i) the net surrender value of such
19 contract (as defined in section
20 807(e)(1)(A)), or

21 “(ii) the reserve determined under
22 paragraph (5).

23 “(C) LIMITATION ON RESERVES.—In no
24 event shall the reserve determined under this
25 paragraph for any contract as of any time ex-

1 ceed the amount which would be taken into ac-
2 count with respect to such contract as of such
3 time in determining foreign statement reserves
4 (less any catastrophe, deficiency, equalization,
5 or similar reserves).

6 “(5) AMOUNT OF RESERVE.—The amount of
7 the reserve determined under this paragraph with
8 respect to any contract shall be determined in the
9 same manner as it would be determined if the quali-
10 fying insurance company or qualifying insurance
11 company branch were subject to tax under sub-
12 chapter L, except that in applying such sub-
13 chapter—

14 “(A) the interest rate determined for the
15 functional currency of the company or branch,
16 and which, except as provided by the Secretary,
17 is calculated in the same manner as the Federal
18 mid-term rate under section 1274(d), shall be
19 substituted for the applicable Federal interest
20 rate,

21 “(B) the highest assumed interest rate
22 permitted to be used in determining foreign
23 statement reserves shall be substituted for the
24 prevailing State assumed interest rate, and

1 “(C) tables for mortality and morbidity
2 which reasonably reflect the current mortality
3 and morbidity risks in the company’s or
4 branch’s home country shall be substituted for
5 the mortality and morbidity tables otherwise
6 used for such subchapter.

7 The Secretary may provide that the interest rate
8 and mortality and morbidity tables of a qualifying
9 insurance company may be used for 1 or more of its
10 qualifying insurance company branches when appro-
11 priate.

12 “(6) DEFINITIONS.—For purposes of this sub-
13 section, any term used in this subsection which is
14 also used in section 953(e) shall have the meaning
15 given such term by section 953.”.

16 (3) RESERVES.—Section 953(b) is amended by
17 redesignating paragraph (3) as paragraph (4) and
18 by inserting after paragraph (2) the following new
19 paragraph:

20 “(3) Reserves for any insurance or annuity con-
21 tract shall be determined in the same manner as
22 under section 954(i).”.

23 (c) SPECIAL RULES FOR DEALERS.—Section
24 954(e)(2)(C) is amended to read as follows:

1 “(C) EXCEPTION FOR DEALERS.—Except
2 as provided by regulations, in the case of a reg-
3 ular dealer in property which is property de-
4 scribed in paragraph (1)(B), forward contracts,
5 option contracts, or similar financial instru-
6 ments (including notional principal contracts
7 and all instruments referenced to commodities),
8 there shall not be taken into account in comput-
9 ing foreign personal holding company income—

10 “(i) any item of income, gain, deduc-
11 tion, or loss (other than any item described
12 in subparagraph (A), (E), or (G) of para-
13 graph (1)) from any transaction (including
14 hedging transactions) entered into in the
15 ordinary course of such dealer’s trade or
16 business as such a dealer, and

17 “(ii) if such dealer is a dealer in secu-
18 rities (within the meaning of section 475),
19 any interest or dividend or equivalent
20 amount described in subparagraph (E) or
21 (G) of paragraph (1) from any transaction
22 (including any hedging transaction or
23 transaction described in section
24 956(e)(2)(J)) entered into in the ordinary
25 course of such dealer’s trade or business as

1 such a dealer in securities, but only if the
2 income from the transaction is attributable
3 to activities of the dealer in the country
4 under the laws of which the dealer is cre-
5 ated or organized (or in the case of a
6 qualified business unit described in section
7 989(a), is attributable to activities of the
8 unit in the country in which the unit both
9 maintains its principal office and conducts
10 substantial business activity).”.

11 (d) EXEMPTION FROM FOREIGN BASE COMPANY
12 SERVICES INCOME.—Paragraph (2) of section 954(e) is
13 amended by inserting “or” at the end of subparagraph
14 (A), by striking “, or” at the end of subparagraph (B)
15 and inserting a period, by striking subparagraph (C), and
16 by adding at the end the following new flush sentence:

17 “Paragraph (1) shall also not apply to income which
18 is exempt insurance income (as defined in section
19 953(e)) or which is not treated as foreign personal
20 holding income by reason of subsection (c)(2)(C)(ii),
21 (h), or (i).”.

22 (e) EXEMPTION FOR GAIN.—Section 954(c)(1)(B)(i)
23 (relating to net gains from certain property transactions)
24 is amended by inserting “other than property which gives
25 rise to income not treated as foreign personal holding com-

1 pany income by reason of subsection (h) or (i) for the tax-
2 able year” before the comma at the end.

