

Union Calendar No. 461

106TH CONGRESS
2^D SESSION

H. R. 4844

[Report No. 106-777, Parts I and II]

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2000

Mr. SHUSTER (for himself, Mr. OBERSTAR, Mr. ARCHER, Mr. RANGEL, Mr. PETRI, Mr. RAHALL, Mr. SHAW, and Mr. MATSUI) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JULY 20, 2000

Reported from the Committee on Transportation and Infrastructure with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

JULY 20, 2000

Referral to the Committee on Ways and Means extended for a period ending not later than July 27, 2000

JULY 26, 2000

Additional sponsors: Mr. QUINN, Mr. LIPINSKI, Mr. BACHUS, Mr. WISE, Mrs. JOHNSON of Connecticut, Mr. JEFFERSON, Mr. CAMP, Mrs. NAPOLITANO, Mr. TERRY, Mr. BROWN of Ohio, Mr. DICKEY, Mr. UDALL of New Mexico, Mr. REYNOLDS, Mr. MASCARA, Mr. COOKSEY, Mr. WYNN, Mr. DUNCAN, Mr. BARCIA, Mr. NEY, Mr. MEEKS of New York, Mr. KING, Mr. PETERSON of Minnesota, Mr. POMBO, Mr. CUMMINGS, Mr. LATOURETTE, Mr. BRADY of Pennsylvania, Mr. FRANKS of New Jersey, Mr. COSTELLO, Mr. ISAKSON, Mr. KANJORSKI, Mr. WHITFIELD, Mr. BOSWELL, Ms. PRYCE of Ohio, Ms. BROWN of Florida, Mr. HORN, Mr. KUCINICH, Mr. WELLER, Mr. SKELTON, Mr. KUYKENDALL, Ms. KIL-

PATRICK, Mr. CHAMBLISS, Mr. BERRY, Mr. SESSIONS, Mrs. TAUSCHER, Mr. COOK, Mr. PRICE of North Carolina, Mr. DAVIS of Virginia, Mr. ABERCROMBIE, Mr. LUCAS of Oklahoma, Mr. TURNER, Mrs. KELLY, Mr. DOYLE, Mr. GILCHREST, Mr. CRAMER, Mr. SAXTON, Mr. SHOWS, Mr. FOLEY, Mr. SNYDER, Mr. HULSHOF, Mr. KILDEE, Mr. COLLINS, Mr. MURTHA, Mr. LAHOOD, Mr. FROST, Mr. SHERWOOD, Mr. ANDREWS, Mrs. FOWLER, Mr. TANCREDO, Mr. RAMSTAD, Mr. HUTCHINSON, Mr. PETERSON of Pennsylvania, Mr. SIMPSON, Mr. RUSH, Mr. BEREUTER, Mrs. MALONEY of New York, Mr. BLILEY, Mrs. THURMAN, Mr. STEARNS, Mr. STUPAK, Mr. SWEENEY, Mr. FRANK of Massachusetts, Mr. EHRlich, Ms. KAPTUR, Mr. THUNE, Mr. PHELPS, Mr. EHLERS, Mr. HASTINGS of Florida, Mr. GOODLING, Mr. VENTO, Mr. MICA, Mr. LUTHER, Mr. BLUNT, Mr. KLINK, Mr. TIERNEY, Mr. BORSKI, Ms. NORTON, Mr. MENENDEZ, Mr. KENNEDY of Rhode Island, Mr. CONYERS, Mr. GREEN of Texas, Mr. GONZALEZ, Ms. STABENOW, Ms. SLAUGHTER, Ms. BERKLEY, Mr. EVANS, Mr. BILBRAY, Mr. HINCHEY, Mr. LEWIS of Kentucky, Mr. SISISKY, Mr. BARTON of Texas, Mr. DINGELL, Mr. BAKER, Mr. HOLT, Mr. BASS, Mr. HOFFEL, Mr. GOODLATTE, Mr. SAWYER, Mr. TIAHRT, Mr. BLUMENAUER, Mr. LATHAM, Mr. BONIOR, Mr. WATKINS, Mr. BENTSEN, Mr. DAVIS of Illinois, Mr. LEWIS of Georgia, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. BONILLA, Mr. VISCLOSKEY, Mr. DIAZ-BALART, Mr. GEPHARDT, Mr. ROMERO-BARCELO, Mrs. MEEK of Florida, Mr. BECERRA, Mr. PASTOR, Mr. SPRATT, Ms. HOOLEY of Oregon, Ms. MILLENDER-MCDONALD, Ms. ROS-LEHTINEN, Ms. SCHAKOWSKY, Mr. LOBIONDO, Mr. WEINER, Mr. SHIMKUS, Mr. SCOTT, Mrs. BIGGERT, Mr. UDALL of Colorado, Mr. DOOLITTLE, Mr. CLYBURN, Mrs. EMERSON, Mr. MOORE, Mrs. MCCARTHY of New York, Mr. JOHN, Mr. BACA, Mr. ROTHMAN, Mr. WAXMAN, Mr. WATTS of Oklahoma, Mr. ENGLISH, Mr. NETHERCUTT, Mr. CASTLE, Mr. HILLIARD, Mr. FILNER, Mr. LUCAS of Kentucky, Mr. GEKAS, Mr. JACKSON of Illinois, Mr. WALSH, Mr. BARRETT of Nebraska, Ms. DEGETTE, Mr. ETHERIDGE, Mr. GUTIERREZ, Ms. RIVERS, Mr. LANTOS, Mr. PAYNE, Mr. ENGEL, Mrs. CLAYTON, Mr. MCGOVERN, Mr. GEORGE MILLER of California, Mr. WEXLER, Mr. PICKERING, Mr. YOUNG of Alaska, Mr. CALLAHAN, Mr. THOMPSON of Mississippi, Mr. DEFazio, Mr. HALL of Texas, Mr. UPTON, Mr. CALVERT, Mr. FALCOMAEGA, Mr. KLECZKA, Mr. LINDER, Mr. BALDACCI, Ms. DUNN, Mr. RODRIGUEZ, Mr. GANSKE, Mr. GREENWOOD, Mr. BRADY of Texas, Ms. GRANGER, Mr. SKEEN, Mr. HOBSON, Mr. GREEN of Wisconsin, Mr. MCHUGH, Mr. HASTINGS of Washington, Mr. WALDEN of Oregon, Mr. JONES of North Carolina, Mrs. CHENOWETH-HAGE, Mr. MOLLOHAN, Mr. LAZIO, Mr. TRAFICANT, Mr. CANADY of Florida, Mr. DEUTSCH, Mr. EVERETT, Mr. HOLDEN, Mr. FLETCHER, Mr. BISHOP, Mr. BRYANT, Mr. CROWLEY, Mr. ISTOOK, Ms. DELAURO, Mr. ROGAN, Mr. SANDLIN, Ms. PELOSI, Ms. CARSON, Mr. GORDON, Mr. POMEROY, Mr. LAMPSON, Mr. REYES, Mrs. MINK of Hawaii, Mr. DICKS, Mr. MCINTYRE, Mr. CANNON, Mr. FRELINGHUYSEN, Ms. JACKSON-LEE of Texas, Mr. WELDON of Pennsylvania, Mr. PACKARD, Mr. GILLMOR, Mrs. ROUKEMA, Mr. ORTIZ, Mrs. MORELLA, Mr. SANDERS, Mrs. NORTHUP, Mr. PALLONE, Mr. ADERHOLT, Mr. CLEMENT, Mr. BOYD, Mr. ROEMER, Mr. HYDE, Mr. SMITH of New Jersey, Mr. BERMAN, Mr. LEACH, Mr. WU, Ms. LEE, Mr. DAVIS of Florida, Mr. MARKEY, Ms. BALDWIN, Mr.

STRICKLAND, Mr. BAIRD, Mr. WATT of North Carolina, Mr. SMITH of Washington, Mr. OBEY, Mrs. MYRICK, Mr. MARTINEZ, Mr. BOEHNER, Mr. OLVER, Mr. RYAN of Wisconsin, Mr. JENKINS, Mr. GALLEGLY, Mr. McDERMOTT, Ms. MCKINNEY, Mr. FORBES, Mr. BURR of North Carolina, Mr. FATTAH, Mr. HANSEN, Mr. KNOLLENBERG, Mr. MOAKLEY, Mr. NEAL of Massachusetts, Mr. MEEHAN, Mr. TAUZIN, Mr. COYNE, Mr. COMBEST, Mr. McNULTY, Mr. GRAHAM, Mr. ROGERS, Mr. GUTKNECHT, Mr. CAPUANO, Mr. BARR of Georgia, Mrs. CHRISTENSEN, Mr. WICKER, Ms. ROYBAL-ALLARD, Mr. THOMPSON of California, Mr. SPENCE, Mr. HILL of Montana, Mr. MORAN of Virginia, Mr. CONDIT, Mr. BOUCHER, Mr. HAYES, Mr. TANNER, Mr. DELAHUNT, Mr. BARTLETT of Maryland, Mr. OWENS, Mr. CLAY, and Mr. COBLE

JULY 26, 2000

Reported from the Committee on Ways and Means with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in boldface]

[For text of introduced bill, see copy of bill as introduced on July 13, 2000]

A BILL

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

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; TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“Railroad Retirement and Survivors’ Improvement Act of*
 6 *2000”.*

7 (b) *TABLE OF CONTENTS.*—

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

Sec. 101. Expansion of widow’s and widower’s benefits.

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

Sec. 108. Annual ratio projections and certifications by the Railroad Retirement Board.

*TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF
1986*

Sec. 201. Amendments to the Internal Revenue Code of 1986.

Sec. 202. Exemption from tax for Railroad Retirement Investment Trust.

Sec. 203. Repeal of supplemental annuity tax.

Sec. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

1 **TITLE I—AMENDMENTS TO RAIL-**
2 **ROAD RETIREMENT ACT OF**
3 **1974**

4 **SEC. 101. EXPANSION OF WIDOW'S AND WIDOWER'S BENE-**
5 **FITS.**

6 (a) *IN GENERAL.*—Section 4(g) of the Railroad Retirement
7 Act of 1974 is amended by adding at the end the fol-
8 lowing new subdivision:

9 “(10)(i) *If for any month the unreduced annuity pro-*
10 *vided under this section for a widow or widower is less than*
11 *the widow's or widower's initial minimum amount com-*
12 *puted pursuant to paragraph (ii) of this subdivision, the*
13 *unreduced annuity shall be increased to that initial min-*
14 *imum amount. For the purposes of this subdivision, the un-*
15 *reduced annuity is the annuity without regard to any de-*
16 *duction on account of work, without regard to any reduc-*
17 *tion for entitlement to an annuity under section 2(a)(1)*
18 *of this Act, without regard to any reduction for entitlement*

1 *to a benefit under title II of the Social Security Act, and*
2 *without regard to any reduction for entitlement to a public*
3 *service pension pursuant to sections 202(e)(7), 202(f)(2), or*
4 *section 202(g)(4) of the Social Security Act.*

5 *“(ii) For the purposes of this subdivision, the widow*
6 *or widower’s initial minimum amount is the amount of the*
7 *unreduced annuity computed at the time an annuity is*
8 *awarded to that widow or widower, except that—*

9 *“(A) in subsection (g)(1)(i) ‘100 per centum’*
10 *shall be substituted for ‘50 per centum’; and*

11 *“(B) in subsection (g)(2)(ii) ‘130 per centum’*
12 *shall be substituted for ‘80 per centum’ both places it*
13 *appears.*

14 *“(iii) If a widow or widower who was previously enti-*
15 *tled to a widow’s or widower’s annuity under section*
16 *2(d)(1)(ii) of this Act becomes entitled to a widow’s or wid-*
17 *ow’s annuity under section 2(d)(1)(i) of this Act, a new*
18 *initial minimum amount shall be computed at the time of*
19 *award of the widow’s or widower’s annuity under section*
20 *2(d)(1)(i) of this Act.”.*

21 *(b) EFFECTIVE DATE.—*

22 *(1) GENERALLY.—The amendment made by this*
23 *section shall take effect January 1, 2001 and shall*
24 *apply to annuity amounts accruing for months after*
25 *December 2000 in the case of annuities awarded on*

1 or after that date and in the case of annuities award-
2 ed before that date if the annuity amount under sec-
3 tion 4(g) of the Railroad Retirement Act was com-
4 puted under section 4(g), as amended by Public Law
5 97-35.

6 (2) *SPECIAL RULE FOR ANNUITIES AWARDED BE-*
7 *FORE JANUARY 1, 2001.—In applying the amendments*
8 *made by this section to annuities awarded before Jan-*
9 *uary 1, 2001, the calculation of the initial minimum*
10 *amount under new section 4(g)(10)(ii) of the Act shall*
11 *be made as of the date of award of the widow’s or*
12 *widower’s annuity.*

13 **SEC. 102. RETIREMENT AGE RESTORATION.**

14 (a) *EMPLOYEE ANNUITIES.—Section 3(a)(2) of the*
15 *Railroad Retirement Act of 1974 is amended by inserting*
16 *after “(2)” the following: “For purposes of this subsection,*
17 *individuals entitled to an annuity under section 2(a)(1)(ii)*
18 *of this Act shall, except for the purposes of recomputations*
19 *in accordance with section 215(f) of the Social Security Act,*
20 *be deemed to have attained retirement age (as defined by*
21 *section 216(l) of the Social Security Act).”.*

22 (b) *SPOUSE AND SURVIVOR ANNUITIES.—Section*
23 *4(a)(2) of the Railroad Retirement Act of 1974 is amended*
24 *by striking “if an” and all that follows through “section*

1 2(c)(1) of this Act” and inserting “a spouse entitled to an
2 annuity under section 2(c)(1)(ii)(B) of this Act”.

3 (c) *CONFORMING REPEALS.*—Sections 3(a)(3), 4(a)(3),
4 and 4(a)(4) of the Railroad Retirement Act are repealed.

5 (d) *EFFECTIVE DATES.*—

6 (1) *GENERALLY.*—Except as provided in para-
7 graph (2), the amendments made by this section shall
8 apply to annuities that begin to accrue on or after
9 January 1, 2001.

10 (2) *EXCEPTION.*—The amount of the annuity
11 provided for a spouse under section 4(a) shall be com-
12 puted under section 4(a)(3), as in effect before the
13 date of the enactment of this section, if the annuity
14 amount provided under section 3(a) for the indi-
15 vidual on whose employment record the spouse annu-
16 ity is based was computed under section 3(a)(3), as
17 in effect before the date of the enactment of this sec-
18 tion.

19 **SEC. 103. VESTING REQUIREMENT.**

20 (a) *CERTAIN ANNUITIES FOR INDIVIDUALS.*—Section
21 2(a) of the Railroad Retirement Act of 1974 is amended—

22 (1) by inserting in subdivision (1) “or, for pur-
23 poses of paragraphs (i), (iii), and (v), five years of
24 service, all of which accrues after December 31, 1995,”
25 after “ten years of service”, and

1 (2) *by adding at the end the following:*

2 “(4) *An individual who is entitled to an annuity*
3 *under paragraph (v) of subdivision (1), but who does not*
4 *have at least ten years of service, shall, prior to the month*
5 *in which the individual attains age 62, be entitled only to*
6 *an annuity amount computed under section 3(a) of this Act*
7 *(without regard to section 3(a)(2) of this Act) or section*
8 *3(f)(3) of this Act. Upon attainment of age 62, such an in-*
9 *dividual may also be entitled to an annuity amount com-*
10 *puted under section 3(b), but such annuity amount shall*
11 *be reduced for early retirement in the same manner as if*
12 *the individual were entitled to an annuity under section*
13 *2(a)(1)(iii).”.*

14 (b) *COMPUTATION RULE FOR INDIVIDUALS’ ANNU-*
15 *ITIES.—Section 3(a) of the Railroad Retirement Act of*
16 *1974, as amended by section 102 of this Act, is further*
17 *amended by adding at the end the following new subdivi-*
18 *sion:*

19 “(3) *If an individual entitled to an annuity under sec-*
20 *tion 2(a)(1)(i) or (iii) of this Act on the basis of less than*
21 *ten years of service is entitled to a benefit under section*
22 *202(a), section 202(b), or section 202(c) of the Social Secu-*
23 *rity Act which began to accrue before the annuity under*
24 *section 2(a)(1)(i) or (iii) of this Act, the annuity amount*
25 *provided such individual under this subsection, shall be*

1 *computed as though the annuity under this Act began to*
2 *accrue on the later of (A) the date on which the benefit*
3 *under section 202(a), section 202(b), or section 202(c) of*
4 *the Social Security Act began or (B) the date on which the*
5 *individual first met the conditions for entitlement to an age*
6 *reduced annuity under this Act other than the conditions*
7 *set forth in sections 2(e)(1) and 2(e)(2) of this Act and the*
8 *requirement that an application be filed.”.*

9 (c) *SURVIVORS’ ANNUITIES.*—Section 2(d)(1) of the
10 *Railroad Retirement Act of 1974 is amended by inserting*
11 *“or five years of service, all of which accrues after December*
12 *31, 1995,” after “ten years of service”.*

13 (d) *LIMITATION ON ANNUITY AMOUNTS.*—Section 2 of
14 *the Railroad Retirement Act of 1974 is amended by adding*
15 *at the end the following:*

16 “(i) *An individual entitled to an annuity under this*
17 *section who has completed five years of service, all of which*
18 *accrues after 1995, but who has not completed ten years*
19 *of service, and the spouse, divorced spouse, and survivors*
20 *of such individual, shall not be entitled to an annuity*
21 *amount provided under section 3(a), section 4(a), or section*
22 *4(f) of this Act unless the individual, or the individual’s*
23 *spouse, divorced spouse, or survivors, would be entitled to*
24 *a benefit under the Social Security Act on the basis of the*

1 *individual's employment record under both the Railroad*
2 *Retirement Act and the Social Security Act."*

3 (e) *COMPUTATION RULE FOR SPOUSES' ANNUITIES.—*
4 *Section 4(a) of the Railroad Retirement Act of 1974, as*
5 *amended by section 102 of this Act, is further amended by*
6 *adding at the end the following new subdivision:*

7 "3) *If a spouse entitled to an annuity under section*
8 *2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), or section 2(c)(2) of*
9 *this Act or a divorced spouse entitled to an annuity under*
10 *section 2(c)(4) of this Act on the basis of the employment*
11 *record of an employee who will have completed less than*
12 *10 years of service is entitled to a benefit under section*
13 *202(a), section 202(b), or section 202(c) of the Social Secu-*
14 *rity Act which began to accrue before the annuity under*
15 *section 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), section 2(c)(2),*
16 *or section 2(c)(4) of this Act, the annuity amount provided*
17 *under this subsection shall be computed as though the annu-*
18 *ity under this Act began to accrue on the later of (A) the*
19 *date on which the benefit under section 202(a), section*
20 *202(b), or section 202(c) of the Social Security Act began*
21 *or (B) the first date on which the annuitant met the condi-*
22 *tions for entitlement to an age reduced annuity under this*
23 *Act other than the conditions set forth in sections 2(e)(1)*
24 *and 2(e)(2) of this Act and the requirement that an applica-*
25 *tion be filed."*

1 (f) *APPLICATION DEEMING PROVISION.*—Section 5(b)
2 *of the Railroad Retirement Act of 1974 is amended by strik-*
3 *ing the second sentence and inserting the following: “An*
4 *application filed with the Board for an employee annuity,*
5 *spouse annuity, or divorced spouse annuity on the basis of*
6 *the employment record of an employee who will have com-*
7 *pleted less than ten years of service shall be deemed to be*
8 *an application for any benefit to which such applicant may*
9 *be entitled under this Act or section 202(a), section 202(b),*
10 *or section 202(c) of the Social Security Act. An application*
11 *filed with the Board for an annuity on the basis of the em-*
12 *ployment record of an employee who will have completed*
13 *ten years of service shall, unless the applicant specified oth-*
14 *erwise, be deemed to be an application for any benefit to*
15 *which such applicant may be entitled under this Act or title*
16 *II of the Social Security Act.”.*

17 (g) *CREDITING SERVICE UNDER THE SOCIAL SECU-*
18 *RITY ACT.*—Section 18(2) of the Railroad Retirement Act
19 *of 1974 is amended—*

20 (1) *by inserting “or less than five years of serv-*
21 *ice, all of which accrues after December 31, 1995,”*
22 *after “ten years of service” every place it occurs; and*

23 (2) *by inserting “or five or more years of service,*
24 *all of which accrues after December 31, 1995,” after*
25 *“ten or more years of service”.*

1 (h) *AUTOMATIC BENEFIT ELIGIBILITY ADJUST-*
2 *MENTS.*—*Section 19 of Railroad Retirement Act of 1974 is*
3 *amended—*

4 (1) *by inserting “or five or more years of service,*
5 *all of which accrues after December 31, 1995,” after*
6 *“ten years of service” in subsection (c); and*

7 (2) *by inserting “or five or more years of service,*
8 *all of which accrues after December 31, 1995,” after*
9 *“ten years of service” in subsection (d)(2).*

10 (i) *CONFORMING AMENDMENTS.*—

11 (1) *Section 6(e)(1) of the Railroad Retirement*
12 *Act of 1974 is amended by inserting “or five or more*
13 *years of service, all of which accrues after December*
14 *31, 1995,” after “ten years of service”.*

15 (2) *Section 7(b)(2) of the Railroad Retirement*
16 *Act of 1974 is amended by inserting “or five or more*
17 *years of service, all of which accrues after December*
18 *31, 1995,” after “ten years of service”.*

19 (3) *Section 205(i) of the Social Security Act is*
20 *amended by inserting “or five or more years of serv-*
21 *ice, all of which accrues after December 31, 1995,”*
22 *after “ten years of service”.*

23 (j) *EFFECTIVE DATE.*—*The amendments made by this*
24 *section shall take effect January 1, 2001.*

1 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

2 (a) *EMPLOYEE ANNUITIES.*—Section 3(f) of the Rail-
3 road Retirement Act of 1974 is amended by striking para-
4 graph (1).

5 (b) *SPOUSE AND SURVIVOR ANNUITIES.*—Section 4 of
6 the Railroad Retirement Act of 1974 is amended by striking
7 subsection (c).

8 (c) *EFFECTIVE DATE.*—The amendments made by this
9 section shall be effective January 1, 2001, and shall apply
10 to annuity amounts accruing for months after December
11 2000.

12 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

13 (a) *ESTABLISHMENT OF RAILROAD RETIREMENT IN-*
14 *VESTMENT TRUST.*—Section 15 of the Railroad Retirement
15 Act of 1974 is amended by inserting after subsection (i)
16 the following:

17 “(j) *RAILROAD RETIREMENT INVESTMENT TRUST.*—

18 “(1) *ESTABLISHMENT.*—The Railroad Retire-
19 ment Investment Trust (hereinafter in this subsection
20 referred to as the ‘Trust’) is hereby established. The
21 Trust shall manage and invest the assets of the Rail-
22 road Retirement Trust Fund (hereinafter in this sec-
23 tion referred to as the “Fund”, which is hereby estab-
24 lished as a trust organized in the District of Colum-
25 bia and shall, to the extent not inconsistent with this

1 *Act, be subject to the laws of the District of Columbia*
2 *applicable to such trusts.*

3 “(2) *NOT A FEDERAL AGENCY OR INSTRUMENT-*
4 *TALITY.—The Trust is not a department, agency, or*
5 *instrumentality of the Government of the United*
6 *States and shall not be subject to title 31, United*
7 *States Code.*

8 “(3) *BOARD OF TRUSTEES.—*

9 “(A) *GENERALLY.—The Trust shall have a*
10 *Board of Trustees, consisting of 7 members, each*
11 *appointed by a unanimous vote of the Railroad*
12 *Retirement Board. The Railroad Retirement*
13 *Board may remove any member so appointed by*
14 *unanimous vote. Of the 7 members, 3 shall rep-*
15 *resent the interests of labor, 3 shall represent the*
16 *interests of management, and 1 shall represent*
17 *the interests of the general public. The members*
18 *of the Board of Trustees shall not be considered*
19 *officers or employees of the Government of the*
20 *United States.*

21 “(B) *QUALIFICATIONS.—Members of the*
22 *Board of Trustees shall be appointed only from*
23 *among persons who have experience and exper-*
24 *tise in the management of financial investments*
25 *and pension plans. No member of the Railroad*

1 *Retirement Board shall be eligible to be a mem-*
2 *ber of the Board of Trustees.*

3 “(C) *TERMS.*—*Except as provided in this*
4 *subparagraph, each member shall be appointed*
5 *for a 3-year term. The initial members ap-*
6 *pointed under this paragraph shall be divided*
7 *into 3 equal groups so nearly as may be, of*
8 *which one group will be appointed for a 1-year*
9 *term, one for a 2-year term, and one for a 3-year*
10 *term. A vacancy in the Board of Trustees shall*
11 *not affect the powers of the Board of Trustees*
12 *and shall be filled in the same manner as the se-*
13 *lection of the member whose departure caused the*
14 *vacancy. Upon the expiration of a term of a*
15 *member of the Board of Trustees, that member*
16 *shall continue to serve until a successor is ap-*
17 *pointed.*

18 “(4) *POWERS OF THE BOARD OF TRUSTEES.*—
19 *The Board of Trustees shall—*

20 “(A) *retain independent advisers to assist it*
21 *in the formulation and adoption of its invest-*
22 *ment guidelines;*

23 “(B) *retain independent investment man-*
24 *agers to invest the assets of the Fund in a man-*
25 *ner consistent with such investment guidelines;*

1 “(C) invest assets in the Fund, pursuant to
2 the policies adopted in subparagraph (A);

3 “(D) pay administrative expenses of the
4 Fund and the Trust from the money in the
5 Fund; and

6 “(E) transfer money to the disbursing agent
7 to pay benefits payable under this Act from
8 money in the Fund and administrative expenses
9 related to those benefits.