3 **SEC. 106. DISCLOSURE OF RETURN INFORMATION ON IN-**
4 **COME CONTINGENT STUDENT LOANS.**

5 Subparagraph (D) of section 6103(l)(13) (relating to
6 disclosure of return information to carry out income con-
7 tingent repayment of student loans) is amended by strik-
8 ing “September 30, 1998” and inserting “September 30,
9 2003”.

10 **Subtitle B—Generalized System of**
11 **Preferences**

12 **SEC. 111. EXTENSION OF GENERALIZED SYSTEM OF PREF-**
13 **ERENCES.**

14 (a) EXTENSION OF DUTY-FREE TREATMENT UNDER
15 SYSTEM.—Section 505 of the Trade Act of 1974 (29
16 U.S.C. 2465) is amended by striking “June 30, 1998” and
17 inserting “December 31, 1999”.

18 (b) RETROACTIVE APPLICATION FOR CERTAIN LIQ-
19 UIDATIONS AND RELIQUIDATIONS.—

20 (1) IN GENERAL.—Notwithstanding section 514
21 of the Tariff Act of 1930 or any other provision of
22 law, and subject to paragraph (2), any entry—

23 (A) of an article to which duty-free treat-
24 ment under title V of the Trade Act of 1974
25 would have applied if such title had been in ef-

1 fect during the period beginning on July 1,
2 1998, and ending on the day before the date of
3 the enactment of this Act; and

4 (B) that was made after June 30, 1998,
5 and before the date of the enactment of this
6 Act,

7 shall be liquidated or reliquidated as free of duty,
8 and the Secretary of the Treasury shall refund any
9 duty paid with respect to such entry. As used in this
10 subsection, the term “entry” includes a withdrawal
11 from warehouse for consumption.

12 (2) REQUESTS.—Liquidation or reliquidation
13 may be made under paragraph (1) with respect to
14 an entry only if a request therefor is filed with the
15 Customs Service, within 180 days after the date of
16 the enactment of this Act, that contains sufficient
17 information to enable the Customs Service—

18 (A) to locate the entry; or

19 (B) to reconstruct the entry if it cannot be
20 located.

21 **TITLE II—OTHER PROVISIONS**

22 **SEC. 201. DEPRECIATION STUDY.**

23 The Secretary of the Treasury (or the Secretary’s
24 delegate)—

1 (1) shall conduct a comprehensive study of the
2 recovery periods and depreciation methods under
3 section 168 of the Internal Revenue Code of 1986,
4 and

5 (2) not later than March 31, 2000, shall submit
6 the results of such study, together with rec-
7 ommendations for determining such periods and
8 methods in a more rational manner, to the Commit-
9 tee on Ways and Means of the House of Representa-
10 tives and the Committee on Finance of the Senate.

11 **SEC. 202. PRODUCTION FLEXIBILITY CONTRACT PAY-**
12 **MENTS.**

13 (a) **IN GENERAL.**—The options under paragraphs (2)
14 and (3) of section 112(d) of the Federal Agriculture Im-
15 provement and Reform Act of 1996 (7 U.S.C. 7212(d) (2)
16 and (3)), as in effect on the date of the enactment of this
17 Act, shall be disregarded in determining the taxable year
18 for which any payment under a production flexibility con-
19 tract under subtitle B of title I of such Act (as so in effect)
20 is properly includible in gross income for purposes of the
21 Internal Revenue Code of 1986.

22 (b) **EFFECTIVE DATE.**—Subsection (a) shall apply to
23 taxable years ending after December 31, 1995.

1 **SEC. 203. 100 PERCENT DEDUCTION FOR HEALTH INSUR-**
 2 **ANCE COSTS OF SELF-EMPLOYED INDIVID-**
 3 **UALS.**

4 (a) IN GENERAL.—The table contained in subpara-
 5 graph (B) of section 162(l)(1) (relating to special rules
 6 for health insurance costs of self-employed individuals) is
 7 amended by striking the last 3 items and inserting the
 8 following new item:

“2003 and thereafter 100.”

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 1998.

12 **SEC. 204. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY**
 13 **BONDS.**

14 (a) IN GENERAL.—Subsection (d) of section 146 (re-
 15 lating to volume cap) is amended by striking paragraphs
 16 (1) and (2) and inserting the following new paragraphs:

17 “(1) IN GENERAL.—The State ceiling applicable
 18 to any State for any calendar year shall be the
 19 greater of—

20 “(A) an amount equal to the per capita
 21 limit for such year multiplied by the State pop-
 22 ulation, or

23 “(B) the aggregate limit for such year.