10 “(5) REPORTING REQUIREMENTS AND FIDUCIARY
11 STANDARDS.—The following reporting requirements
12 and fiduciary standards shall apply with respect to
13 the Railroad Retirement Trust and the Railroad Re-
14 tirement Trust Fund (and the assets held in such
15 Trust Fund):

16 “(A) DUTIES OF THE BOARD OF TRUST-
17 EES.—The Railroad Retirement Trust and each
18 member of the Board of Trustees shall discharge
19 their duties with respect to the assets of the Fund
20 solely in the interest of the Railroad Retirement
21 Board and through it, the participants and bene-
22 ficiaries of the programs funded under this
23 Act—

24 “(i) for the exclusive purpose of—

1 “(I) *providing benefits to partici-*
2 *pants and their beneficiaries; and*

3 “(II) *defraying reasonable ex-*
4 *penses of administering the functions*
5 *of the Trust;*

6 “(ii) *with the care, skill, prudence, and*
7 *diligence under the circumstances then pre-*
8 *vailing that a prudent person acting in a*
9 *like capacity and familiar with such mat-*
10 *ters would use in the conduct of an enter-*
11 *prise of a like character and with like aims;*

12 “(iii) *by diversifying investments so as*
13 *to minimize the risk of large losses, unless*
14 *under the circumstances it is clearly pru-*
15 *dent not to do so; and*

16 “(iv) *in accordance with Trust gov-*
17 *erning documents and instruments insofar*
18 *as such documents and instruments are con-*
19 *sistent with this Act.*

20 “(B) *PROHIBITIONS WITH RESPECT TO*
21 *MEMBERS OF THE BOARD OF TRUSTEES.—No*
22 *member of the Board of Trustees shall—*

23 “(i) *deal with the assets of the Fund in*
24 *the trustee’s own interest or for the trustee’s*
25 *own account;*

1 “(ii) in an individual or in any other
2 capacity act in any transaction involving
3 the assets of the Fund on behalf of a party
4 (or represent a party) whose interests are
5 adverse to the interests of the Trust, the
6 Fund, the Railroad Retirement Board, or
7 the interests of participants or beneficiaries;
8 or

9 “(iii) receive any consideration for the
10 trustee’s own personal account from any
11 party dealing with the assets of the Fund.

12 “(C) *EXCULPATORY PROVISIONS AND INSUR-*
13 *ANCE.—Any provision in an agreement or in-*
14 *strument that purports to relieve a trustee from*
15 *responsibility or liability for any responsibility,*
16 *obligation or duty under this Act shall be void:*
17 *Provided, however, That nothing shall*
18 *preclude—*

19 “(i) the Trust from purchasing insur-
20 ance for its trustees or for itself to cover li-
21 ability or losses occurring by reason of the
22 act or omission of a trustee, if such insur-
23 ance permits recourse by the insurer against
24 the trustee in the case of a breach of a fidu-
25 ciary obligation by such trustee;

1 “(ii) a trustee from purchasing insur-
2 ance to cover liability under this section
3 from and for his own account; or

4 “(iii) an employer or an employee or-
5 ganization from purchasing insurance to
6 cover potential liability of one or more
7 trustees with respect to their fiduciary re-
8 sponsibilities, obligations, and duties under
9 this section.

10 “(D) BONDING.—Every trustee and every
11 person who handles funds or other property of
12 the Fund (hereafter in this subsection referred to
13 as ‘Trust official’) shall be bonded in accordance
14 with the following:

15 “(i) The amount of such bond shall be
16 fixed at the beginning of each fiscal year of
17 the Trust by the Railroad Retirement
18 Board. Such amount shall not be less than
19 10 percent of the amount of the funds han-
20 dled. In no case shall such bond be less than
21 \$1,000 nor more than \$500,000, except that
22 the Railroad Retirement Board, after con-
23 sideration of the record, may prescribe an
24 amount in excess of \$500,000, subject to the

1 10 per centum limitation of the preceding
2 sentence.

3 “(ii) It shall be unlawful for any Trust
4 official to receive, handle, disburse, or other-
5 wise exercise custody or control of any of
6 the funds or other property of the Fund
7 without being bonded as required by this
8 subsection and it shall be unlawful for any
9 Trust official, or any other person having
10 authority to direct the performance of such
11 functions, to permit such functions, or any
12 of them, to be performed by any Trust offi-
13 cial, with respect to whom the requirements
14 this subsection have not been met.

15 “(iii) It shall be unlawful for any per-
16 son to procure any bond required by this
17 subsection from any surety or other com-
18 pany or through any agent or broker in
19 whose business operations such person has
20 any control or significant financial interest,
21 direct or indirect.

22 “(E) AUDIT AND REPORT.—

23 “(i) The Trust shall annually engage
24 an independent qualified public accountant

1 to audit the financial statements of the
2 Fund.

3 “(ii) The Trust shall submit an annual
4 management report to the Congress not
5 later than 180 days after the end of the
6 Trust’s fiscal year. A management report
7 under this subsection shall include—

8 “(I) a statement of financial posi-
9 tion;

10 “(II) a statement of operations;

11 “(III) a statement of cash flows;

12 “(IV) a statement on internal ac-
13 counting and administrative control
14 systems;

15 “(V) the report resulting from an
16 audit of the financial statements of the
17 Trust conducted under subparagraph
18 (E)(i); and

19 “(VI) any other comments and in-
20 formation necessary to inform the Con-
21 gress about the operations and finan-
22 cial condition of the Trust and the
23 Fund.

24 “(iii) The Trust shall provide the
25 President, the Railroad Retirement Board,

1 *and the Director of the Office of Manage-*
2 *ment and Budget a copy of the management*
3 *report when it is submitted to Congress.*

4 “(F) *ENFORCEMENT.*—*The Railroad Retire-*
5 *ment Board may bring a civil action—*

6 “(i) *to enjoin any act or practice by*
7 *the Railroad Retirement Investment Trust,*
8 *its Board of Trustees or its employees or*
9 *agents that violates any provision of this*
10 *Act; or*

11 “(ii) *to obtain other appropriate relief*
12 *to redress such violations, or to enforce any*
13 *provisions of this Act.*

14 “(6) *RULES AND ADMINISTRATIVE POWERS.*—
15 *The Board of Trustees shall have the authority to*
16 *make rules to govern its operations, employ profes-*
17 *sional staff, and contract with outside advisers to pro-*
18 *vide legal, accounting, investment advisory or other*
19 *services necessary for the proper administration of*
20 *this subsection. In the case of contracts with invest-*
21 *ment advisory services, compensation for such services*
22 *may be on a fixed contract fee basis or on such other*
23 *terms and conditions as are customary for such serv-*
24 *ices.*

1 “(7) *QUORUM.*—*Five members of the Board of*
2 *Trustees constitute a quorum to do business. Invest-*
3 *ment guidelines must be adopted by a unanimous vote*
4 *of the entire Board of Trustees. All other decisions of*
5 *the Board of Trustees shall be decided by a majority*
6 *vote of the quorum present. All decisions of the Board*
7 *of Trustees shall be entered upon the records of the*
8 *Board of Trustees.”.*

9 **(b) CONFORMING AND TECHNICAL AMENDMENTS GOV-**
10 **ERNING INVESTMENTS.**—*Subsection 15(e) of the Railroad*
11 *Retirement Act of 1974 is amended—*

12 (1) *beginning in the first sentence, by striking “,*
13 *the Dual Benefits Payments Account” and all that*
14 *follows through “may be made only” in the second*
15 *sentence and inserting “and the Dual Benefits Pay-*
16 *ments Account as are not transferred to the Railroad*
17 *Retirement Investment Trust as the Board may deter-*
18 *mine”;*

19 (2) *by striking “the Second Liberty Bond Act, as*
20 *amended” and inserting “chapter 31 of title 31”; and*

21 (3) *by striking “the foregoing requirements” and*
22 *inserting “the requirements of this subsection”.*

23 **(c) EFFECTIVE DATE.**—*The amendments made by this*
24 *section shall take effect on the date of the enactment of this*
25 *section.*

1 **SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-**
2 **COUNT.**

3 (a) *SOURCE OF PAYMENTS.*—Section 7(c)(1) of the
4 *Railroad Retirement Act of 1974* is amended by striking
5 “payments of supplemental annuities under section 2(b) of
6 this Act shall be made from the Railroad Retirement Sup-
7 plemental Account, and”.

8 (b) *ELIMINATION OF ACCOUNT.*—Section 15(c) of the
9 *Railroad Retirement Act of 1974* is repealed.

10 (c) *IN GENERAL.*—Section 15(a) of the *Railroad Re-*
11 *tirement Act of 1974* is amended by striking “, except those
12 portions of the amounts covered into the Treasury under
13 sections 3211(b),” and all that follows through the end of
14 the subsection and inserting a period.

15 (d) *EFFECTIVE DATE.*—The amendments made by this
16 section shall take effect January 1, 2001, except that the
17 *Railroad Retirement Supplemental Account* shall continue
18 to exist until the transfer authorized by the following sen-
19 tence occurs. As soon as possible after December 31, 2000,
20 the Board shall determine the balance in the *Railroad Re-*
21 *tirement Supplemental Account* and shall direct the Sec-
22 retary of the Treasury to transfer such amount to the *Rail-*
23 *road Retirement Trust Fund* and the Secretary shall make
24 such transfer.

1 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

2 (a) *RAILROAD RETIREMENT ACCOUNT.*—Section 15 of
3 *the Railroad Retirement Act of 1974 is amended by adding*
4 *after subsection (j) the following:*

5 “(k) *TRANSFERS TO THE FUND.*—The Board shall,
6 *upon establishment of the Railroad Retirement Trust Fund*
7 *and from time to time thereafter, direct the Secretary of*
8 *the Treasury to transfer, in such manner as will maximize*
9 *the investment returns to the Railroad Retirement system,*
10 *that portion of the Railroad Retirement Account that is not*
11 *needed to pay current administrative expenses of the Board*
12 *to the Railroad Retirement Trust Fund. The Secretary shall*
13 *make that transfer.”.*

14 (b) *RAILROAD RETIREMENT TRUST FUND.*—Section
15 *15 of the Railroad Retirement Act of 1974, as amended by*
16 *subsection (a), is further amended by adding after sub-*
17 *section (k) the following:*

18 “(l) *RAILROAD RETIREMENT TRUST FUND.*—The
19 *Railroad Retirement Trust shall from time to time transfer*
20 *to the disbursing agent described in section 7(b)(4) such*
21 *amounts as may be necessary to pay benefits under this*
22 *Act (other than benefits paid from the Social Security*
23 *Equivalent Benefit Account or the Dual Benefit Payments*
24 *Account).”.*

1 (c) *SOCIAL SECURITY EQUIVALENT BENEFIT AC-*
2 *COUNT.—Section 15A(d)(2) of the Railroad Retirement Act*
3 *of 1974 is amended to read as follows:*

4 “(2) *Upon establishment of the Railroad Retirement*
5 *Trust Fund and from time to time thereafter, the Board*
6 *shall direct the Secretary of the Treasury to transfer, in*
7 *such manner as will maximize the investment returns to*
8 *the Railroad Retirement system, the balance of the Social*
9 *Security Equivalent Benefit Account not needed to pay cur-*
10 *rent benefits required to be paid from that Account to the*
11 *Railroad Retirement Trust Fund, and the Secretary shall*
12 *make that transfer. Any balance transferred under this*
13 *paragraph shall be used by the Railroad Retirement Trust*
14 *only to pay benefits under this Act or to purchase obliga-*
15 *tions of the United States that are backed by the full faith*
16 *and credit of the United States pursuant to chapter 31 of*
17 *title 31, United States Code. The proceeds of sales of, and*
18 *the interest income from, such obligations shall be used by*
19 *the Trust only to pay benefits under this Act.”.*

20 (2) *TRANSFERS TO DISBURSING AGENT.—Section*
21 *15A(c)(1) of the Railroad Retirement Act of 1974 is*
22 *amended by adding at the end the following: “The*
23 *Secretary shall from time to time transfer to the dis-*
24 *bursing agent under section 7(b)(4) amounts nec-*
25 *essary to pay those benefits.”.*

1 (3) *CONFORMING AMENDMENT.*—Section
2 15A(d)(1) of the *Railroad Retirement Act of 1974* is
3 amended by striking the second and third sentences.