24 Subparagraph (B) shall not apply to any possession
 25 of the United States.

1 “(2) PER CAPITA LIMIT; AGGREGATE LIMIT.—
 2 For purposes of paragraph (1), the per capita limit,
 3 and the aggregate limit, for any calendar year shall
 4 be determined in accordance with the following
 5 table:

Calendar Year	Per Capita Limit	Aggregate Limit
1999 through 2002	\$50	\$150,000,000
2003	55	165,000,000
2004	60	180,000,000
2005	65	195,000,000
2006	70	210,000,000
2007 and thereafter	75	225,000,000.”

6 (b) EFFECTIVE DATE.—The amendment made by
 7 this section shall apply to calendar years after 1998.

8 **SEC. 205. MODIFICATION OF ESTIMATED TAX SAFE HAR-**
 9 **BORS.**

10 (a) IN GENERAL.—The table contained in clause (i)
 11 of section 6654(d)(1)(C) (relating to limitation on use of
 12 preceding year’s tax) is amended by striking the item re-
 13 lating to 1998, 1999, or 2000 and inserting the following
 14 new items:

“1998	105
1999 or 2000	106”.

15 (b) EFFECTIVE DATE.—The amendment made by
 16 this section shall apply with respect to any installment
 17 payment for taxable years beginning after December 31,
 18 1999.

1 **SEC. 206. EXEMPTION FOR STUDENTS EMPLOYED BY STATE**
2 **SCHOOLS, COLLEGES, OR UNIVERSITIES.**

3 (a) IN GENERAL.—Notwithstanding section 218 of
4 the Social Security Act, any agreement with a State (or
5 any modification thereof) entered into pursuant to such
6 section may, at the option of such State, be modified at
7 any time on or after January 1, 1999, and on or before
8 March 31, 1999, so as to exclude service performed in the
9 employ of a school, college, or university if such service
10 is performed by a student who is enrolled and is regularly
11 attending classes at such school, college, or university.

12 (b) EFFECTIVE DATE OF MODIFICATION.—Any
13 modification of an agreement pursuant to subsection (a)
14 shall be effective with respect to services performed after
15 June 30, 2000.

16 (c) IRREVOCABILITY OF MODIFICATION.—If any
17 modification of an agreement pursuant to subsection (a)
18 terminates coverage with respect to service performed in
19 the employ of a school, college, or university, by a student
20 who is enrolled and regularly attending classes at such
21 school, college, or university, the Commissioner of Social
22 Security and the State may not thereafter modify such
23 agreement so as to again make the agreement applicable
24 to such service performed in the employ of such school,
25 college, or university.

1 **TITLE III—REVENUE OFFSETS**

2 **SEC. 301. TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDAT-**
3 **ING DISTRIBUTIONS OF REGULATED INVEST-**
4 **MENT COMPANIES AND REAL ESTATE IN-**
5 **VESTMENT TRUSTS.**

6 (a) IN GENERAL.—Section 332 (relating to complete
7 liquidations of subsidiaries) is amended by adding at the
8 end the following new subsection:

9 “(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF
10 REGULATED INVESTMENT COMPANIES AND REAL ES-
11 TATE INVESTMENT TRUSTS.—If a corporation receives a
12 distribution from a regulated investment company or a
13 real estate investment trust which is considered under sub-
14 section (b) as being in complete liquidation of such com-
15 pany or trust, then, notwithstanding any other provision
16 of this chapter, such corporation shall recognize and treat
17 as a dividend from such company or trust an amount
18 equal to the deduction for dividends paid allowable to such
19 company or trust by reason of such distribution.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) The material preceding paragraph (1) of
22 section 332(b) is amended by striking “subsection
23 (a)” and inserting “this section”.

1 (2) Paragraph (1) of section 334(b) is amended
2 by striking “section 332(a)” and inserting “section
3 332”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to distributions after May 21,
6 1998.

7 (d) ASSUMPTIONS.—In making the estimate required
8 for this Act by section 252(d)(2) of the Balanced Budget
9 and Emergency Deficit Control Act of 1985, that part of
10 the estimate that measures the change in receipts result-
11 ing from the amendments made by this section shall be
12 based on up-to-date economic and technical assumptions
13 notwithstanding section 252(d)(2)(B) of such Act. All
14 other parts of such estimate required by such section
15 252(d)(2) shall be made pursuant to the requirements of
16 such section 252(d)(2)(B).

17 **SEC. 302. INCLUSION OF ROTAVIRUS GASTROENTERITIS AS**
18 **A TAXABLE VACCINE.**

19 (a) IN GENERAL.—Paragraph (1) of section 4132
20 (defining taxable vaccine) is amended by adding at the end
21 the following new subparagraph:

22 “(K) Any vaccine against rotavirus
23 gastroenteritis.”.

24 (b) EFFECTIVE DATE.—

1 (1) SALES.—The amendment made by this sec-
2 tion shall apply to sales after the date of the enact-
3 ment of this Act.

4 (2) DELIVERIES.—For purposes of paragraph
5 (1), in the case of sales on or before the date of the
6 enactment of this Act for which delivery is made
7 after such date, the delivery date shall be considered
8 the sale date.

9 **SEC. 303. CLARIFICATION AND EXPANSION OF MATHEMATI-**
10 **CAL ERROR ASSESSMENT PROCEDURES.**

11 (a) TIN DEEMED INCORRECT IF INFORMATION ON
12 RETURN DIFFERS WITH AGENCY RECORDS.—Paragraph
13 (2) of section 6213(g) (defining mathematical or clerical
14 error) is amended by adding at the end the following flush
15 sentence:

16 “A taxpayer shall be treated as having omitted a
17 correct TIN for purposes of the preceding sentence
18 if information provided by the taxpayer on the re-
19 turn with respect to the individual whose TIN was
20 provided differs from the information the Secretary
21 obtains from the person issuing the TIN.”.

22 (b) EXPANSION OF MATHEMATICAL ERROR PROCE-
23 DURES TO CASES WHERE TIN ESTABLISHES INDIVIDUAL
24 NOT ELIGIBLE FOR TAX CREDIT.—Paragraph (2) of sec-
25 tion 6213(g) is amended by striking “and” at the end of

1 subparagraph (J), by striking the period at the end of the
2 subparagraph (K) and inserting “, and”, and by inserting
3 after subparagraph (K) the following new subparagraph:

4 “(L) the inclusion on a return of a TIN re-
5 quired to be included on the return under sec-
6 tion 21, 24, or 32 if—

7 “(i) such TIN is of an individual
8 whose age affects the amount of the credit
9 under such section; and

10 “(ii) the computation of the credit on
11 the return reflects the treatment of such
12 individual as being of an age different
13 from the individual’s age based on such
14 TIN.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years ending after the
17 date of the enactment of this Act.

18 **SEC. 304. CLARIFICATION OF DEFINITION OF SPECIFIED LI-**
19 **ABILITY LOSS.**

20 (a) IN GENERAL.—Subparagraph (B) of section
21 172(f)(1) (defining specified liability loss) is amended to
22 read as follows:

23 “(B)(i) Any amount allowable as a deduc-
24 tion under this chapter (other than section
25 468(a)(1) or 468A(a)) which is in satisfaction

1 of a liability under a Federal or State law re-
2 quiring—

3 “(I) the reclamation of land;

4 “(II) the decommissioning of a nu-
5 clear power plant (or any unit thereof);

6 “(III) the dismantlement of a drilling
7 platform;

8 “(IV) the remediation of environ-
9 mental contamination; or

10 “(V) a payment under any workers
11 compensation act (within the meaning of
12 section 461(h)(2)(C)(i)).

13 “(ii) A liability shall be taken into account
14 under this subparagraph only if—

15 “(I) the act (or failure to act) giving
16 rise to such liability occurs at least 3 years
17 before the beginning of the taxable year;
18 and

19 “(II) the taxpayer used an accrual
20 method of accounting throughout the pe-
21 riod or periods during which such act (or
22 failure to act) occurred.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to net operating losses arising in

1 taxable years ending after the date of the enactment of
2 this Act.

3 **TITLE IV—TECHNICAL**
4 **CORRECTIONS**

5 **SEC. 401. DEFINITIONS; COORDINATION WITH OTHER TI-**
6 **TLES.**

7 (a) DEFINITIONS.—For purposes of this title—

8 (1) 1986 CODE.—The term “1986 Code”
9 means the Internal Revenue Code of 1986.

10 (2) 1998 ACT.—The term “1998 Act” means
11 the Internal Revenue Service Restructuring and Re-
12 form Act of 1998 (Public Law 105–206).

13 (3) 1997 ACT.—The term “1997 Act” means
14 the Taxpayer Relief Act of 1997 (Public Law 105–
15 34).

16 (b) COORDINATION WITH OTHER TITLES.—For pur-
17 poses of applying the amendments made by any title of
18 this Act other than this title, the provisions of this title
19 shall be treated as having been enacted immediately before
20 the provisions of such other titles.

21 **SEC. 402. AMENDMENTS RELATED TO INTERNAL REVENUE**
22 **SERVICE RESTRUCTURING AND REFORM ACT**
23 **OF 1998.**

24 (a) AMENDMENT RELATED TO SECTION 1101 OF
25 1998 ACT.—Paragraph (5) of section 6103(h) of the 1986

1 Code, as added by section 1101(b) of the 1998 Act, is
2 redesignated as paragraph (6).

3 (b) AMENDMENT RELATED TO SECTION 3001 OF
4 1998 ACT.—Paragraph (2) of section 7491(a) of the 1986
5 Code is amended by adding at the end the following flush
6 sentence:

7 “Subparagraph (C) shall not apply to any qualified
8 revocable trust (as defined in section 645(b)(1)) with
9 respect to liability for tax for any taxable year end-
10 ing after the date of the decedent’s death and before
11 the applicable date (as defined in section
12 645(b)(2)).”.