4 (d) *DUAL BENEFITS PAYMENTS ACCOUNT.*—Section
5 15(d)(1) of the *Railroad Retirement Act of 1974* is amended
6 by adding at the end the following: “The Secretary of the
7 Treasury shall from time to time transfer from the *Dual*
8 *Benefits Payments Account* to the disbursing agent under
9 section 7(b)(4) amounts necessary to pay benefits payable
10 from that Account.”.

11 (e) *CERTIFICATION BY THE BOARD AND PAYMENT.*—
12 Paragraph (4) of section 7(b) of the *Railroad Retirement*
13 *Act of 1974* is amended to read as follows:

14 “(4)(A) The *Railroad Retirement Board*, after con-
15 sultation with the *Board of Trustees of the Railroad Retire-*
16 *ment Trust* and the *Secretary of the Treasury*, shall enter
17 into an arrangement with a nongovernmental financial in-
18 stitution to serve as disbursing agent for benefits payable
19 under this Act who shall disburse consolidated benefits
20 under this Act to each recipient.

21 “(B) The Board shall from time to time certify—

22 “(i) to the *Secretary of the Treasury* the amounts
23 required to be transferred from the *Social Security*
24 *Equivalent Benefit Account* and the *Dual Benefits*
25 *Payments Account* to the disbursing agent to make

1 *payments of benefits and the Secretary of the Treas-*
2 *ury shall transfer those amounts;*

3 “(i) to the Board of Trustees of the Railroad Re-
4 *irement Investment Trust the amounts required to be*
5 *transferred from the Railroad Retirement Investment*
6 *Trust to the disbursing agent to make payments of*
7 *benefits and the Board of Trustees shall transfer those*
8 *amounts; and*

9 “(iii) to the disbursing agent the name and ad-
10 *dress of each individual entitled to receive a payment,*
11 *the amount of such payment, and the time at which*
12 *the payment should be made.”.*

13 (f) *BENEFIT PAYMENTS.*—Section 7(c)(1) of the Rail-
14 *road Retirement Act of 1974 is amended—*

15 (1) by striking “from the Railroad Retirement
16 *Account” and inserting “by the disbursing agent*
17 *under subsection (b)(4) from money transferred to it*
18 *from the Railroad Retirement Trust Fund or the So-*
19 *cial Security Equivalent Benefit Account, as the case*
20 *may be”; and*

21 (2) by inserting “by the disbursing agent under
22 *subsection (b)(4) from money transferred to it” after*
23 *“Public Law 93–445 shall be made”.*

24 (g) *TRANSITIONAL RULE FOR EXISTING OBLIGA-*
25 *TION.*—*In making transfers under subsections (a) and (c),*

1 *the Board shall consult with the Secretary of the Treasury*
2 *to design an appropriate method to transfer obligations held*
3 *as of the date of enactment or to convert such obligations*
4 *to cash prior to transfer. The Railroad Retirement Trust*
5 *may hold to maturity any obligations so received or may*
6 *redeem them prior to maturity, as the Trust deems appro-*
7 *priate.*

8 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
9 **CATIONS BY THE RAILROAD RETIREMENT**
10 **BOARD.**

11 *(a) PROJECTIONS.—Section 22(a)(1) of the Railroad*
12 *Retirement Act of 1974 is amended—*

13 *(1) by adding the following sentence after the*
14 *first sentence: “On or before May 1 of each year be-*
15 *ginning in 2002, the Railroad Retirement Board*
16 *shall compute its projection of the account benefits*
17 *ratio and the average account benefits ratio (as de-*
18 *defined by section 3241(c) of the Internal Revenue Code*
19 *of 1986) for each of the next succeeding five fiscal*
20 *years.”; and*

21 *(2) by striking “the projection prepared pursu-*
22 *ant to the preceding sentence” and inserting “the pro-*
23 *jections prepared pursuant to the preceding two sen-*
24 *tences”.*

1 *ment to, or repeal of, a section or other provision, the ref-*
 2 *erence shall be considered to be made to a section or other*
 3 *provision of the Internal Revenue Code of 1986.*

4 **SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-**
 5 **MENT INVESTMENT TRUST.**

6 *Subsection (c) of section 501 is amended by adding*
 7 *at the end the following new paragraph:*

8 *“(28) The Railroad Retirement Investment Trust*
 9 *established under section 15(j) of the Railroad Retire-*
 10 *ment Act of 1974.”*

11 **SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.**

12 *(a) REPEAL OF TAX ON EMPLOYEE REPRESENTA-*
 13 *TIVES.—Section 3211 is amended by striking subsection (b).*

14 *(b) REPEAL OF TAX ON EMPLOYERS.—Section 3221*
 15 *is amended by striking subsections (c) and (d).*

16 *(c) EFFECTIVE DATE.—The amendments made by this*
 17 *section shall apply to calendar years beginning after De-*
 18 *cember 31, 2000.*

19 **SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND**
 20 **EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.**

21 *(a) RATE OF TAX ON EMPLOYERS.—Subsection (b) of*
 22 *section 3221 is amended to read as follows:*

23 *“(b) TIER 2 TAX.—*

24 *“(1) IN GENERAL.—In addition to other taxes,*
 25 *there is hereby imposed on every employer an excise*

1 *tax, with respect to having individuals in his employ,*
2 *equal to the applicable percentage of the compensation*
3 *paid during any calendar year by such employer for*
4 *services rendered to such employer.*

5 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
6 *of paragraph (1), the term ‘applicable percentage’*
7 *means—*

8 “(A) *15.6 percent in the case of compensa-*
9 *tion paid during 2001,*

10 “(B) *14.2 percent in the case of compensa-*
11 *tion paid during 2002, and*

12 “(C) *in the case of compensation paid dur-*
13 *ing any calendar year after 2002, the percentage*
14 *determined under section 3241 for such calendar*
15 *year.”.*

16 (b) *RATE OF TAX ON EMPLOYEE REPRESENTA-*
17 *TIVES.*—*Section 3211, as amended by section 203, is*
18 *amended by striking subsection (a) and inserting the fol-*
19 *lowing new subsections:*

20 “(a) *TIER 1 TAX.*—*In addition to other taxes, there*
21 *is hereby imposed on the income of each employee represent-*
22 *ative a tax equal to the applicable percentage of the com-*
23 *penetration received during any calendar year by such em-*
24 *ployee representative for services rendered by such employee*
25 *representative. For purposes of the preceding sentence, the*

1 term ‘applicable percentage’ means the percentage equal to
2 the sum of the rates of tax in effect under subsections (a)
3 and (b) of section 3101 and subsections (a) and (b) of sec-
4 tion 3111 for the calendar year.

5 “(b) TIER 2 TAX.—

6 “(1) IN GENERAL.—In addition to other taxes,
7 there is hereby imposed on the income of each em-
8 ployee representative a tax equal to the applicable
9 percentage of the compensation received during any
10 calendar year by such employee representatives for
11 services rendered by such employee representative.

12 “(2) APPLICABLE PERCENTAGE.—For purposes
13 of paragraph (1), the term ‘applicable percentage’
14 means—

15 “(A) 14.75 percent in the case of compensa-
16 tion received during 2001,

17 “(B) 14.20 percent in the case of compensa-
18 tion received during 2002, and

19 “(C) in the case of compensation received
20 during any calendar year after 2002, the per-
21 centage determined under section 3241 for such
22 calendar year.

1 “(c) *CROSS REFERENCE.*—

“For application of different contribution bases with respect to the taxes imposed by subsections (a) and (b), see section 3231(e)(2).”.

2 (c) *RATE OF TAX ON EMPLOYEES.*—Subsection (b) of
3 section 3201 is amended to read as follows:

4 “(b) *TIER 2 TAX.*—

5 “(1) *IN GENERAL.*—In addition to other taxes,
6 there is hereby imposed on the income of each em-
7 ployee a tax equal to the applicable percentage of the
8 compensation received during any calendar year by
9 such employee for services rendered by such employee.

10 “(2) *APPLICABLE PERCENTAGE.*—For purposes
11 of paragraph (1), the term ‘applicable percentage’
12 means—

13 “(A) 4.90 percent in the case of compensa-
14 tion received during 2001 or 2002, and

15 “(B) in the case of compensation received
16 during any calendar year after 2002, the per-
17 centage determined under section 3241 for such
18 calendar year.”.

19 (d) *DETERMINATION OF RATE.*—Chapter 22 is amend-
20 ed by adding at the end thereof the following new sub-
21 chapter:

1 **“Subchapter E—Tier 2 Tax Rate**
 2 **Determination**

“Sec. 3241. Determination of tier 2 tax rate based on average account benefits ratio.

3 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 4 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

5 “(a) *IN GENERAL.*—For purposes of sections 3201(b),
 6 3211(b), and 3221(b), the applicable percentage for any cal-
 7 endar year is the percentage determined in accordance with
 8 the table in subsection (b).

9 “(b) *TAX RATE SCHEDULE.*—

<i>Average account benefits ratio</i>		<i>Applicable per- centage for sec- tions 3211(b) and 3221(b)</i>	<i>Applicable per- centage for section 3201(b)</i>
<i>At least</i>	<i>But less than</i>		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

10 “(c) *DEFINITIONS RELATED TO DETERMINATION OF*
 11 *RATES OF TAX.*—

12 “(1) *AVERAGE ACCOUNT BENEFITS RATIO.*—For
 13 purposes of this section, the term ‘average account
 14 benefits ratio’ means, with respect to any calendar
 15 year, the average determined by the Secretary of the

1 *account benefits ratios for the 10 most recent fiscal*
2 *years ending before such calendar year. If the amount*
3 *determined under the preceding sentence is not a mul-*
4 *ti-ple of 0.1, such amount shall be increased to the*
5 *next highest multiple of 0.1.*

6 “(2) *ACCOUNT BENEFITS RATIO.*—*For purposes*
7 *of this section, the term ‘account benefits ratio’*
8 *means, with respect to any fiscal year, the amount*
9 *determined by the Railroad Retirement Board by di-*
10 *viding the fair market value of the assets in the Rail-*
11 *road Retirement Account and of the Railroad Retire-*
12 *ment Investment Trust (and for years before 2001, the*
13 *Social Security Equivalent Benefits Account) as of*
14 *the close of such fiscal year by the total benefits and*
15 *administrative expenses paid from the Railroad Re-*
16 *tirement Account and the Railroad Retirement In-*
17 *vestment Trust during such fiscal year.*

18 “(d) *NOTICE.*—*No later than December 1 of each cal-*
19 *endar year, the Secretary shall publish a notice in the Fed-*
20 *eral Register of the rates of tax determined under this sec-*
21 *tion which are applicable for the following calendar year.”.*

22 (e) *CONFORMING AMENDMENTS.*—

23 (1) *Section 24(d)(3)(A)(iii) is amended by strik-*
24 *ing “section 3211(a)(1)” and inserting “section*
25 *3211(a)”.*

1 (2) Section 72(r)(2)(B)(i) is amended by striking
2 “section 3211(a)(2)” and inserting “section 3211(b)”.

3 (3) Paragraphs (2)(A)(iii)(II) and (4)(A) of sec-
4 tion 3231(e) is amended by striking “3211(a)(1)” and
5 inserting “3211(a)”.

6 (4) Section 3231(e)(2)(B)(ii)(I) is amended by
7 striking “3211(a)(2)” and inserting “3211(b)”.

8 (5) The table of subchapters for chapter 22 is
9 amended by adding at the end the following new item:

“Subchapter E. Tier 2 tax rate determination.”.

10 (f) *EFFECTIVE DATE.*—*The amendments made by this*
11 *section shall apply to calendar years beginning after De-*
12 *cember 31, 2000.*

13 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

14 **(a) SHORT TITLE.—This Act may be cited as**
15 **the “Railroad Retirement and Survivors’ Im-**
16 **provement Act of 2000”.**

17 **(b) TABLE OF CONTENTS.—**

Sec. 1. Short title; table of contents.

**TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT
OF 1974**

Sec. 101. Expansion of widow’s and widower’s benefits.

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

**Sec. 108. Annual ratio projections and certifications by the
Railroad Retirement Board.**

**TITLE II—AMENDMENTS TO THE INTERNAL REVENUE
CODE OF 1986**

Sec. 201. Amendments to the Internal Revenue Code of 1986.

Sec. 202. Exemption from tax for Railroad Retirement Investment Trust.

Sec. 203. Repeal of supplemental annuity tax.

Sec. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

TITLE III—REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES ON RAILROADS AND INLAND WATERWAY TRANSPORTATION WHICH REMAIN IN GENERAL FUND

Sec. 301. Repeal of 4.3-cent motor fuel excise taxes on railroads and inland waterway transportation which remain in general fund.

1 TITLE I—AMENDMENTS TO RAIL-
2 ROAD RETIREMENT ACT OF
3 1974

4 SEC. 101. EXPANSION OF WIDOW'S AND WIDOWER'S BENE-
5 FITS.

6 (a) IN GENERAL.—Section 4(g) of the Rail-
7 road Retirement Act of 1974 is amended by
8 adding at the end the following new subdivi-
9 sion:

10 “(10)(i) If for any month the unreduced
11 annuity provided under this section for a
12 widow or widower is less than the widow's or
13 widower's initial minimum amount computed
14 pursuant to paragraph (ii) of this subdivision,
15 the unreduced annuity shall be increased to
16 that initial minimum amount. For the pur-
17 poses of this subdivision, the unreduced an-
18 nuity is the annuity without regard to any de-
19 duction on account of work, without regard to

1 any reduction for entitlement to an annuity
2 under section 2(a)(1) of this Act, without re-
3 gard to any reduction for entitlement to a
4 benefit under title II of the Social Security
5 Act, and without regard to any reduction for
6 entitlement to a public service pension pursu-
7 ant to sections 202(e)(7), 202(f)(2), or section
8 202(g)(4) of the Social Security Act.

9 “(ii) For the purposes of this subdivision,
10 the widow or widower’s initial minimum
11 amount is the amount of the unreduced annu-
12 ity computed at the time an annuity is award-
13 ed to that widow or widower, except that—

14 “(A) in subsection (g)(1)(i) ‘100 per
15 centum’ shall be substituted for ‘50 per
16 centum’; and

17 “(B) in subsection (g)(2)(ii) ‘130 per
18 centum’ shall be substituted for ‘80 per
19 centum’ both places it appears.

20 “(iii) If a widow or widower who was pre-
21 viously entitled to a widow’s or widower’s an-
22 nuity under section 2(d)(1)(ii) of this Act be-
23 comes entitled to a widow’s or widow’s annu-
24 ity under section 2(d)(1)(i) of this Act, a new
25 initial minimum amount shall be computed at

1 **the time of award of the widow's or widower's**
2 **annuity under section 2(d)(1)(i) of this Act.”.**

3 **(b) EFFECTIVE DATE.—**

4 **(1) GENERALLY.—The amendment**
5 **made by this section shall take effect**
6 **January 1, 2001 and shall apply to annu-**
7 **ity amounts accruing for months after**
8 **December 2000 in the case of annuities**
9 **awarded on or after that date and in the**
10 **case of annuities awarded before that**
11 **date if the annuity amount under section**
12 **4(g) of the Railroad Retirement Act was**
13 **computed under section 4(g), as amended**
14 **by Public Law 97-35.**

15 **(2) SPECIAL RULE FOR ANNUITIES**
16 **AWARDED BEFORE JANUARY 1, 2001.—In ap-**
17 **plying the amendments made by this sec-**
18 **tion to annuities awarded before January**
19 **1, 2001, the calculation of the initial min-**
20 **imum amount under new section**
21 **4(g)(10)(ii) of the Act shall be made as of**
22 **the date of award of the widow's or wid-**
23 **ower's annuity.**

1 SEC. 102. RETIREMENT AGE RESTORATION.

2 (a) EMPLOYEE ANNUITIES.—Section 3(a)(2)
3 of the Railroad Retirement Act of 1974 is
4 amended by inserting after “(2)” the fol-
5 lowing: “For purposes of this subsection, indi-
6 viduals entitled to an annuity under section
7 2(a)(1)(ii) of this Act shall, except for the pur-
8 poses of recomputations in accordance with
9 section 215(f) of the Social Security Act, be
10 deemed to have attained retirement age (as
11 defined by section 216(l) of the Social Security
12 Act).”.

13 (b) SPOUSE AND SURVIVOR ANNUITIES.—Sec-
14 tion 4(a)(2) of the Railroad Retirement Act of
15 1974 is amended by striking “if an” and all
16 that follows through “section 2(c)(1) of this
17 Act” and inserting “a spouse entitled to an an-
18 nuity under section 2(c)(1)(ii)(B) of this Act”.

19 (c) CONFORMING REPEALS.—Sections
20 3(a)(3), 4(a)(3), and 4(a)(4) of the Railroad Re-
21 tirement Act are repealed.

22 (d) EFFECTIVE DATES.—

23 (1) GENERALLY.—Except as provided
24 in paragraph (2), the amendments made
25 by this section shall apply to annuities

1 that begin to accrue on or after January
2 1, 2001.

3 (2) **EXCEPTION.**—The amount of the an-
4 nuity provided for a spouse under section
5 4(a) shall be computed under section
6 4(a)(3), as in effect before the date of the
7 enactment of this section, if the annuity
8 amount provided under section 3(a) for
9 the individual on whose employment
10 record the spouse annuity is based was
11 computed under section 3(a)(3), as in ef-
12 fect before the date of the enactment of
13 this section.

14 **SEC. 103. VESTING REQUIREMENT.**

15 (a) **CERTAIN ANNUITIES FOR INDIVIDUALS.**—
16 Section 2(a) of the Railroad Retirement Act of
17 1974 is amended—

18 (1) by inserting in subdivision (1) “or,
19 for purposes of paragraphs (i), (iii), and
20 (v), five years of service, all of which ac-
21 crues after December 31, 1995,” after “ten
22 years of service”, and

23 (2) by adding at the end the fol-
24 lowing:

1 **“(4) An individual who is entitled to an an-**
2 **nuity under paragraph (v) of subdivision (1),**
3 **but who does not have at least ten years of**
4 **service, shall, prior to the month in which the**
5 **individual attains age 62, be entitled only to**
6 **an annuity amount computed under section**
7 **3(a) of this Act (without regard to section**
8 **3(a)(2) of this Act) or section 3(f)(3) of this Act.**
9 **Upon attainment of age 62, such an individual**
10 **may also be entitled to an annuity amount**
11 **computed under section 3(b), but such annu-**
12 **ity amount shall be reduced for early retire-**
13 **ment in the same manner as if the individual**
14 **were entitled to an annuity under section**
15 **2(a)(1)(iii).”.**

16 **(b) COMPUTATION RULE FOR INDIVIDUALS’**
17 **ANNUITIES.—Section 3(a) of the Railroad Re-**
18 **tirement Act of 1974, as amended by section**
19 **102 of this Act, is further amended by adding**
20 **at the end the following new subdivision:**

21 **“(3) If an individual entitled to an annuity**
22 **under section 2(a)(1)(i) or (iii) of this Act on**
23 **the basis of less than ten years of service is**
24 **entitled to a benefit under section 202(a), sec-**
25 **tion 202(b), or section 202(c) of the Social Se-**

1 curity Act which began to accrue before the
2 annuity under section 2(a)(1)(i) or (iii) of this
3 Act, the annuity amount provided such indi-
4 vidual under this subsection, shall be com-
5 puted as though the annuity under this Act
6 began to accrue on the later of (A) the date
7 on which the benefit under section 202(a), sec-
8 tion 202(b), or section 202(c) of the Social Se-
9 curity Act began or (B) the date on which the
10 individual first met the conditions for entitle-
11 ment to an age reduced annuity under this
12 Act other than the conditions set forth in sec-
13 tions 2(e)(1) and 2(e)(2) of this Act and the re-
14 quirement that an application be filed.”.

15 (c) SURVIVORS’ ANNUITIES.—Section 2(d)(1)
16 of the Railroad Retirement Act of 1974 is
17 amended by inserting “or five years of serv-
18 ice, all of which accrues after December 31,
19 1995,” after “ten years of service”.

20 (d) LIMITATION ON ANNUITY AMOUNTS.—Sec-
21 tion 2 of the Railroad Retirement Act of 1974
22 is amended by adding at the end the fol-
23 lowing:

24 “(i) An individual entitled to an annuity
25 under this section who has completed five

1 years of service, all of which accrues after
2 1995, but who has not completed ten years of
3 service, and the spouse, divorced spouse, and
4 survivors of such individual, shall not be enti-
5 tled to an annuity amount provided under
6 section 3(a), section 4(a), or section 4(f) of this
7 Act unless the individual, or the individual's
8 spouse, divorced spouse, or survivors, would
9 be entitled to a benefit under the Social Secu-
10 rity Act on the basis of the individual's em-
11 ployment record under both the Railroad Re-
12 tirement Act and the Social Security Act.”.

13 (e) COMPUTATION RULE FOR SPOUSES' ANNU-
14 ITIES.—Section 4(a) of the Railroad Retire-
15 ment Act of 1974, as amended by section 102
16 of this Act, is further amended by adding at
17 the end the following new subdivision:

18 “(3) If a spouse entitled to an annuity
19 under section 2(c)(1)(ii)(A), section
20 2(c)(1)(ii)(C), or section 2(c)(2) of this Act or
21 a divorced spouse entitled to an annuity
22 under section 2(c)(4) of this Act on the basis
23 of the employment record of an employee who
24 will have completed less than 10 years of serv-
25 ice is entitled to a benefit under section

1 **202(a), section 202(b), or section 202(c) of the**
2 **Social Security Act which began to accrue be-**
3 **fore the annuity under section 2(c)(1)(ii)(A),**
4 **section 2(c)(1)(ii)(C), section 2(c)(2), or section**
5 **2(c)(4) of this Act, the annuity amount pro-**
6 **vided under this subsection shall be com-**
7 **puted as though the annuity under this Act**
8 **began to accrue on the later of (A) the date**
9 **on which the benefit under section 202(a), sec-**
10 **tion 202(b), or section 202(c) of the Social Se-**
11 **curity Act began or (B) the first date on which**
12 **the annuitant met the conditions for entitle-**
13 **ment to an age reduced annuity under this**
14 **Act other than the conditions set forth in sec-**
15 **tions 2(e)(1) and 2(e)(2) of this Act and the re-**
16 **quirement that an application be filed.”.**

17 **(f) APPLICATION DEEMING PROVISION.—Sec-**
18 **tion 5(b) of the Railroad Retirement Act of**
19 **1974 is amended by striking the second sen-**
20 **tence and inserting the following: “An appli-**
21 **cation filed with the Board for an employee**
22 **annuity, spouse annuity, or divorced spouse**
23 **annuity on the basis of the employment**
24 **record of an employee who will have com-**
25 **pleted less than ten years of service shall be**

1 deemed to be an application for any benefit
2 to which such applicant may be entitled
3 under this Act or section 202(a), section
4 202(b), or section 202(c) of the Social Security
5 Act. An application filed with the Board for an
6 annuity on the basis of the employment
7 record of an employee who will have com-
8 pleted ten years of service shall, unless the
9 applicant specified otherwise, be deemed to
10 be an application for any benefit to which
11 such applicant may be entitled under this Act
12 or title II of the Social Security Act.”.

13 (g) CREDITING SERVICE UNDER THE SOCIAL
14 SECURITY ACT.—Section 18(2) of the Railroad
15 Retirement Act of 1974 is amended—

16 (1) by inserting “or less than five
17 years of service, all of which accrues
18 after December 31, 1995,” after “ten years
19 of service” every place it occurs; and

20 (2) by inserting “or five or more years
21 of service, all of which accrues after De-
22 cember 31, 1995,” after “ten or more years
23 of service”.