13 (c) AMENDMENTS RELATED TO SECTION 3201 OF
14 1998 ACT.—

15 (1) Section 7421(a) of the 1986 Code is amend-
16 ed by striking “6015(d)” and inserting “6015(e)”.

17 (2) Subparagraph (A) of section 6015(e)(3) is
18 amended by striking “of this section” and inserting
19 “of subsection (b) or (f)”.

20 (d) AMENDMENT RELATED TO SECTION 3301 OF
21 1998 ACT.—Paragraph (2) of section 3301(c) of the 1998
22 Act is amended by striking “The amendments” and insert-
23 ing “Subject to any applicable statute of limitation not
24 having expired with regard to either a tax underpayment
25 or a tax overpayment, the amendments”.

1 (e) AMENDMENT RELATED TO SECTION 3401 OF
2 1998 ACT.—Section 3401(c) of the 1998 Act is amend-
3 ed—

4 (1) in paragraph (1), by striking “7443(b)”
5 and inserting “7443A(b)”; and

6 (2) in paragraph (2), by striking “7443(c)” and
7 inserting “7443A(c)”.

8 (f) AMENDMENT RELATED TO SECTION 3433 OF
9 1998 ACT.—Section 7421(a) of the 1986 Code is amended
10 by inserting “6331(i),” after “6246(b),”.

11 (g) AMENDMENT RELATED TO SECTION 3467 OF
12 1998 ACT.—The subsection (d) of section 6159 of the
13 1986 Code relating to cross reference is redesignated as
14 subsection (e).

15 (h) AMENDMENT RELATED TO SECTION 3708 OF
16 1998 ACT.—Subparagraph (A) of section 6103(p)(3) of
17 the 1986 Code is amended by inserting “(f)(5),” after
18 “(c), (e),”.

19 (i) AMENDMENTS RELATED TO SECTION 5001 OF
20 1998 ACT.—

21 (1) Subparagraph (B) of section 1(h)(13) of the
22 1986 Code is amended by striking “paragraph
23 (7)(A)” and inserting “paragraph (7)(A)(i)”.

24 (2)(A) Subparagraphs (A)(i)(II), (A)(ii)(II),
25 and (B)(ii) of section 1(h)(13) of the 1986 Code

1 shall not apply to any distribution after December
2 31, 1997, by a regulated investment company or a
3 real estate investment trust with respect to—

4 (i) gains and losses recognized directly by
5 such company or trust, and

6 (ii) amounts properly taken into account
7 by such company or trust by reason of holding
8 (directly or indirectly) an interest in another
9 such company or trust to the extent that such
10 subparagraphs did not apply to such other com-
11 pany or trust with respect to such amounts.

12 (B) Subparagraph (A) shall not apply to any
13 distribution which is treated under section 852(b)(7)
14 or 857(b)(8) of the 1986 Code as received on De-
15 cember 31, 1997.

16 (C) For purposes of subparagraph (A), any
17 amount which is includible in gross income of its
18 shareholders under section 852(b)(3)(D) or
19 857(b)(3)(D) of the 1986 Code after December 31,
20 1997, shall be treated as distributed after such date.

21 (D)(i) For purposes of subparagraph (A), in
22 the case of a qualified partnership with respect to
23 which a regulated investment company meets the
24 holding requirement of clause (iii)—

1 (I) the subparagraphs referred to in sub-
2 paragraph (A) shall not apply to gains and
3 losses recognized directly by such partnership
4 for purposes of determining such company's
5 distributive share of such gains and losses, and

6 (II) such company's distributive share of
7 such gains and losses (as so determined) shall
8 be treated as recognized directly by such com-
9 pany.

10 The preceding sentence shall apply only if the quali-
11 fied partnership provides the company with written
12 documentation of such distributive share as so deter-
13 mined.

14 (ii) For purposes of clause (i), the term "quali-
15 fied partnership" means, with respect to a regulated
16 investment company, any partnership if—

17 (I) the partnership is an investment com-
18 pany registered under the Investment Company
19 Act of 1940,

20 (II) the regulated investment company is
21 permitted to invest in such partnership by rea-
22 son of section 12(d)(1)(E) of such Act or an ex-
23 emptive order of the Securities and Exchange
24 Commission under such section, and

1 (III) the regulated investment company
2 and the partnership have the same taxable year.