1 **(h) AUTOMATIC BENEFIT ELIGIBILITY AD-**
2 **JUSTMENTS.—Section 19 of Railroad Retire-**
3 **ment Act of 1974 is amended—**

4 **(1) by inserting “or five or more years**
5 **of service, all of which accrues after De-**
6 **cember 31, 1995,” after “ten years of serv-**
7 **ice” in subsection (c); and**

8 **(2) by inserting “or five or more years**
9 **of service, all of which accrues after De-**
10 **cember 31, 1995,” after “ten years of serv-**
11 **ice” in subsection (d)(2).**

12 **(i) CONFORMING AMENDMENTS.—**

13 **(1) Section 6(e)(1) of the Railroad Re-**
14 **tirement Act of 1974 is amended by in-**
15 **serting “or five or more years of service,**
16 **all of which accrues after December 31,**
17 **1995,” after “ten years of service”.**

18 **(2) Section 7(b)(2) of the Railroad Re-**
19 **tirement Act of 1974 is amended by in-**
20 **serting “or five or more years of service,**
21 **all of which accrues after December 31,**
22 **1995,” after “ten years of service”.**

23 **(3) Section 205(i) of the Social Secu-**
24 **rity Act is amended by inserting “or five**
25 **or more years of service, all of which ac-**

1 **crues after December 31, 1995,” after “ten**
2 **years of service”.**

3 **(j) EFFECTIVE DATE.—The amendments**
4 **made by this section shall take effect January**
5 **1, 2001.**

6 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

7 **(a) EMPLOYEE ANNUITIES.—Section 3(f) of**
8 **the Railroad Retirement Act of 1974 is amend-**
9 **ed by striking paragraph (1).**

10 **(b) SPOUSE AND SURVIVOR ANNUITIES.—Sec-**
11 **tion 4 of the Railroad Retirement Act of 1974**
12 **is amended by striking subsection (c).**

13 **(c) EFFECTIVE DATE.—The amendments**
14 **made by this section shall be effective Janu-**
15 **ary 1, 2001, and shall apply to annuity**
16 **amounts accruing for months after December**
17 **2000.**

18 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

19 **(a) ESTABLISHMENT OF RAILROAD RETIRE-**
20 **MENT INVESTMENT TRUST.—Section 15 of the**
21 **Railroad Retirement Act of 1974 is amended**
22 **by inserting after subsection (i) the following:**

23 **“(j) RAILROAD RETIREMENT INVESTMENT**
24 **TRUST.—**

1 **“(1) ESTABLISHMENT.—The Railroad**
2 **Retirement Investment Trust (hereinafter**
3 **in this subsection referred to as the**
4 **‘Trust’) is hereby established. The Trust**
5 **shall manage and invest the assets of the**
6 **Railroad Retirement Trust Fund (herein-**
7 **after in this section referred to as the**
8 **“Fund”, which is hereby established as a**
9 **trust organized in the District of Colum-**
10 **bia and shall, to the extent not incon-**
11 **sistent with this Act, be subject to the**
12 **laws of the District of Columbia applica-**
13 **ble to such trusts.**

14 **“(2) NOT A FEDERAL AGENCY OR INSTRU-**
15 **MENTALITY.—The Trust is not a depart-**
16 **ment, agency, or instrumentality of the**
17 **Government of the United States and**
18 **shall not be subject to title 31, United**
19 **States Code.**

20 **“(3) BOARD OF TRUSTEES.—**

21 **“(A) GENERALLY.—The Trust shall**
22 **have a Board of Trustees, consisting**
23 **of 7 members, each appointed by a**
24 **unanimous vote of the Railroad Re-**
25 **tirement Board. The Railroad Retire-**

1 ment Board may remove any member
2 so appointed by unanimous vote. Of
3 the 7 members, 3 shall represent the
4 interests of labor, 3 shall represent
5 the interests of management, and 1
6 shall represent the interests of the
7 general public. The members of the
8 Board of Trustees shall not be consid-
9 ered officers or employees of the Gov-
10 ernment of the United States.

11 “(B) QUALIFICATIONS.—Members of
12 the Board of Trustees shall be ap-
13 pointed only from among persons
14 who have experience and expertise in
15 the management of financial invest-
16 ments and pension plans. No member
17 of the Railroad Retirement Board
18 shall be eligible to be a member of
19 the Board of Trustees.

20 “(C) TERMS.—Except as provided
21 in this subparagraph, each member
22 shall be appointed for a 3-year term.
23 The initial members appointed under
24 this paragraph shall be divided into 3
25 equal groups so nearly as may be, of

1 **which one group will be appointed**
2 **for a 1-year term, one for a 2-year**
3 **term, and one for a 3-year term. A va-**
4 **cancy in the Board of Trustees shall**
5 **not affect the powers of the Board of**
6 **Trustees and shall be filled in the**
7 **same manner as the selection of the**
8 **member whose departure caused the**
9 **vacancy. Upon the expiration of a**
10 **term of a member of the Board of**
11 **Trustees, that member shall continue**
12 **to serve until a successor is ap-**
13 **pointed.**

14 **“(4) POWERS OF THE BOARD OF TRUST-**
15 **EES.—The Board of Trustees shall—**

16 **“(A) retain independent advisers**
17 **to assist it in the formulation and**
18 **adoption of its investment guidelines;**

19 **“(B) retain independent invest-**
20 **ment managers to invest the assets of**
21 **the Fund in a manner consistent with**
22 **such investment guidelines;**

23 **“(C) invest assets in the Fund,**
24 **pursuant to the policies adopted in**
25 **subparagraph (A);**

1 **“(D) pay administrative expenses**
2 **of the Fund and the Trust from the**
3 **money in the Fund; and**

4 **“(E) transfer money to the dis-**
5 **bursing agent to pay benefits payable**
6 **under this Act from money in the**
7 **Fund and administrative expenses re-**
8 **lated to those benefits.**

9 **“(5) REPORTING REQUIREMENTS AND FI-**
10 **DUCIARY STANDARDS.—The following re-**
11 **porting requirements and fiduciary**
12 **standards shall apply with respect to the**
13 **Railroad Retirement Trust and the Rail-**
14 **road Retirement Trust Fund (and the as-**
15 **sets held in such Trust Fund):**

16 **“(A) DUTIES OF THE BOARD OF**
17 **TRUSTEES.—The Railroad Retirement**
18 **Trust and each member of the Board**
19 **of Trustees shall discharge their du-**
20 **ties with respect to the assets of the**
21 **Fund solely in the interest of the**
22 **Railroad Retirement Board and**
23 **through it, the participants and bene-**
24 **ficiaries of the programs funded**
25 **under this Act—**

1 **“(i) for the exclusive purpose**
2 **of—**

3 **“(I) providing benefits to**
4 **participants and their bene-**
5 **ficiaries; and**

6 **“(II) defraying reasonable**
7 **expenses of administering the**
8 **functions of the Trust;**

9 **“(ii) with the care, skill, pru-**
10 **dence, and diligence under the**
11 **circumstances then prevailing**
12 **that a prudent person acting in a**
13 **like capacity and familiar with**
14 **such matters would use in the**
15 **conduct of an enterprise of a like**
16 **character and with like aims;**

17 **“(iii) by diversifying invest-**
18 **ments so as to minimize the risk**
19 **of large losses, unless under the**
20 **circumstances it is clearly pru-**
21 **dent not to do so; and**

22 **“(iv) in accordance with Trust**
23 **governing documents and instru-**
24 **ments insofar as such documents**

1 **and instruments are consistent**
2 **with this Act.**

3 **“(B) PROHIBITIONS WITH RESPECT**
4 **TO MEMBERS OF THE BOARD OF TRUST-**
5 **EES.—No member of the Board of**
6 **Trustees shall—**

7 **“(i) deal with the assets of the**
8 **Fund in the trustee’s own interest**
9 **or for the trustee’s own account;**

10 **“(ii) in an individual or in any**
11 **other capacity act in any trans-**
12 **action involving the assets of the**
13 **Fund on behalf of a party (or rep-**
14 **resent a party) whose interests**
15 **are adverse to the interests of the**
16 **Trust, the Fund, the Railroad Re-**
17 **irement Board, or the interests**
18 **of participants or beneficiaries;**
19 **or**

20 **“(iii) receive any consider-**
21 **ation for the trustee’s own per-**
22 **sonal account from any party**
23 **dealing with the assets of the**
24 **Fund.**

1 **“(C) EXCULPATORY PROVISIONS AND**
2 **INSURANCE.—Any provision in an**
3 **agreement or instrument that pur-**
4 **ports to relieve a trustee from respon-**
5 **sibility or liability for any responsi-**
6 **bility, obligation or duty under this**
7 **Act shall be void: *Provided, however,***
8 **That nothing shall preclude—**

9 **“(i) the Trust from purchasing**
10 **insurance for its trustees or for**
11 **itself to cover liability or losses**
12 **occurring by reason of the act or**
13 **omission of a trustee, if such in-**
14 **surance permits recourse by the**
15 **insurer against the trustee in the**
16 **case of a breach of a fiduciary ob-**
17 **ligation by such trustee;**

18 **“(ii) a trustee from pur-**
19 **chasing insurance to cover liabil-**
20 **ity under this section from and**
21 **for his own account; or**

22 **“(iii) an employer or an em-**
23 **ployee organization from pur-**
24 **chasing insurance to cover poten-**
25 **tial liability of one or more trust-**

1 ees with respect to their fiduciary
2 responsibilities, obligations, and
3 duties under this section.

4 “(D) BONDING.—Every trustee and
5 every person who handles funds or
6 other property of the Fund (hereafter
7 in this subsection referred to as
8 ‘Trust official’) shall be bonded. Such
9 bonds shall provide protection to the
10 Fund against loss by reason of acts of
11 fraud or dishonesty on the part of
12 any Trust official, directly or through
13 the connivance of others, and shall be
14 in accordance with the following:

15 “(i) The amount of such bond
16 shall be fixed at the beginning of
17 each fiscal year of the Trust by
18 the Railroad Retirement Board.
19 Such amount shall not be less
20 than 10 percent of the amount of
21 the funds handled. In no case
22 shall such bond be less than
23 \$1,000 nor more than \$500,000, ex-
24 cept that the Railroad Retirement
25 Board, after consideration of the

1 record, may prescribe an amount
2 in excess of \$500,000, subject to
3 the 10 per centum limitation of
4 the preceding sentence.

5 “(ii) It shall be unlawful for
6 any Trust official to receive, han-
7 dle, disburse, or otherwise exer-
8 cise custody or control of any of
9 the funds or other property of the
10 Fund without being bonded as re-
11 quired by this subsection and it
12 shall be unlawful for any Trust of-
13 ficial, or any other person having
14 authority to direct the perform-
15 ance of such functions, to permit
16 such functions, or any of them, to
17 be performed by any Trust offi-
18 cial, with respect to whom the re-
19 quirements this subsection have
20 not been met.

21 “(iii) It shall be unlawful for
22 any person to procure any bond
23 required by this subsection from
24 any surety or other company or
25 through any agent or broker in

1 **whose business operations such**
2 **person has any control or signifi-**
3 **cant financial interest, direct or**
4 **indirect.**

5 **“(E) AUDIT AND REPORT.—**

6 **“(i) The Trust shall annually**
7 **engage an independent qualified**
8 **public accountant to audit the fi-**
9 **nancial statements of the Fund.**

10 **“(ii) The Trust shall submit an**
11 **annual management report to the**
12 **Congress not later than 180 days**
13 **after the end of the Trust’s fiscal**
14 **year. A management report under**
15 **this subsection shall include—**

16 **“(I) a statement of finan-**
17 **cial position;**

18 **“(II) a statement of oper-**
19 **ations;**

20 **“(III) a statement of cash**
21 **flows;**

22 **“(IV) a statement on inter-**
23 **nal accounting and adminis-**
24 **trative control systems;**

1 **“(V) the report resulting**
2 **from an audit of the financial**
3 **statements of the Trust con-**
4 **ducted under subparagraph**
5 **(E)(i); and**

6 **“(VI) any other comments**
7 **and information necessary to**
8 **inform the Congress about the**
9 **operations and financial con-**
10 **dition of the Trust and the**
11 **Fund.**

12 **“(iii) The Trust shall provide**
13 **the President, the Railroad Re-**
14 **irement Board, and the Director**
15 **of the Office of Management and**
16 **Budget a copy of the management**
17 **report when it is submitted to**
18 **Congress.**

19 **“(F) ENFORCEMENT.—The Railroad**
20 **Retirement Board may bring a civil**
21 **action—**

22 **“(i) to enjoin any act or prac-**
23 **tice by the Railroad Retirement**
24 **Investment Trust, its Board of**
25 **Trustees or its employees or**

1 agents that violates any provision
2 of this Act; or

3 “(ii) to obtain other appro-
4 priate relief to redress such viola-
5 tions, or to enforce any provisions
6 of this Act.

7 “(6) RULES AND ADMINISTRATIVE POW-
8 ERS.—The Board of Trustees shall have
9 the authority to make rules to govern its
10 operations, employ professional staff, and
11 contract with outside advisers to provide
12 legal, accounting, investment advisory or
13 other services necessary for the proper
14 administration of this subsection. In the
15 case of contracts with investment advi-
16 sory services, compensation for such
17 services may be on a fixed contract fee
18 basis or on such other terms and condi-
19 tions as are customary for such services.

20 “(7) QUORUM.—Five members of the
21 Board of Trustees constitute a quorum to
22 do business. Investment guidelines must
23 be adopted by a unanimous vote of the
24 entire Board of Trustees. All other deci-
25 sions of the Board of Trustees shall be de-

1 cided by a majority vote of the quorum
2 present. All decisions of the Board of
3 Trustees shall be entered upon the
4 records of the Board of Trustees.”.

5 (b) CONFORMING AND TECHNICAL AMEND-
6 MENTS GOVERNING INVESTMENTS.—Subsection
7 15(e) of the Railroad Retirement Act of 1974
8 is amended—

9 (1) beginning in the first sentence, by
10 striking “, the Dual Benefits Payments
11 Account” and all that follows through
12 “may be made only” in the second sen-
13 tence and inserting “and the Dual Bene-
14 fits Payments Account as are not trans-
15 ferred to the Railroad Retirement Invest-
16 ment Trust as the Board may determine”;

17 (2) by striking “the Second Liberty
18 Bond Act, as amended” and inserting
19 “chapter 31 of title 31”; and

20 (3) by striking “the foregoing require-
21 ments” and inserting “the requirements
22 of this subsection”.

23 (c) EFFECTIVE DATE.—The amendments
24 made by this section shall take effect on the
25 date of the enactment of this section.

1 SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-
2 COUNT.

3 (a) SOURCE OF PAYMENTS.—Section 7(c)(1)
4 of the Railroad Retirement Act of 1974 is
5 amended by striking “payments of supple-
6 mental annuities under section 2(b) of this
7 Act shall be made from the Railroad Retire-
8 ment Supplemental Account, and”.

9 (b) ELIMINATION OF ACCOUNT.—Section
10 15(c) of the Railroad Retirement Act of 1974
11 is repealed.

12 (c) IN GENERAL.—Section 15(a) of the Rail-
13 road Retirement Act of 1974 is amended by
14 striking “, except those portions of the
15 amounts covered into the Treasury under sec-
16 tions 3211(b),” and all that follows through
17 the end of the subsection and inserting a pe-
18 riod.

19 (d) EFFECTIVE DATE.—The amendments
20 made by this section shall take effect January
21 1, 2001, except that the Railroad Retirement
22 Supplemental Account shall continue to exist
23 until the transfer authorized by the following
24 sentence occurs. As soon as possible after De-
25 cember 31, 2000, the Board shall determine
26 the balance in the Railroad Retirement Sup-

1 **plemental Account and shall direct the Sec-**
2 **retary of the Treasury to transfer such**
3 **amount to the Railroad Retirement Trust**
4 **Fund and the Secretary shall make such**
5 **transfer.**

6 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

7 **(a) RAILROAD RETIREMENT ACCOUNT.—Sec-**
8 **tion 15 of the Railroad Retirement Act of 1974**
9 **is amended by adding after subsection (j) the**
10 **following:**

11 **“(k) TRANSFERS TO THE FUND.—The Board**
12 **shall, upon establishment of the Railroad Re-**
13 **tirement Trust Fund and from time to time**
14 **thereafter, direct the Secretary of the Treas-**
15 **ury to transfer, in such manner as will maxi-**
16 **mize the investment returns to the Railroad**
17 **Retirement system, that portion of the Rail-**
18 **road Retirement Account that is not needed**
19 **to pay current administrative expenses of the**
20 **Board to the Railroad Retirement Trust Fund.**
21 **The Secretary shall make that transfer.”.**

22 **(b) RAILROAD RETIREMENT TRUST FUND.—**
23 **Section 15 of the Railroad Retirement Act of**
24 **1974, as amended by subsection (a), is further**

1 amended by adding after subsection (k) the
2 following:

3 **“(1) RAILROAD RETIREMENT TRUST FUND.—**
4 **The Railroad Retirement Trust shall from**
5 **time to time transfer to the disbursing agent**
6 **described in section 7(b)(4) such amounts as**
7 **may be necessary to pay benefits under this**
8 **Act (other than benefits paid from the Social**
9 **Security Equivalent Benefit Account or the**
10 **Dual Benefit Payments Account).”.**

11 **(c) SOCIAL SECURITY EQUIVALENT BENEFIT**
12 **ACCOUNT.—Section 15A(d)(2) of the Railroad**
13 **Retirement Act of 1974 is amended to read as**
14 **follows:**

15 **“(2) Upon establishment of the Railroad**
16 **Retirement Trust Fund and from time to time**
17 **thereafter, the Board shall direct the Sec-**
18 **retary of the Treasury to transfer, in such**
19 **manner as will maximize the investment re-**
20 **turns to the Railroad Retirement system, the**
21 **balance of the Social Security Equivalent**
22 **Benefit Account not needed to pay current**
23 **benefits required to be paid from that Ac-**
24 **count to the Railroad Retirement Trust Fund,**
25 **and the Secretary shall make that transfer.**

1 Any balance transferred under this para-
2 graph shall be used by the Railroad Retire-
3 ment Trust only to pay benefits under this Act
4 or to purchase obligations of the United
5 States that are backed by the full faith and
6 credit of the United States pursuant to chap-
7 ter 31 of title 31, United States Code. The pro-
8 ceeds of sales of, and the interest income
9 from, such obligations shall be used by the
10 Trust only to pay benefits under this Act.”.

11 (2) TRANSFERS TO DISBURSING AGENT.—
12 Section 15A(c)(1) of the Railroad Retire-
13 ment Act of 1974 is amended by adding at
14 the end the following: “The Secretary
15 shall from time to time transfer to the
16 disbursing agent under section 7(b)(4)
17 amounts necessary to pay those bene-
18 fits.”.

19 (3) CONFORMING AMENDMENT.—Section
20 15A(d)(1) of the Railroad Retirement Act
21 of 1974 is amended by striking the second
22 and third sentences.

23 (d) DUAL BENEFITS PAYMENTS ACCOUNT.—
24 Section 15(d)(1) of the Railroad Retirement
25 Act of 1974 is amended by adding at the end

1 **the following: “The Secretary of the Treasury**
2 **shall from time to time transfer from the Dual**
3 **Benefits Payments Account to the disbursing**
4 **agent under section 7(b)(4) amounts nec-**
5 **essary to pay benefits payable from that Ac-**
6 **count.”.**

7 **(e) CERTIFICATION BY THE BOARD AND PAY-**
8 **MENT.—Paragraph (4) of section 7(b) of the**
9 **Railroad Retirement Act of 1974 is amended**
10 **to read as follows:**

11 **“(4)(A) The Railroad Retirement Board,**
12 **after consultation with the Board of Trustees**
13 **of the Railroad Retirement Trust and the Sec-**
14 **retary of the Treasury, shall enter into an ar-**
15 **rangement with a nongovernmental financial**
16 **institution to serve as disbursing agent for**
17 **benefits payable under this Act who shall dis-**
18 **burse consolidated benefits under this Act to**
19 **each recipient.**

20 **“(B) The Board shall from time to time**
21 **certify—**

22 **“(i) to the Secretary of the Treasury**
23 **the amounts required to be transferred**
24 **from the Social Security Equivalent Ben-**
25 **efit Account and the the Dual Benefits**

1 **Payments Account to the disbursing**
2 **agent to make payments of benefits and**
3 **the Secretary of the Treasury shall trans-**
4 **fer those amounts;**

5 **“(ii) to the Board of Trustees of the**
6 **Railroad Retirement Investment Trust**
7 **the amounts required to be transferred**
8 **from the Railroad Retirement Investment**
9 **Trust to the disbursing agent to make**
10 **payments of benefits and the Board of**
11 **Trustees shall transfer those amounts;**
12 **and**

13 **“(iii) to the disbursing agent the**
14 **name and address of each individual en-**
15 **titled to receive a payment, the amount**
16 **of such payment, and the time at which**
17 **the payment should be made.”.**

18 **(f) BENEFIT PAYMENTS.—Section 7(c)(1) of**
19 **the Railroad Retirement Act of 1974 is**
20 **amended—**

21 **(1) by striking “from the Railroad Re-**
22 **tirement Account” and inserting “by the**
23 **disbursing agent under subsection (b)(4)**
24 **from money transferred to it from the**
25 **Railroad Retirement Trust Fund or the**

1 **Social Security Equivalent Benefit Ac-**
2 **count, as the case may be”; and**

3 **(2) by inserting “by the disbursing**
4 **agent under subsection (b)(4) from money**
5 **transferred to it” after “Public Law 93-**
6 **445 shall be made”.**

7 **(g) TRANSITIONAL RULE FOR EXISTING OBLI-**
8 **GATION.—In making transfers under sub-**
9 **sections (a) and (c), the Board shall consult**
10 **with the Secretary of the Treasury to design**
11 **an appropriate method to transfer obligations**
12 **held as of the date of enactment or to convert**
13 **such obligations to cash prior to transfer. The**
14 **Railroad Retirement Trust may hold to matu-**
15 **rity any obligations so received or may re-**
16 **deem them prior to maturity, as the Trust**
17 **deems appropriate.**

18 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
19 **CATIONS BY THE RAILROAD RETIREMENT**
20 **BOARD.**

21 **(a) PROJECTIONS.—Section 22(a)(1) of the**
22 **Railroad Retirement Act of 1974 is amended—**

23 **(1) by adding the following sentence**
24 **after the first sentence: “On or before**
25 **May 1 of each year beginning in 2002, the**

1 **Railroad Retirement Board shall compute**
2 **its projection of the account benefits**
3 **ratio and the average account benefits**
4 **ratio (as defined by section 3241(c) of the**
5 **Internal Revenue Code of 1986) for each**
6 **of the next succeeding five fiscal years.”;**
7 **and**

8 **(2) by striking “the projection pre-**
9 **pared pursuant to the preceding sen-**
10 **tence” and inserting “the projections pre-**
11 **pared pursuant to the preceding two sen-**
12 **tences”.**

13 **(b) CERTIFICATIONS.—The Railroad Retire-**
14 **ment Act of 1974 is amended by adding at the**
15 **end the following:**

16 **“COMPUTATION AND CERTIFICATION OF ACCOUNT**
17 **BENEFIT RATIOS**

18 **“SEC. 23. (a) On or before November 1,**
19 **2002, the Railroad Retirement Board shall—**

20 **“(1) compute the account benefits ra-**
21 **tios for each of the most recent 10 pre-**
22 **ceding fiscal years, and**

23 **“(2) certify the account benefits ratios**
24 **for each such fiscal year to the Secretary.**

1 “(b) On or before November 1 of each year
2 after 2002, the Railroad Retirement Board
3 shall—

4 “(1) compute the account benefits
5 ratio for the fiscal year ending in such
6 year, and

7 “(2) certify the account benefits ratio
8 for such fiscal year to the Secretary.

9 “(c) DEFINITION.—As used in this section,
10 the term ‘account benefit ratio’ has the mean-
11 ing given that term in section 3241(c) of the
12 Internal Revenue Code of 1986.”.