3 (iii) A regulated investment company meets the
4 holding requirement of this clause with respect to a
5 qualified partnership if (as of January 1, 1998)—

6 (I) the value of the interests of the regu-
7 lated investment company in such partnership
8 is 35 percent or more of the value of such com-
9 pany's total assets, or

10 (II) the value of the interests of the regu-
11 lated investment company in such partnership
12 and all other qualified partnerships is 90 per-
13 cent or more of the value of such company's
14 total assets.

15 (3) Paragraph (13) of section 1(h) of the 1986
16 Code is amended by adding at the end the following
17 new subparagraph:

18 “(D) CHARITABLE REMAINDER TRUSTS.—
19 Subparagraphs (A) and (B)(ii) shall not apply
20 to any capital gain distribution made by a trust
21 described in section 664.”

22 (j) AMENDMENT RELATED TO SECTION 7004 OF
23 1998 ACT.—Clause (i) of section 408A(c)(3)(C) of the
24 1986 Code, as amended by section 7004 of the 1998 Act,

1 is amended by striking the period at the end of subclause
2 (II) and inserting “, and”.

3 (k) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in the provisions
5 of the 1998 Act to which they relate.

6 **SEC. 403. AMENDMENTS RELATED TO TAXPAYER RELIEF**

7 **ACT OF 1997.**

8 (a) AMENDMENTS RELATED TO SECTION 202 OF
9 1997 ACT.—

10 (1) Paragraph (2) of section 163(h) of the
11 1986 Code is amended by striking “and” at the end
12 of subparagraph (D), by striking the period at the
13 end of subparagraph (E) and inserting “, and”, and
14 by adding at the end the following new subpara-
15 graph:

16 “(F) any interest allowable as a deduction
17 under section 221 (relating to interest on edu-
18 cational loans).”

19 (2)(A) Subparagraph (C) of section 221(b)(2)
20 of the 1986 Code is amended—

21 (i) by striking “135, 137,” in clause (i),

22 (ii) by inserting “135, 137,” after “sec-
23 tions 86,” in clause (ii), and

24 (iii) by striking the last sentence.

1 (B) Sections 86(b)(2)(A), 135(c)(4)(A), and
2 219(g)(3)(A)(ii) of the 1986 Code are each amended
3 by inserting “221,” after “137,”.

4 (C) Subparagraph (A) of section 137(b)(3) of
5 the 1986 Code is amended by inserting “221,” be-
6 fore “911,”.

7 (D) Clause (iii) of section 469(i)(3)(E) of the
8 1986 Code is amended to read as follows:

9 “(iii) the amounts allowable as a de-
10 duction under sections 219 and 221, and”.

11 (3) The last sentence of section 221(e)(1) of
12 the 1986 Code is amended by inserting before the
13 period “or to any person by reason of a loan under
14 any qualified employer plan (as defined in section
15 72(p)(4)) or under any contract referred to in sec-
16 tion 72(p)(5)”.

17 (b) PROVISION RELATED TO SECTION 311 OF 1997
18 ACT.—In the case of any capital gain distribution made
19 after 1997 by a trust to which section 664 of the 1986
20 Code applies with respect to amounts properly taken into
21 account by such trust during 1997, paragraphs
22 (5)(A)(i)(I), (5)(A)(ii)(I), and (13)(A) of section 1(h) of
23 the 1986 Code (as in effect for taxable years ending on
24 December 31, 1997) shall not apply.

1 (c) AMENDMENT RELATED TO SECTION 506 OF 1997
2 ACT.—Section 2001(f)(2) of the 1986 Code is amended
3 by adding at the end the following:

4 “For purposes of subparagraph (A), the value of an
5 item shall be treated as shown on a return if the
6 item is disclosed in the return, or in a statement at-
7 tached to the return, in a manner adequate to ap-
8 prise the Secretary of the nature of such item.”.

9 (d) AMENDMENTS RELATED TO SECTION 904 OF
10 1997 ACT.—

11 (1) Paragraph (1) of section 9510(c) of the
12 1986 Code is amended to read as follows:

13 “(1) IN GENERAL.—Amounts in the Vaccine In-
14 jury Compensation Trust Fund shall be available, as
15 provided in appropriation Acts, only for—

16 “(A) the payment of compensation under
17 subtitle 2 of title XXI of the Public Health
18 Service Act (as in effect on August 5, 1997) for
19 vaccine-related injury or death with respect to
20 any vaccine—

21 “(i) which is administered after Sep-
22 tember 30, 1988, and

23 “(ii) which is a taxable vaccine (as de-
24 fined in section 4132(a)(1)) at the time

1 compensation is paid under such subtitle 2,
2 or

3 “(B) the payment of all expenses of admin-
4 istration (but not in excess of \$9,500,000 for
5 any fiscal year) incurred by the Federal Gov-
6 ernment in administering such subtitle.”.

7 (2) Section 9510(b) of the 1986 Code is amend-
8 ed by adding at the end the following new para-
9 graph:

10 “(3) LIMITATION ON TRANSFERS TO VACCINE
11 INJURY COMPENSATION TRUST FUND.—No amount
12 may be appropriated to the Vaccine Injury Com-
13 pensation Trust Fund on and after the date of any
14 expenditure from the Trust Fund which is not per-
15 mitted by this section. The determination of whether
16 an expenditure is so permitted shall be made without
17 regard to—

18 “(A) any provision of law which is not con-
19 tained or referenced in this title or in a revenue
20 Act, and

21 “(B) whether such provision of law is a
22 subsequently enacted provision or directly or in-
23 directly seeks to waive the application of this
24 paragraph.”.

1 (e) AMENDMENTS RELATED TO SECTION 915 OF
2 1997 ACT.—

3 (1) Section 915 of the 1997 Act is amended—

4 (A) in subsection (b), by inserting “or
5 1998” after “1997”, and

6 (B) by amending subsection (d) to read as
7 follows:

8 “(d) EFFECTIVE DATE.—This section shall apply to
9 taxable years ending with or within calendar year 1997.”.

10 (2) Paragraph (2) of section 6404(h) of the
11 1986 Code is amended by inserting “Robert T. Staf-
12 ford” before “Disaster”.

13 (f) AMENDMENTS RELATED TO SECTION 1012 OF
14 1997 ACT.—

15 (1) Paragraph (2) of section 351(c) of the 1986
16 Code, as amended by section 6010(c) of the 1998
17 Act, is amended by inserting “, or the fact that the
18 corporation whose stock was distributed issues addi-
19 tional stock,” after “dispose of part or all of the dis-
20 tributed stock”.

21 (2) Clause (ii) of section 368(a)(2)(H) of the
22 1986 Code, as amended by section 6010(c) of the
23 1998 Act, is amended by inserting “, or the fact
24 that the corporation whose stock was distributed

1 issues additional stock,” after “dispose of part or all
2 of the distributed stock”.

3 (g) PROVISION RELATED TO SECTION 1042 OF 1997
4 ACT.—Rules similar to the rules of section 1.1502-
5 75(d)(5) of the Treasury Regulations shall apply with re-
6 spect to any organization described in section 1042(b) of
7 the 1997 Act.

8 (h) AMENDMENT RELATED TO SECTION 1082 OF
9 1997 ACT.—Subparagraph (F) of section 172(b)(1) of the
10 1986 Code is amended by adding at the end the following
11 new clause:

12 “(iv) COORDINATION WITH PARA-
13 GRAPH (2).—For purposes of applying
14 paragraph (2), an eligible loss for any tax-
15 able year shall be treated in a manner
16 similar to the manner in which a specified
17 liability loss is treated.”

18 (i) AMENDMENT RELATED TO SECTION 1084 OF
19 1997 ACT.—Paragraph (3) of section 264(f) of the 1986
20 Code is amended by adding at the end the following flush
21 sentence:

22 “If the amount described in subparagraph (A) with
23 respect to any policy or contract does not reasonably
24 approximate its actual value, the amount taken into
25 account under subparagraph (A) shall be the greater

1 of the amount of the insurance company liability or
2 the insurance company reserve with respect to such
3 policy or contract (as determined for purposes of the
4 annual statement approved by the National Associa-
5 tion of Insurance Commissioners) or shall be such
6 other amount as is determined by the Secretary.”

7 (j) AMENDMENT RELATED TO SECTION 1175 OF
8 1997 ACT.—Subparagraph (C) of section 954(e)(2) of the
9 1986 Code is amended by striking “subsection (h)(8)” and
10 inserting “subsection (h)(9)”.

11 (k) AMENDMENT RELATED TO SECTION 1205 OF
12 1997 ACT.—Paragraph (2) of section 6311(d) of the 1986
13 Code is amended by striking “under such contracts” in
14 the last sentence and inserting “under any such contract
15 for the use of credit, debit, or charge cards for the pay-
16 ment of taxes imposed by subtitle A”.

17 (l) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect as if included in the provisions
19 of the 1997 Act to which they relate.

20 **SEC. 404. AMENDMENTS RELATED TO TAX REFORM ACT OF**
21 **1984.**

22 (a) IN GENERAL.—Subparagraph (C) of section
23 172(d)(4) of the 1986 Code is amended to read as follows:

24 “(C) any deduction for casualty or theft
25 losses allowable under paragraph (2) or (3) of

1 section 165(c) shall be treated as attributable
2 to the trade or business; and”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraph (3) of section 67(b) of the 1986
5 Code is amended by striking “for losses described in
6 subsection (c)(3) or (d) of section 165” and insert-
7 ing “for casualty or theft losses described in para-
8 graph (2) or (3) of section 165(c) or for losses de-
9 scribed in section 165(d)”.

10 (2) Paragraph (3) of section 68(c) of the 1986
11 Code is amended by striking “for losses described in
12 subsection (c)(3) or (d) of section 165” and insert-
13 ing “for casualty or theft losses described in para-
14 graph (2) or (3) of section 165(c) or for losses de-
15 scribed in section 165(d)”.

16 (3) Paragraph (1) of section 873(b) is amended
17 to read as follows:

18 “(1) LOSSES.—The deduction allowed by sec-
19 tion 165 for casualty or theft losses described in
20 paragraph (2) or (3) of section 165(c), but only if
21 the loss is of property located within the United
22 States.”

23 (c) EFFECTIVE DATES.—

1 (1) The amendments made by subsections (a)
2 and (b)(3) shall apply to taxable years beginning
3 after December 31, 1983.

4 (2) The amendment made by subsection (b)(1)
5 shall apply to taxable years beginning after Decem-
6 ber 31, 1986.

7 (3) The amendment made by subsection (b)(2)
8 shall apply to taxable years beginning after Decem-
9 ber 31, 1990.

10 **SEC. 405. OTHER AMENDMENTS.**

11 (a) AMENDMENTS RELATED TO SECTION 6103 OF
12 1986 CODE.—

13 (1) Subsection (j) of section 6103 of the 1986
14 Code is amended by adding at the end the following
15 new paragraph:

16 “(5) DEPARTMENT OF AGRICULTURE.—Upon
17 request in writing by the Secretary of Agriculture,
18 the Secretary shall furnish such returns, or return
19 information reflected thereon, as the Secretary may
20 prescribe by regulation to officers and employees of
21 the Department of Agriculture whose official duties
22 require access to such returns or information for the
23 purpose of, but only to the extent necessary in,
24 structuring, preparing, and conducting the census of

1 agriculture pursuant to the Census of Agriculture
2 Act of 1997 (Public Law 105–113).”.

3 (2) Paragraph (4) of section 6103(p) of the
4 1986 Code is amended by striking “(j)(1) or (2)” in
5 the material preceding subparagraph (A) and in sub-
6 paragraph (F) and inserting “(j)(1), (2), or (5)”.

7 (3) The amendments made by this subsection
8 shall apply to requests made on or after the date of
9 the enactment of this Act.

10 (b) AMENDMENT RELATED TO SECTION 9004 OF
11 TRANSPORTATION EQUITY ACT FOR THE 21ST CEN-
12 TURY.—

13 (1) Paragraph (2) of section 9503(f) of the
14 1986 Code is amended to read as follows:

15 “(2) notwithstanding section 9602(b), obliga-
16 tions held by such Fund after September 30, 1998,
17 shall be obligations of the United States which are
18 not interest-bearing.”

19 (2) The amendment made by paragraph (1)
20 shall take effect on October 1, 1998.

21 (c) AMENDMENT RELATED TO TREASURY AND GEN-
22 ERAL GOVERNMENT APPROPRIATIONS ACT, 1999.—

23 (1) The Treasury and General Government Ap-
24 propriations Act, 1999 is amended by striking sec-

1 tion 804 (relating to technical and clarifying amend-
2 ments relating to judicial retirement program).

3 (2) The amendment made by paragraph (1)
4 shall take effect as if such section 804 had never
5 been enacted.

6 (d) CLERICAL AMENDMENTS.—

7 (1) Clause (i) of section 51(d)(6)(B) of the
8 1986 Code is amended by striking “rehabilitation
9 plan” and inserting “plan for employment”. The ref-
10 erence to “plan for employment” in such clause shall
11 be treated as including a reference to the rehabilita-
12 tion plan referred to in such clause as in effect be-
13 fore the amendment made by the preceding sen-
14 tence.

15 (2) Paragraph (3) of section 56(a) of the 1986
16 Code is amended by striking “section 460(b)(2)”
17 and inserting “section 460(b)(1)” and by striking
18 “section 460(b)(4)” and inserting “section
19 460(b)(3)”.

20 (3) Paragraph (10) of section 2031(c) of the
21 1986 Code is amended by striking “section
22 2033A(e)(3)” and inserting “section 2057(e)(3)”.

1 (4) Subparagraphs (C) and (D) of section
2 6693(a)(2) of the 1986 Code are each amended by
3 striking “Section” and inserting “section”.

 Passed the House of Representatives October 12,
1998.

Attest:

Clerk.