13 **TITLE II—AMENDMENTS TO THE**
14 **INTERNAL REVENUE CODE**
15 **OF 1986**

16 **SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE**
17 **OF 1986.**

18 **Except as otherwise provided, whenever**
19 **in this title an amendment or repeal is ex-**
20 **pressed in terms of an amendment to, or re-**
21 **peal of, a section or other provision, the ref-**
22 **erence shall be considered to be made to a**
23 **section or other provision of the Internal Rev-**
24 **enue Code of 1986.**

1 SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-
2 MENT INVESTMENT TRUST.

3 Subsection (c) of section 501 is amended
4 by adding at the end the following new para-
5 graph:

6 “(28) The Railroad Retirement Invest-
7 ment Trust established under section
8 15(j) of the Railroad Retirement Act of
9 1974.”

10 SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.

11 (a) REPEAL OF TAX ON EMPLOYEE REP-
12 RESENTATIVES.—Section 3211 is amended by
13 striking subsection (b).

14 (b) REPEAL OF TAX ON EMPLOYERS.—Sec-
15 tion 3221 is amended by striking subsections
16 (c) and (d).

17 (c) EFFECTIVE DATE.—The amendments
18 made by this section shall apply to calendar
19 years beginning after December 31, 2000.

20 SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND
21 EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.

22 (a) RATE OF TAX ON EMPLOYERS.—Sub-
23 section (b) of section 3221 is amended to read
24 as follows:

25 “(b) TIER 2 TAX.—

1 **“(1) IN GENERAL.—In addition to other**
2 **taxes, there is hereby imposed on every**
3 **employer an excise tax, with respect to**
4 **having individuals in his employ, equal**
5 **to the applicable percentage of the com-**
6 **penetration paid during any calendar year**
7 **by such employer for services rendered**
8 **to such employer.**

9 **“(2) APPLICABLE PERCENTAGE.—For**
10 **purposes of paragraph (1), the term ‘ap-**
11 **plicable percentage’ means—**

12 **“(A) 15.6 percent in the case of**
13 **compensation paid during 2001,**

14 **“(B) 14.2 percent in the case of**
15 **compensation paid during 2002, and**

16 **“(C) in the case of compensation**
17 **paid during any calendar year after**
18 **2002, the percentage determined**
19 **under section 3241 for such calendar**
20 **year.”.**

21 **(b) RATE OF TAX ON EMPLOYEE REPRESENTA-**
22 **TIVES.—Section 3211, as amended by section**
23 **203, is amended by striking subsection (a) and**
24 **inserting the following new subsections:**

1 “(a) TIER 1 TAX.—In addition to other
2 taxes, there is hereby imposed on the income
3 of each employee representative a tax equal
4 to the applicable percentage of the compensa-
5 tion received during any calendar year by
6 such employee representative for services
7 rendered by such employee representative.
8 For purposes of the preceding sentence, the
9 term ‘applicable percentage’ means the per-
10 centage equal to the sum of the rates of tax
11 in effect under subsections (a) and (b) of sec-
12 tion 3101 and subsections (a) and (b) of sec-
13 tion 3111 for the calendar year.

14 “(b) TIER 2 TAX.—

15 “(1) IN GENERAL.—In addition to other
16 taxes, there is hereby imposed on the in-
17 come of each employee representative a
18 tax equal to the applicable percentage of
19 the compensation received during any
20 calendar year by such employee rep-
21 resentatives for services rendered by
22 such employee representative.

23 “(2) APPLICABLE PERCENTAGE.—For
24 purposes of paragraph (1), the term ‘ap-
25 plicable percentage’ means—

1 “(A) 14.75 percent in the case of
2 compensation received during 2001,

3 “(B) 14.20 percent in the case of
4 compensation received during 2002,
5 and

6 “(C) in the case of compensation
7 received during any calendar year
8 after 2002, the percentage determined
9 under section 3241 for such calendar
10 year.

11 “(c) CROSS REFERENCE.—

 “For application of different contribution bases
 with respect to the taxes imposed by subsections (a)
 and (b), see section 3231(e)(2).”.

12 (c) RATE OF TAX ON EMPLOYEES.—Sub-
13 section (b) of section 3201 is amended to read
14 as follows:

15 “(b) TIER 2 TAX.—

16 “(1) IN GENERAL.—In addition to other
17 taxes, there is hereby imposed on the in-
18 come of each employee a tax equal to the
19 applicable percentage of the compensa-
20 tion received during any calendar year
21 by such employee for services rendered
22 by such employee.

1 **“(2) APPLICABLE PERCENTAGE.—For**
 2 **purposes of paragraph (1), the term ‘ap-**
 3 **plicable percentage’ means—**

4 **“(A) 4.90 percent in the case of**
 5 **compensation received during 2001 or**
 6 **2002, and**

7 **“(B) in the case of compensation**
 8 **received during any calendar year**
 9 **after 2002, the percentage determined**
 10 **under section 3241 for such calendar**
 11 **year.”.**

12 **(d) DETERMINATION OF RATE.—Chapter 22**
 13 **is amended by adding at the end thereof the**
 14 **following new subchapter:**

15 **“Subchapter E—Tier 2 Tax Rate**
 16 **Determination**

“Sec. 3241. Determination of tier 2 tax rate based on
 average account benefits ratio.

17 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 18 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

19 **“(a) IN GENERAL.—For purposes of sections**
 20 **3201(b), 3211(b), and 3221(b), the applicable**
 21 **percentage for any calendar year is the per-**
 22 **centage determined in accordance with the**
 23 **table in subsection (b).**

24 **“(b) TAX RATE SCHEDULE.—**

Average account benefits ratio		Applicable percentage for sections 3211(b) and 3221(b)	Applicable percentage for section 3201(b)
At least	But less than		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

1 **“(c) DEFINITIONS RELATED TO DETERMINA-**
2 **TION OF RATES OF TAX.—**

3 **“(1) AVERAGE ACCOUNT BENEFITS**
4 **RATIO.—For purposes of this section, the**
5 **term ‘average account benefits ratio’**
6 **means, with respect to any calendar year,**
7 **the average determined by the Secretary**
8 **of the account benefits ratios for the 10**
9 **most recent fiscal years ending before**
10 **such calendar year. If the amount deter-**
11 **mined under the preceding sentence is**
12 **not a multiple of 0.1, such amount shall**
13 **be increased to the next highest multiple**
14 **of 0.1.**

15 **“(2) ACCOUNT BENEFITS RATIO.—For**
16 **purposes of this section, the term ‘ac-**
17 **count benefits ratio’ means, with respect**

1 to any fiscal year, the amount determined
2 by the Railroad Retirement Board by di-
3 viding the fair market value of the assets
4 in the Railroad Retirement Account and
5 of the Railroad Retirement Investment
6 Trust (and for the years before 2001, the
7 Social Security Equivalent Benefits Ac-
8 count) as of the close of such fiscal year
9 by the total benefits and administrative
10 expenses paid from the Railroad Retire-
11 ment Account and the Railroad Retire-
12 ment Investment Trust during such fiscal
13 year.

14 “(d) NOTICE.—No later than December 1 of
15 each calendar year, the Secretary shall pub-
16 lish a notice in the Federal Register of the
17 rates of tax determined under this section
18 which are applicable for the following cal-
19 endar year.”.

20 (e) CONFORMING AMENDMENTS.—

21 (1) Section 24(d)(3)(A)(iii) is amended
22 by striking “section 3211(a)(1)” and in-
23 serting “section 3211(a)”.

1 **(2) Section 72(r)(2)(B)(i) is amended**
2 **by striking “section 3211(a)(2)” and in-**
3 **serting “section 3211(b)”.**

4 **(3) Paragraphs (2)(A)(iii)(II) and**
5 **(4)(A) of section 3231(e) is amended by**
6 **striking “3211(a)(1)” and inserting**
7 **“3211(a)”.**

8 **(4) Section 3231(e)(2)(B)(ii)(I) is**
9 **amended by striking “3211(a)(2)” and in-**
10 **serting “3211(b)”.**

11 **(5) The table of subchapters for chap-**
12 **ter 22 is amended by adding at the end**
13 **the following new item:**

 “Subchapter E. Tier 2 tax rate determination.”.

14 **(f) EFFECTIVE DATE.—The amendments**
15 **made by this section shall apply to calendar**
16 **years beginning after December 31, 2000.**

1 **TITLE III—REPEAL OF 4.3-CENT**
2 **MOTOR FUEL EXCISE TAXES**
3 **ON RAILROADS AND INLAND**
4 **WATERWAY TRANSPORTATION WHICH REMAIN IN**
5 **GENERAL FUND**
6

7 **SEC. 301. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES**
8 **ON RAILROADS AND INLAND WATERWAY**
9 **TRANSPORTATION WHICH REMAIN IN GEN-**
10 **ERAL FUND.**

11 **(a) TAXES ON TRAINS.—**

12 **(1) IN GENERAL.—Subparagraph (A) of**
13 **section 4041(a)(1) of the Internal Revenue**
14 **Code of 1986 is amended by striking “or**
15 **a diesel-powered train” each place it ap-**
16 **pears and by striking “or train”.**

17 **(2) CONFORMING AMENDMENTS.—**

18 **(A) Subparagraph (C) of section**
19 **4041(a)(1) of such Code is amended by**
20 **striking clause (ii) and by redesignig-**
21 **nating clause (iii) as clause (ii).**

22 **(B) Subparagraph (C) of section**
23 **4041(b)(1) of such Code is amended by**
24 **striking all that follows “section**
25 **6421(e)(2)” and inserting a period.**

1 **(C) Subsection (d) of section 4041**
2 **of such Code is amended by redesignig-**
3 **nating paragraph (3) as paragraph (4)**
4 **and by inserting after paragraph (2)**
5 **the following new paragraph:**

6 **“(3) DIESEL FUEL USED IN TRAINS.—**
7 **There is hereby imposed a tax of 0.1 cent**
8 **per gallon on any liquid other than gaso-**
9 **line (as defined in section 4083)—**

10 **“(A) sold by any person to an**
11 **owner, lessee, or other operator of a**
12 **diesel-powered train for use as a fuel**
13 **in such train, or**

14 **“(B) used by any person as a fuel**
15 **in a diesel-powered train unless there**
16 **was a taxable sale of such fuel under**
17 **subparagraph (A).**

18 **No tax shall be imposed by this para-**
19 **graph on the sale or use of any liquid if**
20 **tax was imposed on such liquid under**
21 **section 4081.”**

22 **(D) Subsection (f) of section 4082**
23 **of such Code is amended by striking**
24 **“section 4041(a)(1)” and inserting**

1 **“subsections (d)(3) and (a)(1) of sec-**
2 **tion 4041, respectively”.**

3 **(E) Paragraph (3) of section**
4 **4083(a) of such Code is amended by**
5 **striking “or a diesel-powered train”.**

6 **(F) Paragraph (3) of section**
7 **6421(f) of such Code is amended to**
8 **read as follows:**

9 **“(3) GASOLINE USED IN TRAINS.—In the**
10 **case of gasoline used as a fuel in a train,**
11 **this section shall not apply with respect**
12 **to the Leaking Underground Storage**
13 **Tank Trust Fund financing rate under**
14 **section 4081.”**

15 **(G) Paragraph (3) of section**
16 **6427(l) of such Code is amended to**
17 **read as follows:**

18 **“(3) REFUND OF CERTAIN TAXES ON FUEL**
19 **USED IN DIESEL-POWERED TRAINS.—For pur-**
20 **poses of this subsection, the term ‘non-**
21 **taxable use’ includes fuel used in a diesel-**
22 **powered train. The preceding sentence**
23 **shall not apply to the tax imposed by sec-**
24 **tion 4041(d) and the Leaking Under-**
25 **ground Storage Tank Trust Fund financ-**

1 **ing rate under section 4081 except with**
2 **respect to fuel sold for exclusive use by a**
3 **State or any political subdivision there-**
4 **of.”**

5 **(b) FUEL USED ON INLAND WATERWAYS.—**

6 **(1) IN GENERAL.—Paragraph (1) of sec-**
7 **tion 4042(b) of such Code is amended by**
8 **adding “and” at the end of subparagraph**
9 **(A), by striking “, and” at the end of sub-**
10 **paragraph (B) and inserting a period, and**
11 **by striking subparagraph (C).**

12 **(2) CONFORMING AMENDMENT.—Para-**
13 **graph (2) of section 4042(b) of such Code**
14 **is amended by striking subparagraph (C).**

15 **(c) EFFECTIVE DATE.—The amendments**
16 **made by this section shall take effect on Octo-**
17 **ber 1, 2000.**

Union Calendar No. 461

106TH CONGRESS
2D SESSION

H. R. 4844

[Report No. 106-777, Parts I and II]

A BILL

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

JULY 26, 2000

Reported from the Committee on Ways and Means with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed