

106TH CONGRESS
2D SESSION

H. R. 5542

To amend the Internal Revenue Code of 1986 to provide tax relief.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 25, 2000

Mr. ARMEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, Banking and Financial Services, and the Budget, 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

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Taxpayer Relief Act of 2000”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

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1 **TITLE I—FSC REPEAL AND** 2 **EXTRATERRITORIAL INCOME** 3 **EXCLUSION**

4 **SEC. 101. REPEAL OF FOREIGN SALES CORPORATION** 5 **RULES.**

6 Subpart C of part III of subchapter N of chapter 1
7 (relating to taxation of foreign sales corporations) is here-
8 by repealed.

1 **SEC. 102. TREATMENT OF EXTRATERRITORIAL INCOME.**

2 (a) IN GENERAL.—Part III of subchapter B of chap-
3 ter 1 (relating to items specifically excluded from gross
4 income) is amended by inserting before section 115 the
5 following new section:

6 **“SEC. 114. EXTRATERRITORIAL INCOME.**

7 “(a) EXCLUSION.—Gross income does not include
8 extraterritorial income.

9 “(b) EXCEPTION.—Subsection (a) shall not apply to
10 extraterritorial income which is not qualifying foreign
11 trade income as determined under subpart E of part III
12 of subchapter N.

13 “(c) DISALLOWANCE OF DEDUCTIONS.—

14 “(1) IN GENERAL.—Any deduction of a tax-
15 payer allocated under paragraph (2) to
16 extraterritorial income of the taxpayer excluded from
17 gross income under subsection (a) shall not be al-
18 lowed.

19 “(2) ALLOCATION.—Any deduction of the tax-
20 payer properly apportioned and allocated to the
21 extraterritorial income derived by the taxpayer from
22 any transaction shall be allocated on a proportionate
23 basis between—

24 “(A) the extraterritorial income derived
25 from such transaction which is excluded from
26 gross income under subsection (a), and

1 “(B) the extraterritorial income derived
2 from such transaction which is not so excluded.

3 “(d) DENIAL OF CREDITS FOR CERTAIN FOREIGN
4 TAXES.—Notwithstanding any other provision of this
5 chapter, no credit shall be allowed under this chapter for
6 any income, war profits, and excess profits taxes paid or
7 accrued to any foreign country or possession of the United
8 States with respect to extraterritorial income which is ex-
9 cluded from gross income under subsection (a).

10 “(e) EXTRATERRITORIAL INCOME.—For purposes of
11 this section, the term ‘extraterritorial income’ means the
12 gross income of the taxpayer attributable to foreign trad-
13 ing gross receipts (as defined in section 942) of the tax-
14 payer.”.

15 (b) QUALIFYING FOREIGN TRADE INCOME.—Part III
16 of subchapter N of chapter 1 is amended by inserting after
17 subpart D the following new subpart:

18 **“Subpart E—Qualifying Foreign Trade Income**

 “Sec. 941. Qualifying foreign trade income.

 “Sec. 942. Foreign trading gross receipts.

 “Sec. 943. Other definitions and special rules.

19 **“SEC. 941. QUALIFYING FOREIGN TRADE INCOME.**

20 “(a) QUALIFYING FOREIGN TRADE INCOME.—For
21 purposes of this subpart and section 114—

22 “(1) IN GENERAL.—The term ‘qualifying for-
23 eign trade income’ means, with respect to any trans-

1 action, the amount of gross income which, if ex-
2 cluded, will result in a reduction of the taxable in-
3 come of the taxpayer from such transaction equal to
4 the greatest of—

5 “(A) 30 percent of the foreign sale and
6 leasing income derived by the taxpayer from
7 such transaction,

8 “(B) 1.2 percent of the foreign trading
9 gross receipts derived by the taxpayer from the
10 transaction, or

11 “(C) 15 percent of the foreign trade in-
12 come derived by the taxpayer from the trans-
13 action.

14 In no event shall the amount determined under sub-
15 paragraph (B) exceed 200 percent of the amount de-
16 termined under subparagraph (C).

17 “(2) ALTERNATIVE COMPUTATION.—A taxpayer
18 may compute its qualifying foreign trade income
19 under a subparagraph of paragraph (1) other than
20 the subparagraph which results in the greatest
21 amount of such income.

22 “(3) LIMITATION ON USE OF FOREIGN TRADING
23 GROSS RECEIPTS METHOD.—If any person computes
24 its qualifying foreign trade income from any trans-
25 action with respect to any property under paragraph

1 (1)(B), the qualifying foreign trade income of such
2 person (or any related person) with respect to any
3 other transaction involving such property shall be
4 zero.

5 “(4) RULES FOR MARGINAL COSTING.—The
6 Secretary shall prescribe regulations setting forth
7 rules for the allocation of expenditures in computing
8 foreign trade income under paragraph (1)(C) in
9 those cases where a taxpayer is seeking to establish
10 or maintain a market for qualifying foreign trade
11 property.

12 “(5) PARTICIPATION IN INTERNATIONAL BOY-
13 COTTS, ETC.—Under regulations prescribed by the
14 Secretary, the qualifying foreign trade income of a
15 taxpayer for any taxable year shall be reduced (but
16 not below zero) by the sum of—

17 “(A) an amount equal to such income mul-
18 tiplied by the international boycott factor deter-
19 mined under section 999, and

20 “(B) any illegal bribe, kickback, or other
21 payment (within the meaning of section 162(e))
22 paid by or on behalf of the taxpayer directly or
23 indirectly to an official, employee, or agent in
24 fact of a government.

1 “(b) FOREIGN TRADE INCOME.—For purposes of
2 this subpart—

3 “(1) IN GENERAL.—The term ‘foreign trade in-
4 come’ means the taxable income of the taxpayer at-
5 tributable to foreign trading gross receipts of the
6 taxpayer.

7 “(2) SPECIAL RULE FOR COOPERATIVES.—In
8 any case in which an organization to which part I
9 of subchapter T applies which is engaged in the
10 marketing of agricultural or horticultural products
11 sells qualifying foreign trade property, in computing
12 the taxable income of such cooperative, there shall
13 not be taken into account any deduction allowable
14 under subsection (b) or (c) of section 1382 (relating
15 to patronage dividends, per-unit retain allocations,
16 and nonpatronage distributions).

17 “(c) FOREIGN SALE AND LEASING INCOME.—For
18 purposes of this section—

19 “(1) IN GENERAL.—The term ‘foreign sale and
20 leasing income’ means, with respect to any
21 transaction—

22 “(A) foreign trade income properly allo-
23 cable to activities which—

24 “(i) are described in paragraph
25 (2)(A)(i) or (3) of section 942(b), and

1 “(ii) are performed by the taxpayer
2 (or any person acting under a contract
3 with such taxpayer) outside the United
4 States, or

5 “(B) foreign trade income derived by the
6 taxpayer in connection with the lease or rental
7 of qualifying foreign trade property for use by
8 the lessee outside the United States.

9 “(2) SPECIAL RULES FOR LEASED PROP-
10 PERTY.—

11 “(A) SALES INCOME.—The term ‘foreign
12 sale and leasing income’ includes any foreign
13 trade income derived by the taxpayer from the
14 sale of property described in paragraph (1)(B).

15 “(B) LIMITATION IN CERTAIN CASES.—Ex-
16 cept as provided in regulations, in the case of
17 property which—

18 “(i) was manufactured, produced,
19 grown, or extracted by the taxpayer, or

20 “(ii) was acquired by the taxpayer
21 from a related person for a price which
22 was not determined in accordance with the
23 rules of section 482,

24 the amount of foreign trade income which may
25 be treated as foreign sale and leasing income

1 under paragraph (1)(B) or subparagraph (A) of
2 this paragraph with respect to any transaction
3 involving such property shall not exceed the
4 amount which would have been determined if
5 the taxpayer had acquired such property for the
6 price determined in accordance with the rules of
7 section 482.

8 “(3) SPECIAL RULES.—

9 “(A) EXCLUDED PROPERTY.—Foreign sale
10 and leasing income shall not include any income
11 properly allocable to excluded property de-
12 scribed in subparagraph (B) of section
13 943(a)(3) (relating to intangibles).

14 “(B) ONLY DIRECT EXPENSES TAKEN
15 INTO ACCOUNT.—For purposes of this sub-
16 section, any expense other than a directly allo-
17 cable expense shall not be taken into account in
18 computing foreign trade income.

19 **“SEC. 942. FOREIGN TRADING GROSS RECEIPTS.**

20 “(a) FOREIGN TRADING GROSS RECEIPTS.—

21 “(1) IN GENERAL.—Except as otherwise pro-
22 vided in this section, for purposes of this subpart,
23 the term ‘foreign trading gross receipts’ means the
24 gross receipts of the taxpayer which are—

1 “(A) from the sale, exchange, or other dis-
2 position of qualifying foreign trade property,

3 “(B) from the lease or rental of qualifying
4 foreign trade property for use by the lessee out-
5 side the United States,

6 “(C) for services which are related and
7 subsidiary to—

8 “(i) any sale, exchange, or other dis-
9 position of qualifying foreign trade prop-
10 erty by such taxpayer, or

11 “(ii) any lease or rental of qualifying
12 foreign trade property described in sub-
13 paragraph (B) by such taxpayer,

14 “(D) for engineering or architectural serv-
15 ices for construction projects located (or pro-
16 posed for location) outside the United States, or

17 “(E) for the performance of managerial
18 services for a person other than a related per-
19 son in furtherance of the production of foreign
20 trading gross receipts described in subpara-
21 graph (A), (B), or (C).

22 Subparagraph (E) shall not apply to a taxpayer for
23 any taxable year unless at least 50 percent of its for-
24 eign trading gross receipts (determined without re-
25 gard to this sentence) for such taxable year is de-

1 rived from activities described in subparagraph (A),
2 (B), or (C).

3 “(2) CERTAIN RECEIPTS EXCLUDED ON BASIS
4 OF USE; SUBSIDIZED RECEIPTS EXCLUDED.—The
5 term ‘foreign trading gross receipts’ shall not in-
6 clude receipts of a taxpayer from a transaction if—

7 “(A) the qualifying foreign trade property
8 or services—

9 “(i) are for ultimate use in the United
10 States, or

11 “(ii) are for use by the United States
12 or any instrumentality thereof and such
13 use of qualifying foreign trade property or
14 services is required by law or regulation, or

15 “(B) such transaction is accomplished by a
16 subsidy granted by the government (or any in-
17 strumentality thereof) of the country or posses-
18 sion in which the property is manufactured,
19 produced, grown, or extracted.

20 “(3) ELECTION TO EXCLUDE CERTAIN RE-
21 CEIPTS.—The term ‘foreign trading gross receipts’
22 shall not include gross receipts of a taxpayer from
23 a transaction if the taxpayer elects not to have such
24 receipts taken into account for purposes of this sub-
25 part.

1 “(b) FOREIGN ECONOMIC PROCESS REQUIRE-
2 MENTS.—

3 “(1) IN GENERAL.—Except as provided in sub-
4 section (c), a taxpayer shall be treated as having for-
5 eign trading gross receipts from any transaction only
6 if economic processes with respect to such trans-
7 action take place outside the United States as re-
8 quired by paragraph (2).

9 “(2) REQUIREMENT.—

10 “(A) IN GENERAL.—The requirements of
11 this paragraph are met with respect to the
12 gross receipts of a taxpayer derived from any
13 transaction if—

14 “(i) such taxpayer (or any person act-
15 ing under a contract with such taxpayer)
16 has participated outside the United States
17 in the solicitation (other than advertising),
18 the negotiation, or the making of the con-
19 tract relating to such transaction, and

20 “(ii) the foreign direct costs incurred
21 by the taxpayer attributable to the trans-
22 action equal or exceed 50 percent of the
23 total direct costs attributable to the trans-
24 action.

1 “(B) ALTERNATIVE 85-PERCENT TEST.—A
2 taxpayer shall be treated as satisfying the re-
3 quirements of subparagraph (A)(ii) with respect
4 to any transaction if, with respect to each of at
5 least 2 subparagraphs of paragraph (3), the
6 foreign direct costs incurred by such taxpayer
7 attributable to activities described in such sub-
8 paragraph equal or exceed 85 percent of the
9 total direct costs attributable to activities de-
10 scribed in such subparagraph.

11 “(C) DEFINITIONS.—For purposes of this
12 paragraph—

13 “(i) TOTAL DIRECT COSTS.—The term
14 ‘total direct costs’ means, with respect to
15 any transaction, the total direct costs in-
16 curred by the taxpayer attributable to ac-
17 tivities described in paragraph (3) per-
18 formed at any location by the taxpayer or
19 any person acting under a contract with
20 such taxpayer.

21 “(ii) FOREIGN DIRECT COSTS.—The
22 term ‘foreign direct costs’ means, with re-
23 spect to any transaction, the portion of the
24 total direct costs which are attributable to

1 activities performed outside the United
2 States.

3 “(3) ACTIVITIES RELATING TO QUALIFYING
4 FOREIGN TRADE PROPERTY.—The activities de-
5 scribed in this paragraph are any of the following
6 with respect to qualifying foreign trade property—

7 “(A) advertising and sales promotion,

8 “(B) the processing of customer orders
9 and the arranging for delivery,

10 “(C) transportation outside the United
11 States in connection with delivery to the cus-
12 tomer,

13 “(D) the determination and transmittal of
14 a final invoice or statement of account or the
15 receipt of payment, and

16 “(E) the assumption of credit risk.

17 “(4) ECONOMIC PROCESSES PERFORMED BY
18 RELATED PERSONS.—A taxpayer shall be treated as
19 meeting the requirements of this subsection with re-
20 spect to any sales transaction involving any property
21 if any related person has met such requirements in
22 such transaction or any other sales transaction in-
23 volving such property.

24 “(c) EXCEPTION FROM FOREIGN ECONOMIC PROC-
25 ESS REQUIREMENT.—

1 “(1) IN GENERAL.—The requirements of sub-
2 section (b) shall be treated as met for any taxable
3 year if the foreign trading gross receipts of the tax-
4 payer for such year do not exceed \$5,000,000.

5 “(2) RECEIPTS OF RELATED PERSONS AGGRE-
6 GATED.—All related persons shall be treated as one
7 person for purposes of paragraph (1), and the limi-
8 tation under paragraph (1) shall be allocated among
9 such persons in a manner provided in regulations
10 prescribed by the Secretary.

11 “(3) SPECIAL RULE FOR PASS-THRU ENTI-
12 TIES.—In the case of a partnership, S corporation,
13 or other pass-thru entity, the limitation under para-
14 graph (1) shall apply with respect to the partner-
15 ship, S corporation, or entity and with respect to
16 each partner, shareholder, or other owner.

17 **“SEC. 943. OTHER DEFINITIONS AND SPECIAL RULES.**

18 “(a) QUALIFYING FOREIGN TRADE PROPERTY.—For
19 purposes of this subpart—

20 “(1) IN GENERAL.—The term ‘qualifying for-
21 eign trade property’ means property—

22 “(A) manufactured, produced, grown, or
23 extracted within or outside the United States,

24 “(B) held primarily for sale, lease, or rent-
25 al, in the ordinary course of trade or business

1 for direct use, consumption, or disposition out-
2 side the United States, and

3 “(C) not more than 50 percent of the fair
4 market value of which is attributable to—

5 “(i) articles manufactured, produced,
6 grown, or extracted outside the United
7 States, and

8 “(ii) direct costs for labor (determined
9 under the principles of section 263A) per-
10 formed outside the United States.

11 For purposes of subparagraph (C), the fair market
12 value of any article imported into the United States
13 shall be its appraised value, as determined by the
14 Secretary under section 402 of the Tariff Act of
15 1930 (19 U.S.C. 1401a) in connection with its im-
16 portation, and the direct costs for labor under clause
17 (ii) do not include costs that would be treated under
18 the principles of section 263A as direct labor costs
19 attributable to articles described in clause (i).

20 “(2) U.S. TAXATION TO ENSURE CONSISTENT
21 TREATMENT.—Property which (without regard to
22 this paragraph) is qualifying foreign trade property
23 and which is manufactured, produced, grown, or ex-
24 tracted outside the United States shall be treated as

1 qualifying foreign trade property only if it is manu-
2 factured, produced, grown, or extracted by—

3 “(A) a domestic corporation,

4 “(B) an individual who is a citizen or resi-
5 dent of the United States,

6 “(C) a foreign corporation with respect to
7 which an election under subsection (e) (relating
8 to foreign corporations electing to be subject to
9 United States taxation) is in effect, or

10 “(D) a partnership or other pass-thru enti-
11 ty all of the partners or owners of which are de-
12 scribed in subparagraph (A), (B), or (C).

13 Except as otherwise provided by the Secretary,
14 tiered partnerships or pass-thru entities shall be
15 treated as described in subparagraph (D) if each of
16 the partnerships or entities is directly or indirectly
17 wholly owned by persons described in subparagraph
18 (A), (B), or (C).

19 “(3) EXCLUDED PROPERTY.—The term ‘quali-
20 fying foreign trade property’ shall not include—

21 “(A) property leased or rented by the tax-
22 payer for use by any related person,

23 “(B) patents, inventions, models, designs,
24 formulas, or processes whether or not patented,
25 copyrights (other than films, tapes, records, or

1 similar reproductions, and other than computer
2 software (whether or not patented), for com-
3 mercial or home use), goodwill, trademarks,
4 trade brands, franchises, or other like property,

5 “(C) oil or gas (or any primary product
6 thereof),

7 “(D) products the transfer of which is pro-
8 hibited or curtailed to effectuate the policy set
9 forth in paragraph (2)(C) of section 3 of Public
10 Law 96–72, or

11 “(E) any unprocessed timber which is a
12 softwood.

13 For purposes of subparagraph (E), the term ‘un-
14 processed timber’ means any log, cant, or similar
15 form of timber.

16 “(4) PROPERTY IN SHORT SUPPLY.—If the
17 President determines that the supply of any prop-
18 erty described in paragraph (1) is insufficient to
19 meet the requirements of the domestic economy, the
20 President may by Executive order designate the
21 property as in short supply. Any property so des-
22 igned shall not be treated as qualifying foreign
23 trade property during the period beginning with the
24 date specified in the Executive order and ending
25 with the date specified in an Executive order setting

1 forth the President’s determination that the prop-
2 erty is no longer in short supply.

3 “(b) OTHER DEFINITIONS AND RULES.—For pur-
4 poses of this subpart—

5 “(1) TRANSACTION.—

6 “(A) IN GENERAL.—The term ‘transaction’
7 means—

8 “(i) any sale, exchange, or other dis-
9 position,

10 “(ii) any lease or rental, and

11 “(iii) any furnishing of services.

12 “(B) GROUPING OF TRANSACTIONS.—To
13 the extent provided in regulations, any provision
14 of this subpart which, but for this subpara-
15 graph, would be applied on a transaction-by-
16 transaction basis may be applied by the tax-
17 payer on the basis of groups of transactions
18 based on product lines or recognized industry or
19 trade usage. Such regulations may permit dif-
20 ferent groupings for different purposes.

21 “(2) UNITED STATES DEFINED.—The term
22 ‘United States’ includes the Commonwealth of Puer-
23 to Rico. The preceding sentence shall not apply for
24 purposes of determining whether a corporation is a
25 domestic corporation.

1 “(3) RELATED PERSON.—A person shall be re-
2 lated to another person if such persons are treated
3 as a single employer under subsection (a) or (b) of
4 section 52 or subsection (m) or (o) of section 414,
5 except that determinations under subsections (a)
6 and (b) of section 52 shall be made without regard
7 to section 1563(b).

8 “(4) GROSS AND TAXABLE INCOME.—Section
9 114 shall not be taken into account in determining
10 the amount of gross income or foreign trade income
11 from any transaction.

12 “(c) SOURCE RULE.—Under regulations, in the case
13 of qualifying foreign trade property manufactured, pro-
14 duced, grown, or extracted within the United States, the
15 amount of income of a taxpayer from any sales transaction
16 with respect to such property which is treated as from
17 sources without the United States shall not exceed—

18 “(1) in the case of a taxpayer computing its
19 qualifying foreign trade income under section
20 941(a)(1)(B), the amount of the taxpayer’s foreign
21 trade income which would (but for this subsection)
22 be treated as from sources without the United
23 States if the foreign trade income were reduced by
24 an amount equal to 4 percent of the foreign trading
25 gross receipts with respect to the transaction, and

1 “(2) in the case of a taxpayer computing its
2 qualifying foreign trade income under section
3 941(a)(1)(C), 50 percent of the amount of the tax-
4 payer’s foreign trade income which would (but for
5 this subsection) be treated as from sources without
6 the United States.

7 “(d) TREATMENT OF WITHHOLDING TAXES.—

8 “(1) IN GENERAL.—For purposes of section
9 114(d), any withholding tax shall not be treated as
10 paid or accrued with respect to extraterritorial in-
11 come which is excluded from gross income under
12 section 114(a). For purposes of this paragraph, the
13 term ‘withholding tax’ means any tax which is im-
14 posed on a basis other than residence and for which
15 credit is allowable under section 901 or 903.

16 “(2) EXCEPTION.—Paragraph (1) shall not
17 apply to any taxpayer with respect to extraterritorial
18 income from any transaction if the taxpayer com-
19 putes its qualifying foreign trade income with re-
20 spect to the transaction under section 941(a)(1)(A).

21 “(e) ELECTION TO BE TREATED AS DOMESTIC COR-
22 PORATION.—

23 “(1) IN GENERAL.—An applicable foreign cor-
24 poration may elect to be treated as a domestic cor-
25 poration for all purposes of this title if such corpora-

1 tion waives all benefits to such corporation granted
2 by the United States under any treaty. No election
3 under section 1362(a) may be made with respect to
4 such corporation.

5 “(2) APPLICABLE FOREIGN CORPORATION.—

6 For purposes of paragraph (1), the term ‘applicable
7 foreign corporation’ means any foreign corporation
8 if—

9 “(A) such corporation manufactures, pro-
10 duces, grows, or extracts property in the ordi-
11 nary course of such corporation’s trade or busi-
12 ness, or

13 “(B) substantially all of the gross receipts
14 of such corporation are foreign trading gross
15 receipts.

16 “(3) PERIOD OF ELECTION.—

17 “(A) IN GENERAL.—Except as otherwise
18 provided in this paragraph, an election under
19 paragraph (1) shall apply to the taxable year
20 for which made and all subsequent taxable
21 years unless revoked by the taxpayer. Any rev-
22 ocation of such election shall apply to taxable
23 years beginning after such revocation.

24 “(B) TERMINATION.—If a corporation
25 which made an election under paragraph (1) for

1 any taxable year fails to meet the requirements
2 of subparagraph (A) or (B) of paragraph (2)
3 for any subsequent taxable year, such election
4 shall not apply to any taxable year beginning
5 after such subsequent taxable year.

6 “(C) EFFECT OF REVOCATION OR TERMI-
7 NATION.—If a corporation which made an elec-
8 tion under paragraph (1) revokes such election
9 or such election is terminated under subpara-
10 graph (B), such corporation (and any successor
11 corporation) may not make such election for
12 any of the 5 taxable years beginning with the
13 first taxable year for which such election is not
14 in effect as a result of such revocation or termi-
15 nation.

16 “(4) SPECIAL RULES.—

17 “(A) REQUIREMENTS.—This subsection
18 shall not apply to an applicable foreign corpora-
19 tion if such corporation fails to meet the re-
20 quirements (if any) which the Secretary may
21 prescribe to ensure that the taxes imposed by
22 this chapter on such corporation are paid.

23 “(B) EFFECT OF ELECTION, REVOCATION,
24 AND TERMINATION.—

1 “(i) ELECTION.—For purposes of sec-
2 tion 367, a foreign corporation making an
3 election under this subsection shall be
4 treated as transferring (as of the first day
5 of the first taxable year to which the elec-
6 tion applies) all of its assets to a domestic
7 corporation in connection with an exchange
8 to which section 354 applies.

9 “(ii) REVOCATION AND TERMI-
10 NATION.—For purposes of section 367,
11 if—

12 “(I) an election is made by a cor-
13 poration under paragraph (1) for any
14 taxable year, and

15 “(II) such election ceases to
16 apply for any subsequent taxable year,
17 such corporation shall be treated as a domestic
18 corporation transferring (as of the 1st day of
19 the first such subsequent taxable year to which
20 such election ceases to apply) all of its property
21 to a foreign corporation in connection with an
22 exchange to which section 354 applies.

23 “(C) ELIGIBILITY FOR ELECTION.—The
24 Secretary may by regulation designate one or

1 more classes of corporations which may not
2 make the election under this subsection.

3 “(f) RULES RELATING TO ALLOCATIONS OF QUALI-
4 FYING FOREIGN TRADE INCOME FROM SHARED PART-
5 NERSHIPS.—

6 “(1) IN GENERAL.—If—

7 “(A) a partnership maintains a separate
8 account for transactions (to which this subpart
9 applies) with each partner,

10 “(B) distributions to each partner with re-
11 spect to such transactions are based on the
12 amounts in the separate account maintained
13 with respect to such partner, and

14 “(C) such partnership meets such other re-
15 quirements as the Secretary may by regulations
16 prescribe,

17 then such partnership shall allocate to each partner
18 items of income, gain, loss, and deduction (including
19 qualifying foreign trade income) from any trans-
20 action to which this subpart applies on the basis of
21 such separate account.

22 “(2) SPECIAL RULES.—For purposes of this
23 subpart, in the case of a partnership to which para-
24 graph (1) applies—

1 “(A) any partner’s interest in the partner-
2 ship shall not be taken into account in deter-
3 mining whether such partner is a related person
4 with respect to any other partner, and

5 “(B) the election under section 942(a)(3)
6 shall be made separately by each partner with
7 respect to any transaction for which the part-
8 nership maintains separate accounts for each
9 partner.

10 “(g) EXCLUSION FOR PATRONS OF AGRICULTURAL
11 AND HORTICULTURAL COOPERATIVES.—Any amount de-
12 scribed in paragraph (1) or (3) of section 1385(a)—

13 “(1) which is received by a person from an or-
14 ganization to which part I of subchapter T applies
15 which is engaged in the marketing of agricultural or
16 horticultural products, and

17 “(2) which is allocable to qualifying foreign
18 trade income and designated as such by the organi-
19 zation in a written notice mailed to its patrons dur-
20 ing the payment period described in section 1382(d),
21 shall be treated as qualifying foreign trade income of such
22 person for purposes of section 114. The taxable income
23 of the organization shall not be reduced under section
24 1382 by reason of any amount to which the preceding sen-
25 tence applies.

1 “(h) SPECIAL RULE FOR DISCS.—Section 114 shall
2 not apply to any taxpayer for any taxable year if, at any
3 time during the taxable year, the taxpayer is a member
4 of any controlled group of corporations (as defined in sec-
5 tion 927(d)(4), as in effect before the date of the enact-
6 ment of this subsection) of which a DISC is a member.”

7 **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

8 (1) The second sentence of section
9 56(g)(4)(B)(i) is amended by inserting before the
10 period “or under section 114”.

11 (2) Section 275(a) is amended—

12 (A) by striking “or” at the end of para-
13 graph (4)(A), by striking the period at the end
14 of paragraph (4)(B) and inserting “, or”, and
15 by adding at the end of paragraph (4) the fol-
16 lowing new subparagraph:

17 “(C) such taxes are paid or accrued with
18 respect to qualifying foreign trade income (as
19 defined in section 941).”; and

20 (B) by adding at the end the following the
21 following new sentence: “A rule similar to the
22 rule of section 943(d) shall apply for purposes
23 of paragraph (4)(C).”.

24 (3) Paragraph (3) of section 864(e) is
25 amended—

1 (A) by striking “For purposes of” and in-
2 serting:

3 “(A) IN GENERAL.—For purposes of”; and

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

6 “(B) ASSETS PRODUCING EXEMPT
7 EXTRATERRITORIAL INCOME.—For purposes of
8 allocating and apportioning any interest ex-
9 pense, there shall not be taken into account any
10 qualifying foreign trade property (as defined in
11 section 943(a)) which is held by the taxpayer
12 for lease or rental in the ordinary course of
13 trade or business for use by the lessee outside
14 the United States (as defined in section
15 943(b)(2)).”.

16 (4) Section 903 is amended by striking
17 “164(a)” and inserting “114, 164(a)”.

18 (5) Section 999(c)(1) is amended by inserting
19 “941(a)(5),” after “908(a)”.

20 (6) The table of sections for part III of sub-
21 chapter B of chapter 1 is amended by inserting be-
22 fore the item relating to section 115 the following
23 new item:

“Sec. 114. Extraterritorial income.”.

24 (7) The table of subparts for part III of sub-
25 chapter N of chapter 1 is amended by striking the

1 item relating to subpart E and inserting the fol-
2 lowing new item:

“Subpart E. Qualifying foreign trade income.”.

3 (8) The table of subparts for part III of sub-
4 chapter N of chapter 1 is amended by striking the
5 item relating to subpart C.

6 **SEC. 104. EFFECTIVE DATE.**

7 (a) IN GENERAL.—The amendments made by this
8 title shall apply to transactions after September 30, 2000.

9 (b) NO NEW FSCs; TERMINATION OF INACTIVE
10 FSCs.—

11 (1) NO NEW FSCs.—No corporation may elect
12 after September 30, 2000, to be a FSC (as defined
13 in section 922 of the Internal Revenue Code of
14 1986, as in effect before the amendments made by
15 this Act).

16 (2) TERMINATION OF INACTIVE FSCs.—If a
17 FSC has no foreign trade income (as defined in sec-
18 tion 923(b) of such Code, as so in effect) for any pe-
19 riod of 5 consecutive taxable years beginning after
20 December 31, 2001, such FSC shall cease to be
21 treated as a FSC for purposes of such Code for any
22 taxable year beginning after such period.

23 (c) TRANSITION PERIOD FOR EXISTING FOREIGN
24 SALES CORPORATIONS.—

1 (1) IN GENERAL.—In the case of a FSC (as so
2 defined) in existence on September 30, 2000, and at
3 all times thereafter, the amendments made by this
4 Act shall not apply to any transaction in the ordi-
5 nary course of trade or business involving a FSC
6 which occurs—

7 (A) before January 1, 2002; or

8 (B) after December 31, 2001, pursuant to
9 a binding contract—

10 (i) which is between the FSC (or any
11 related person) and any person which is
12 not a related person; and

13 (ii) which is in effect on September
14 30, 2000, and at all times thereafter.

15 For purposes of this paragraph, a binding contract
16 shall include a purchase option, renewal option, or
17 replacement option which is included in such con-
18 tract and which is enforceable against the seller or
19 lessor.

20 (2) ELECTION TO HAVE AMENDMENTS APPLY
21 EARLIER.—A taxpayer may elect to have the amend-
22 ments made by this Act apply to any transaction by
23 a FSC or any related person to which such amend-
24 ments would apply but for the application of para-
25 graph (1). Such election shall be effective for the

1 taxable year for which made and all subsequent tax-
2 able years, and, once made, may be revoked only
3 with the consent of the Secretary of the Treasury.

4 (3) EXCEPTION FOR OLD EARNINGS AND PROF-
5 ITS OF CERTAIN CORPORATIONS.—

6 (A) IN GENERAL.—In the case of a foreign
7 corporation to which this paragraph applies—

8 (i) earnings and profits of such cor-
9 poration accumulated in taxable years end-
10 ing before October 1, 2000, shall not be in-
11 cluded in the gross income of the persons
12 holding stock in such corporation by rea-
13 son of section 943(e)(4)(B)(i), and

14 (ii) rules similar to the rules of
15 clauses (ii), (iii), and (iv) of section
16 953(d)(4)(B) shall apply with respect to
17 such earnings and profits.

18 The preceding sentence shall not apply to earn-
19 ings and profits acquired in a transaction after
20 September 30, 2000, to which section 381 ap-
21 plies unless the distributor or transferor cor-
22 poration was immediately before the transaction
23 a foreign corporation to which this paragraph
24 applies.

1 (B) EXISTING FSCS.—This paragraph shall
2 apply to any controlled foreign corporation (as
3 defined in section 957) if—

4 (i) such corporation is a FSC (as so
5 defined) in existence on September 30,
6 2000,

7 (ii) such corporation is eligible to
8 make the election under section 943(e) by
9 reason of being described in paragraph
10 (2)(B) of such section, and

11 (iii) such corporation makes such elec-
12 tion not later than for its first taxable year
13 beginning after December 31, 2001.

14 (C) OTHER CORPORATIONS.—This para-
15 graph shall apply to any controlled foreign cor-
16 poration (as defined in section 957), and such
17 corporation shall (notwithstanding any provi-
18 sion of section 943(e)) be treated as an applica-
19 ble foreign corporation for purposes of section
20 943(e), if—

21 (i) such corporation is in existence on
22 September 30, 2000,

23 (ii) as of such date, such corporation
24 is wholly owned (directly or indirectly) by
25 a domestic corporation (determined with-

1 out regard to any election under section
2 943(e),

3 (iii) for each of the 3 taxable years
4 preceding the first taxable year to which
5 the election under section 943(e) by such
6 controlled foreign corporation applies—

7 (I) all of the gross income of
8 such corporation is subpart F income
9 (as defined in section 952), including
10 by reason of section 954(b)(3)(B),
11 and

12 (II) in the ordinary course of
13 such corporation's trade or business,
14 such corporation regularly sold (or
15 paid commissions) to a FSC which on
16 September 30, 2000, was a related
17 person to such corporation,

18 (iv) such corporation has never made
19 an election under section 922(a)(2) (as in
20 effect before the date of the enactment of
21 this paragraph) to be treated as a FSC,
22 and

23 (v) such corporation makes the elec-
24 tion under section 943(e) not later than

1 for its first taxable year beginning after
2 December 31, 2001.

3 The preceding sentence shall cease to apply as
4 of the date that the domestic corporation re-
5 ferred to in clause (ii) ceases to wholly own (di-
6 rectly or indirectly) such controlled foreign cor-
7 poration.

8 (4) RELATED PERSON.—For purposes of this
9 subsection, the term “related person” has the mean-
10 ing given to such term by section 943(b)(3).

11 (5) SECTION REFERENCES.—Except as other-
12 wise expressly provided, any reference in this sub-
13 section to a section or other provision shall be con-
14 sidered to be a reference to a section or other provi-
15 sion of the Internal Revenue Code of 1986, as
16 amended by this title.

17 (d) SPECIAL RULES RELATING TO LEASING TRANS-
18 ACTIONS.—

19 (1) SALES INCOME.—If foreign trade income in
20 connection with the lease or rental of property de-
21 scribed in section 927(a)(1)(B) of such Code (as in
22 effect before the amendments made by this Act) is
23 treated as exempt foreign trade income for purposes
24 of section 921(a) of such Code (as so in effect), such
25 property shall be treated as property described in

1 section 941(c)(1)(B) of such Code (as added by this
2 Act) for purposes of applying section 941(c)(2) of
3 such Code (as so added) to any subsequent trans-
4 action involving such property to which the amend-
5 ments made by this Act apply.

6 (2) LIMITATION ON USE OF GROSS RECEIPTS
7 METHOD.—If any person computed its foreign trade
8 income from any transaction with respect to any
9 property on the basis of a transfer price determined
10 under the method described in section 925(a)(1) of
11 such Code (as in effect before the amendments made
12 by this Act), then the qualifying foreign trade in-
13 come (as defined in section 941(a) of such Code, as
14 in effect after such amendment) of such person (or
15 any related person) with respect to any other trans-
16 action involving such property (and to which the
17 amendments made by this Act apply) shall be zero.

18 **TITLE II—SMALL BUSINESS TAX**
19 **RELIEF**

20 **SEC. 201. EXTENSION OF WORK OPPORTUNITY TAX CREDIT.**

21 (a) IN GENERAL.—Section 51(c)(4)(B) is amended
22 by striking “December 31, 2001” and inserting “June 30,
23 2004”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to individuals who begin work for
3 the employer after December 31, 2001.

4 **SEC. 202. INCREASE IN AMORTIZABLE REFORESTATION EX-**
5 **PENDITURES, ETC.**

6 (a) INCREASE IN DOLLAR LIMITATION.—Paragraph
7 (1) of section 194(b) (relating to amortization of reforest-
8 ation expenditures) is amended by striking “\$10,000
9 (\$5,000” and inserting “\$25,000 (\$12,500”.

10 (b) TEMPORARY SUSPENSION OF INCREASED DOL-
11 LAR LIMITATION.—

12 (1) IN GENERAL.—Subsection (b) of section
13 194 (relating to amortization of reforestation ex-
14 penditures) is amended by adding at the end the fol-
15 lowing new paragraph:

16 “(5) SUSPENSION OF DOLLAR LIMITATION.—
17 Paragraph (1) shall not apply to taxable years be-
18 ginning after December 31, 2000, and before Janu-
19 ary 1, 2004.”.

20 (2) CONFORMING AMENDMENT.—Paragraph (1)
21 of section 48(b) is amended by striking “section
22 194(b)(1)” and inserting “section 194(b)(1) and
23 without regard to section 194(b)(5)”.

1 (c) CAPITAL GAIN TREATMENT UNDER SECTION
2 631(b) TO APPLY TO OUTRIGHT SALES BY LAND
3 OWNER.—

4 (1) IN GENERAL.—The first sentence of section
5 631(b) (relating to disposal of timber with a re-
6 tained economic interest) is amended by striking
7 “retains an economic interest in such timber” and
8 inserting “either retains an economic interest in
9 such timber or makes an outright sale of such tim-
10 ber”.

11 (2) CONFORMING AMENDMENT.—The third sen-
12 tence of section 631(b) is amended by striking “The
13 date of disposal” and inserting “In the case of dis-
14 posal of timber with a retained economic interest,
15 the date of disposal”.

16 (d) EFFECTIVE DATES.—

17 (1) SUBSECTIONS (a) AND (b).—The amend-
18 ments made by subsections (a) and (b) shall apply
19 to taxable years beginning after December 31, 2000.

20 (2) SUBSECTION (c).—The amendment made by
21 subsection (c) shall apply to sales after the date of
22 the enactment of this Act.

1 **SEC. 203. INCREASE IN EXPENSE TREATMENT FOR SMALL**
2 **BUSINESSES.**

3 (a) IN GENERAL.—Paragraph (1) of section 179(b)
4 (relating to dollar limitation) is amended to read as fol-
5 lows:

6 “(1) DOLLAR LIMITATION.—The aggregate cost
7 which may be taken into account under subsection
8 (a) for any taxable year shall not exceed \$35,000.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to taxable years beginning after
11 December 31, 2000.

12 **SEC. 204. INCREASED DEDUCTION FOR MEAL EXPENSES.**

13 (a) IN GENERAL.—Paragraph (1) of section 274(n)
14 (relating to only 50 percent of meal and entertainment
15 expenses allowed as deduction) is amended by striking “50
16 percent” in the text and inserting “the allowable percent-
17 age”.

18 (b) ALLOWABLE PERCENTAGE.—Subsection (n) of
19 section 274 is amended by redesignating paragraphs (2)
20 and (3) as paragraphs (3) and (4), respectively, and by
21 inserting after paragraph (1) the following new paragraph:

22 “(2) ALLOWABLE PERCENTAGE.—For purposes
23 of paragraph (1), the allowable percentage is—

24 “(A) in the case of amounts for items de-
25 scribed in paragraph (1)(B), 50 percent, and

1 “(B) in the case of expenses for food or
2 beverages, 70 percent.”.

3 (c) CONFORMING AMENDMENT.—The heading for
4 subsection (n) of section 274 is amended by striking “50
5 PERCENT” and inserting “LIMITED PERCENTAGES”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2000.

9 **SEC. 205. INCREASED DEDUCTIBILITY OF BUSINESS MEAL**
10 **EXPENSES FOR INDIVIDUALS SUBJECT TO**
11 **FEDERAL LIMITATIONS ON HOURS OF SERV-**
12 **ICE.**

13 (a) IN GENERAL.—Paragraph (4) of section 274(n)
14 (relating to limited percentages of meal and entertainment
15 expenses allowed as deduction), as redesignated by section
16 204, is amended to read as follows:

17 “(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT
18 TO FEDERAL HOURS OF SERVICE.—In the case of
19 any expenses for food or beverages consumed while
20 away from home (within the meaning of section
21 162(a)(2)) by an individual during, or incident to,
22 the period of duty subject to the hours of service
23 limitations of the Department of Transportation,
24 paragraph (2)(B) shall be applied by substituting
25 ‘80 percent’ for ‘70 percent’.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 206. REPEAL OF MODIFICATION OF INSTALLMENT**
5 **METHOD.**

6 (a) IN GENERAL.—Subsection (a) of section 536 of
7 the Ticket to Work and Work Incentives Improvement Act
8 of 1999 (relating to modification of installment method
9 and repeal of installment method for accrual method tax-
10 payers) is repealed effective with respect to sales and other
11 dispositions occurring on or after the date of the enact-
12 ment of such Act.

13 (b) APPLICABILITY.—The Internal Revenue Code of
14 1986 shall be applied and administered as if that sub-
15 section (and the amendments made by that subsection)
16 had not been enacted.

17 **SEC. 207. INCOME AVERAGING NOT TO INCREASE ALTER-**
18 **NATIVE MINIMUM TAX LIABILITY; INCOME**
19 **AVERAGING FOR FISHERMEN.**

20 (a) IN GENERAL.—Section 55(c) (defining regular
21 tax) is amended by redesignating paragraph (2) as para-
22 graph (3) and by inserting after paragraph (1) the fol-
23 lowing:

24 “(2) COORDINATION WITH INCOME AVERAGING
25 FOR FARMERS AND FISHERMEN.—Solely for pur-

1 poses of this section, section 1301 (relating to aver-
2 aging of farm and fishing income) shall not apply in
3 computing the regular tax.”.

4 (b) ALLOWING INCOME AVERAGING FOR FISHER-
5 MEN.—

6 (1) IN GENERAL.—Section 1301(a) is amended
7 by striking “farming business” and inserting “farm-
8 ing business or fishing business”.

9 (2) DEFINITION OF ELECTED FARM INCOME.—

10 (A) IN GENERAL.—Clause (i) of section
11 1301(b)(1)(A) is amended by inserting “or fish-
12 ing business” before the semicolon.

13 (B) CONFORMING AMENDMENT.—Subpara-
14 graph (B) of section 1301(b)(1) is amended by
15 inserting “or fishing business” after “farming
16 business” both places it occurs.

17 (3) DEFINITION OF FISHING BUSINESS.—Sec-
18 tion 1301(b) is amended by adding at the end the
19 following new paragraph:

20 “(4) FISHING BUSINESS.—The term ‘fishing
21 business’ means the conduct of commercial fishing
22 as defined in section 3 of the Magnuson-Stevens
23 Fishery Conservation and Management Act (16
24 U.S.C. 1802).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 208. REPEAL OF OCCUPATIONAL TAXES RELATING TO**
5 **DISTILLED SPIRITS, WINE, AND BEER.**

6 (a) REPEAL OF OCCUPATIONAL TAXES.—

7 (1) IN GENERAL.—The following provisions of
8 part II of subchapter A of chapter 51 (relating to
9 occupational taxes) are hereby repealed:

10 (A) Subpart A (relating to proprietors of
11 distilled spirits plants, bonded wine cellars,
12 etc.).

13 (B) Subpart B (relating to brewer).

14 (C) Subpart D (relating to wholesale deal-
15 ers) (other than sections 5114 and 5116).

16 (D) Subpart E (relating to retail dealers)
17 (other than section 5124).

18 (E) Subpart G (relating to general provi-
19 sions) (other than sections 5142, 5143, 5145,
20 and 5146).

21 (2) NONBEVERAGE DOMESTIC DRAWBACK.—
22 Section 5131 is amended by striking “, on payment
23 of a special tax per annum,”.

24 (3) INDUSTRIAL USE OF DISTILLED SPIRITS.—
25 Section 5276 is hereby repealed.

1 (b) CONFORMING AMENDMENTS.—

2 (1)(A) The heading for part II of subchapter A
3 of chapter 51 and the table of subparts for such
4 part are amended to read as follows:

5 **“PART II—MISCELLANEOUS PROVISIONS**

“Subpart A. Manufacturers of stills.

“Subpart B. Nonbeverage domestic drawback claimants.

“Subpart C. Recordkeeping by dealers.

“Subpart D. Other provisions.”.

6 (B) The table of parts for such subchapter A
7 is amended by striking the item relating to part II
8 and inserting the following new item:

“Part II. Miscellaneous provisions.”.

9 (2) Subpart C of part II of such subchapter
10 (relating to manufacturers of stills) is redesignated
11 as subpart A.

12 (3)(A) Subpart F of such part II (relating to
13 nonbeverage domestic drawback claimants), as
14 amended by paragraph (5), is redesignated as sub-
15 part B and sections 5131 through 5134 are redesign-
16 ated as sections 5111 through 5114, respectively.

17 (B) The table of sections for such subpart B,
18 as so redesignated, is amended—

19 (i) by redesignating the items relating to
20 sections 5131 through 5134 as relating to sec-
21 tions 5111 through 5114, respectively, and

1 (ii) by striking “and rate of tax” in the
2 item relating to section 5111, as so redesignated.
3 nated.

4 (C) Section 5111, as redesignated by subparagraph (A), is amended—

6 (i) by striking “**AND RATE OF TAX**” in
7 the section heading,

8 (ii) by striking “(a) ELIGIBILITY FOR
9 DRAWBACK.—”, and

10 (iii) by striking subsection (b).

11 (4) Part II of subchapter A of chapter 51 is
12 amended by adding after subpart B, as redesignated
13 by paragraph (3), the following new subpart:

14 **“Subpart C—Recordkeeping by Dealers**

“Sec. 5121. Recordkeeping by wholesale dealers.

“Sec. 5122. Recordkeeping by retail dealers.

“Sec. 5123. Preservation and inspection of records, and entry of premises for inspection.”.

15 (5)(A) Section 5114 (relating to records) is
16 moved to subpart C of such part II and inserted
17 after the table of sections for such subpart.

18 (B) Section 5114 is amended—

19 (i) by striking the section heading and inserting the following new heading:
20

21 **“SEC. 5121. RECORDKEEPING BY WHOLESALE DEALERS.”,**

22 and

1 (ii) by redesignating subsection (c) as sub-
2 section (d) and by inserting after subsection (b)
3 the following new subsection:

4 “(c) WHOLESale DEALERS.—For purposes of this
5 part—

6 “(1) WHOLESale DEALER IN LIQUORS.—The
7 term ‘wholesale dealer in liquors’ means any dealer
8 (other than a wholesale dealer in beer) who sells, or
9 offers for sale, distilled spirits, wines, or beer, to an-
10 other dealer.

11 “(2) WHOLESale DEALER IN BEER.—The term
12 ‘wholesale dealer in beer’ means any dealer who
13 sells, or offers for sale, beer, but not distilled spirits
14 or wines, to another dealer.

15 “(3) DEALER.—The term ‘dealer’ means any
16 person who sells, or offers for sale, any distilled spir-
17 its, wines, or beer.

18 “(4) PRESUMPTION IN CASE OF SALE OF 20
19 WINE GALLONS OR MORE.—The sale, or offer for
20 sale, of distilled spirits, wines, or beer, in quantities
21 of 20 wine gallons or more to the same person at
22 the same time, shall be presumptive evidence that
23 the person making such sale, or offer for sale, is en-
24 gaged in or carrying on the business of a wholesale
25 dealer in liquors or a wholesale dealer in beer, as the

1 case may be. Such presumption may be overcome by
 2 evidence satisfactorily showing that such sale, or
 3 offer for sale, was made to a person other than a
 4 dealer.”.

5 (C) Paragraph (3) of section 5121(d), as so re-
 6 designated, is amended by striking “section 5146”
 7 and inserting “section 5123”.

8 (6)(A) Section 5124 (relating to records) is
 9 moved to subpart C of part II of subchapter A of
 10 chapter 51 and inserted after section 5121.

11 (B) Section 5124 is amended—

12 (i) by striking the section heading and in-
 13 serting the following new heading:

14 **“SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.”,**

15 (ii) by striking “section 5146” in sub-
 16 section (c) and inserting “section 5123”, and

17 (iii) by redesignating subsection (c) as sub-
 18 section (d) and inserting after subsection (b)
 19 the following new subsection:

20 “(c) RETAIL DEALERS.—For purposes of this
 21 section—

22 “(1) RETAIL DEALER IN LIQUORS.—The term
 23 ‘retail dealer in liquors’ means any dealer (other
 24 than a retail dealer in beer) who sells, or offers for

1 sale, distilled spirits, wines, or beer, to any person
2 other than a dealer.

3 “(2) RETAIL DEALER IN BEER.—The term ‘re-
4 tail dealer in beer’ means any dealer who sells, or of-
5 fers for sale, beer, but not distilled spirits or wines,
6 to any person other than a dealer.

7 “(3) DEALER.—The term ‘dealer’ has the
8 meaning given such term by section 5121(c)(3).”.

9 (7) Section 5146 is moved to subpart C of part
10 II of subchapter A of chapter 51, inserted after sec-
11 tion 5122, and redesignated as section 5123.

12 (8) Part II of subchapter A of chapter 51 is
13 amended by inserting after subpart C the following
14 new subpart:

15 **“Subpart D—Other Provisions**

“Sec. 5131. Packaging distilled spirits for industrial uses.

“Sec. 5132. Prohibited purchases by dealers.”.

16 (9) Section 5116 is moved to subpart D of part
17 II of subchapter A of chapter 51, inserted after the
18 table of sections, redesignated as section 5131, and
19 amended by inserting “(as defined in section
20 5121(c))” after “dealer” in subsection (a).

21 (10) Subpart D of part II of subchapter A of
22 chapter 51 is amended by adding at the end the fol-
23 lowing new section:

1 **“SEC. 5132. PROHIBITED PURCHASES BY DEALERS.**

2 “(a) IN GENERAL.—Except as provided in regula-
3 tions prescribed by the Secretary, it shall be unlawful for
4 a dealer to purchase distilled spirits from any person other
5 than a wholesale dealer in liquors who is required to keep
6 the records prescribed by section 5121.

7 “(b) PENALTY AND FORFEITURE.—

**“For penalty and forfeiture provisions applicable
to violations of subsection (a), see sections 5687 and
7302.”.**

8 (11) Subsection (b) of section 5002 is
9 amended—

10 (A) by striking “section 5112(a)” and in-
11 serting “section 5121(c)(3)”,

12 (B) by striking “section 5112” and insert-
13 ing “section 5121(c)”, and

14 (C) by striking “section 5122” and insert-
15 ing “section 5122(c)”.

16 (12) Subparagraph (A) of section 5010(c)(2) is
17 amended by striking “section 5134” and inserting
18 “section 5114”.

19 (13) Subsection (d) of section 5052 is amended
20 to read as follows:

21 “(d) BREWER.—For purposes of this chapter, the
22 term ‘brewer’ means any person who brews beer or pro-
23 duces beer for sale. Such term shall not include any person

1 who produces only beer exempt from tax under section
2 5053(e).”.

3 (14) The text of section 5182 is amended to
4 read as follows:

**“For provisions requiring recordkeeping by
wholesale liquor dealers, see section 5112, and by
retail liquor dealers, see section 5122.”.**

5 (15) Subsection (b) of section 5402 is amended
6 by striking “section 5092” and inserting “section
7 5052(d)”.

8 (16) Section 5671 is amended by striking “or
9 5091”.

10 (17)(A) Part V of subchapter J of chapter 51
11 is hereby repealed.

12 (B) The table of parts for such subchapter J is
13 amended by striking the item relating to part V.

14 (18)(A) Sections 5142, 5143, and 5145 are
15 moved to subchapter D of chapter 52, inserted after
16 section 5731, redesignated as sections 5732, 5733,
17 and 5734, respectively, and amended—

18 (i) by striking “this part” each place it ap-
19 pears and inserting “this subchapter”, and

20 (ii) by striking “this subpart” in section
21 5732(c)(2) (as so redesignated) and inserting
22 “this subchapter”.

1 (B) Section 5732, as redesignated by subpara-
2 graph (A), is amended by striking “(except the tax
3 imposed by section 5131)” each place it appears.

4 (C) Subsection (c) of section 5733, as redesign-
5 dated by subparagraph (A), is amended by striking
6 paragraph (2) and by redesignating paragraph (3)
7 as paragraph (2).

8 (D) The table of sections for subchapter D of
9 chapter 52 is amended by adding at the end thereof
10 the following:

“Sec. 5732. Payment of tax.

“Sec. 5733. Provisions relating to liability for occupational taxes.

“Sec. 5734. Application of State laws.”.

11 (E) Section 5731 is amended by striking sub-
12 section (e) and by redesignating subsection (d) as
13 subsection (e).

14 (19) Subsection (e) of section 6071 is amended
15 by striking “section 5142” and inserting “section
16 5732”.

17 (20) Paragraph (1) of section 7652(g) is
18 amended—

19 (A) by striking “subpart F” and inserting
20 “subpart B”, and

21 (B) by striking “section 5131(a)” and in-
22 serting “section 5111(a)”.

1 “(A) the outstanding principal amount of
2 such indebtedness (immediately before the dis-
3 charge), over

4 “(B) the sum of—

5 “(i) the amount realized from the sale
6 of the real property securing such indebt-
7 edness reduced by the cost of such sale,
8 and

9 “(ii) the outstanding principal amount
10 of any other indebtedness secured by such
11 property.

12 “(2) QUALIFIED RESIDENTIAL INDEBTED-
13 NESS.—

14 “(A) IN GENERAL.—The term ‘qualified
15 residential indebtedness’ means indebtedness
16 which—

17 “(i) was incurred or assumed by the
18 taxpayer in connection with real property
19 used as the principal residence (within the
20 meaning of section 121) of the taxpayer
21 and is secured by such real property,

22 “(ii) was incurred or assumed to ac-
23 quire, construct, reconstruct, or substan-
24 tially improve such real property, and

1 “(iii) with respect to which such tax-
2 payer makes an election to have this para-
3 graph apply.

4 “(B) REFINANCED INDEBTEDNESS.—Such
5 term shall include indebtedness resulting from
6 the refinancing of indebtedness under subpara-
7 graph (A)(ii), but only to the extent the amount
8 of the indebtedness resulting from such refi-
9 nancing does not exceed the amount of the refi-
10 nanced indebtedness.

11 “(C) EXCEPTIONS.—Such term shall not
12 include qualified farm indebtedness or qualified
13 real property business indebtedness.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Paragraph (2) of section 108(a) is
16 amended—

17 (A) in subparagraph (A) by striking “and
18 (D)” and inserting “(D), and (E)”, and

19 (B) by amending subparagraph (B) to read
20 as follows:

21 “(B) INSOLVENCY EXCLUSION TAKES
22 PRECEDENCE OVER QUALIFIED FARM EXCLU-
23 SION, QUALIFIED REAL PROPERTY BUSINESS
24 EXCLUSION, AND QUALIFIED RESIDENTIAL IN-
25 DEBTEDNESS EXCLUSION.—Subparagraphs (C),

1 (D), and (E) of paragraph (1) shall not apply
2 to a discharge to the extent the taxpayer is in-
3 solvent.”.

4 (2) Paragraph (1) of section 108(b) is amended
5 by striking “or (C)” and inserting “(C), or (E)”.

6 (3) Subsection (c) of section 121 is amended by
7 adding at the end the following new paragraph:

8 “(3) SPECIAL RULE RELATING TO DISCHARGE
9 OF INDEBTEDNESS.—The amount of gain which
10 (but for this paragraph) would be excluded from
11 gross income under subsection (a) with respect to a
12 principal residence shall be reduced by the amount
13 excluded from gross income under section
14 108(a)(1)(E) with respect to such residence.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to discharges after December 31,
17 2000.

18 **SEC. 210. CLARIFICATION OF CASH ACCOUNTING RULES**

19 **FOR SMALL BUSINESS.**

20 (a) CASH ACCOUNTING PERMITTED.—Section 446
21 (relating to general rule for methods of accounting) is
22 amended by adding at the end the following new sub-
23 section:

1 “(g) SMALL BUSINESS TAXPAYERS PERMITTED TO
2 USE CASH ACCOUNTING METHOD WITHOUT LIMITA-
3 TION.—

4 “(1) IN GENERAL.—Notwithstanding any other
5 provision of this title, an eligible taxpayer shall not
6 be required to use an accrual method of accounting
7 for any taxable year.

8 “(2) ELIGIBLE TAXPAYER.—For purposes of
9 this subsection—

10 “(A) IN GENERAL.—A taxpayer is an eligi-
11 ble taxpayer with respect to any taxable year if,
12 for all prior taxable years beginning after Octo-
13 ber 31, 1999, the taxpayer (or any predecessor)
14 met the gross receipts test of subparagraph
15 (B).

16 “(B) GROSS RECEIPTS TEST.—A taxpayer
17 meets the gross receipts test of this subpara-
18 graph for any prior taxable year if the average
19 annual gross receipts of the taxpayer (or any
20 predecessor) for the 3-taxable-year period end-
21 ing with such prior taxable year does not exceed
22 \$2,500,000. The rules of paragraphs (2) and
23 (3) of section 448(c) shall apply for purposes of
24 the preceding sentence.”

1 (b) CLARIFICATION OF INVENTORY RULES FOR
2 SMALL BUSINESS.—Section 471 (relating to general rule
3 for inventories) is amended by redesignating subsection (c)
4 as subsection (d) and by inserting after subsection (b) the
5 following new subsection:

6 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
7 TO USE INVENTORIES.—

8 “(1) IN GENERAL.—An eligible taxpayer shall
9 not be required to use inventories under this section
10 for a taxable year.

11 “(2) TREATMENT OF TAXPAYERS NOT USING
12 INVENTORIES.—If an eligible taxpayer elects not to
13 use inventories with respect to any property for any
14 taxable year beginning after the date of the enact-
15 ment of this section, such property shall be treated
16 as a material or supply which is not incidental.

17 “(3) ELIGIBLE TAXPAYER.—For purposes of
18 this subsection, the term ‘eligible taxpayer’ has the
19 meaning given such term by section 446(g)(2).”.

20 (c) EFFECTIVE DATES.—

21 (1) IN GENERAL.—The amendments made by
22 this section shall apply to taxable years beginning
23 after the date of the enactment of this Act.

24 (2) CHANGE IN METHOD OF ACCOUNTING.—In
25 the case of any taxpayer required by the amend-

1 ments made by this section to change its method of
2 accounting for any taxable year—

3 (A) such change shall be treated as initi-
4 ated by the taxpayer,

5 (B) such change shall be treated as made
6 with the consent of the Secretary of the Treas-
7 ury, and

8 (C) the net amount of the adjustments re-
9 quired to be taken into account by the taxpayer
10 under section 481 of the Internal Revenue Code
11 of 1986 shall be taken into account over a pe-
12 riod (not greater than 4 taxable years) begin-
13 ning with such taxable year.

14 **SEC. 211. AMENDMENTS RELATING TO DEMAND DEPOSIT**
15 **ACCOUNTS AT DEPOSITORY INSTITUTIONS.**

16 (a) INTEREST-BEARING TRANSACTION ACCOUNTS
17 AUTHORIZED.—

18 (1) FEDERAL RESERVE ACT.—Section 19(i) of
19 the Federal Reserve Act (12 U.S.C. 371a) is amend-
20 ed by inserting at the end the following: “Notwith-
21 standing any other provision of this section, a mem-
22 ber bank may permit the owner of any deposit, any
23 account which is a deposit, or any account on which
24 interest or dividends are paid to make up to 24
25 transfers per month (or such greater number as the

1 Board may determine by rule or order), for any pur-
2 pose, to a demand deposit account of the owner in
3 the same institution. With respect to an escrow ac-
4 count maintained in connection with a loan, a lender
5 or servicer shall pay interest on such account only
6 if such payments are required by contract between
7 the lender or servicer and the borrower, or a specific
8 statutory provision of the law of the State in which
9 the security property is located requires the lender
10 or servicer to make such payments. Nothing in this
11 subsection shall be construed to prevent an account
12 offered pursuant to this subsection from being con-
13 sidered a transaction account for purposes of this
14 Act.”.

15 (2) HOME OWNERS’ LOAN ACT.—

16 (A) IN GENERAL.—Section 5(b)(1) of the
17 Home Owners’ Loan Act (12 U.S.C. 1464
18 (b)(1)) is amended by adding at the end the fol-
19 lowing new subparagraph:

20 “(G) TRANSFERS.—Notwithstanding any
21 other provision of this paragraph, a Federal
22 savings association may permit the owner of
23 any deposit or share, any account which is a de-
24 posit or share, or any account on which interest
25 or dividends are paid to make up to 24 trans-

1 fers per month (or such greater number as the
2 Board of Governors of the Federal Reserve Sys-
3 tem may determine by rule or order under sec-
4 tion 19(i) to be permissible for member banks),
5 for any purpose, to a demand deposit account
6 of the owner in the same institution. With re-
7 spect to an escrow account maintained in con-
8 nection with a loan, a lender or servicer shall
9 pay interest on such account only if such pay-
10 ments are required by contract between the
11 lender or servicer and the borrower, or a spe-
12 cific statutory provision of the law of the State
13 in which the security property is located re-
14 quires the lender or servicer to make such pay-
15 ments. Nothing in this subsection shall be con-
16 strued to prevent an account offered pursuant
17 to this subsection from being considered a
18 transaction account (as defined in section 19(b)
19 of the Federal Reserve Act) for purposes of the
20 Federal Reserve Act.”.

21 (B) REPEAL.—Effective on at the end of
22 the 2-year period beginning on the date of en-
23 actment of this Act, section 5(b)(1) of the
24 Home Owners’ Loan Act (12 U.S.C. 1464

1 (b)(1)) is amended by striking subparagraph
2 (G).

3 (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-
4 tion 18(g) of the Federal Deposit Insurance Act (12
5 U.S.C. 1828(g)) is amended by adding at the end
6 the following new paragraph:

7 “(3) TRANSFERS.—Notwithstanding any other
8 provision of this subsection, an insured nonmember
9 bank or insured State savings association may per-
10 mit the owner of any deposit or share, any account
11 which is a deposit or share, or any account on which
12 interest or dividends are paid to make up to 24
13 transfers per month (or such greater number as the
14 Board of Governors of the Federal Reserve System
15 may determine by rule or order under section 19(i)
16 to be permissible for member banks), for any pur-
17 pose, to a demand deposit account of the owner in
18 the same institution. With respect to an escrow ac-
19 count maintained in connection with a loan, a lender
20 or servicer shall pay interest on such account only
21 if such payments are required by contract between
22 the lender or servicer and the borrower, or a specific
23 statutory provision of the law of the State in which
24 the security property is located requires the lender
25 or servicer to make such payments. Nothing in this

1 subsection shall be construed to prevent an account
2 offered pursuant to this subsection from being con-
3 sidered a transaction account (as defined in section
4 19(b) of the Federal Reserve Act) for purposes of
5 the Federal Reserve Act.”.

6 (b) REPEAL OF PROHIBITION ON PAYMENT OF IN-
7 TEREST ON DEMAND DEPOSITS.—

8 (1) FEDERAL RESERVE ACT.—Section 19(i) of
9 the Federal Reserve Act (12 U.S.C. 371a) is amend-
10 ed to read as follows:

11 “(i) [Repealed]”.

12 (2) HOME OWNERS’ LOAN ACT.—The 1st sen-
13 tence of section 5(b)(1)(B) of the Home Owners’
14 Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by
15 striking “savings association may not—” and all
16 that follows through “(ii) permit any” and inserting
17 “savings association may not permit any”.

18 (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-
19 tion 18(g) of the Federal Deposit Insurance Act (12
20 U.S.C. 1828(g)) is amended to read as follows:

21 “(g) [Repealed]”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 subsection (b) shall take effect at the end of the 2-year
24 period beginning on the date of the enactment of this Act.

1 **TITLE III—HEALTH INSURANCE**
2 **AND LONG-TERM CARE IN-**
3 **SURANCE PROVISIONS**

4 **SEC. 301. DEDUCTION FOR 100 PERCENT OF HEALTH IN-**
5 **SURANCE COSTS OF SELF-EMPLOYED INDI-**
6 **VIDUALS.**

7 (a) IN GENERAL.—Paragraph (1) of section 162(l)
8 is amended to read as follows:

9 “(1) ALLOWANCE OF DEDUCTION.—In the case
10 of an individual who is an employee within the
11 meaning of section 401(c)(1), there shall be allowed
12 as a deduction under this section an amount equal
13 to 100 percent of the amount paid during the tax-
14 able year for insurance which constitutes medical
15 care for the taxpayer and the taxpayer’s spouse and
16 dependents.”.

17 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-
18 ERAGE.—The first sentence of section 162(l)(2)(B) is
19 amended to read as follows: “Paragraph (1) shall not
20 apply to any taxpayer for any calendar month for which
21 the taxpayer participates in any subsidized health plan
22 maintained by any employer (other than an employer de-
23 scribed in section 401(c)(4)) of the taxpayer or the spouse
24 of the taxpayer.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2000.

4 **SEC. 302. DEDUCTION FOR HEALTH AND LONG-TERM CARE**
 5 **INSURANCE COSTS OF INDIVIDUALS NOT**
 6 **PARTICIPATING IN EMPLOYER-SUBSIDIZED**
 7 **HEALTH PLANS.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-
 9 ter 1 is amended by redesignating section 222 as section
 10 223 and by inserting after section 221 the following new
 11 section:

12 **“SEC. 222. HEALTH AND LONG-TERM CARE INSURANCE**
 13 **COSTS.**

14 “(a) IN GENERAL.—In the case of an individual,
 15 there shall be allowed as a deduction an amount equal to
 16 the applicable percentage of the amount paid during the
 17 taxable year for insurance which constitutes medical care
 18 for the taxpayer and the taxpayer’s spouse and depend-
 19 ents.

20 “(b) APPLICABLE PERCENTAGE.—For purposes of
 21 subsection (a), the applicable percentage shall be deter-
 22 mined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001, 2002, and 2003	25
2004	35
2005	65
2006 and thereafter	100.

1 “(c) LIMITATION BASED ON OTHER COVERAGE.—

2 “(1) COVERAGE UNDER CERTAIN SUBSIDIZED
3 EMPLOYER PLANS.—

4 “(A) IN GENERAL.—Subsection (a) shall
5 not apply to any taxpayer for any calendar
6 month for which the taxpayer participates in
7 any health plan maintained by any employer of
8 the taxpayer or of the spouse of the taxpayer if
9 for such month 50 percent or more of the cost
10 of coverage under such plan (determined under
11 section 4980B and without regard to payments
12 made with respect to any coverage described in
13 subsection (e)) is paid or incurred by the em-
14 ployer.

15 “(B) EMPLOYER CONTRIBUTIONS TO CAF-
16 ETERIA PLANS, FLEXIBLE SPENDING ARRANGE-
17 MENTS, AND MEDICAL SAVINGS ACCOUNTS.—
18 Employer contributions to a cafeteria plan, a
19 flexible spending or similar arrangement, or a
20 medical savings account which are excluded
21 from gross income under section 106 shall be
22 treated for purposes of subparagraph (A) as
23 paid by the employer.

24 “(C) AGGREGATION OF PLANS OF EM-
25 PLOYER.—A health plan which is not otherwise

1 described in subparagraph (A) shall be treated
2 as described in such subparagraph if such plan
3 would be so described if all health plans of per-
4 sons treated as a single employer under sub-
5 section (b), (c), (m), or (o) of section 414 were
6 treated as one health plan.

7 “(D) SEPARATE APPLICATION TO HEALTH
8 INSURANCE AND LONG-TERM CARE INSUR-
9 ANCE.—Subparagraphs (A) and (C) shall be
10 applied separately with respect to—

11 “(i) plans which include primarily cov-
12 erage for qualified long-term care services
13 or are qualified long-term care insurance
14 contracts, and

15 “(ii) plans which do not include such
16 coverage and are not such contracts.

17 “(2) COVERAGE UNDER CERTAIN FEDERAL
18 PROGRAMS.—

19 “(A) IN GENERAL.—Subsection (a) shall
20 not apply to any amount paid for any coverage
21 for an individual for any calendar month if, as
22 of the first day of such month, the individual is
23 covered under any medical care program de-
24 scribed in—

1 “(i) title XVIII, XIX, or XXI of the
2 Social Security Act,

3 “(ii) chapter 55 of title 10, United
4 States Code,

5 “(iii) chapter 17 of title 38, United
6 States Code,

7 “(iv) chapter 89 of title 5, United
8 States Code, or

9 “(v) the Indian Health Care Improve-
10 ment Act.

11 “(B) EXCEPTIONS.—

12 “(i) QUALIFIED LONG-TERM CARE.—
13 Subparagraph (A) shall not apply to
14 amounts paid for coverage under a quali-
15 fied long-term care insurance contract.

16 “(ii) CONTINUATION COVERAGE OF
17 FEHBP.—Subparagraph (A)(iv) shall not
18 apply to coverage which is comparable to
19 continuation coverage under section
20 4980B.

21 “(d) LONG-TERM CARE DEDUCTION LIMITED TO
22 QUALIFIED LONG-TERM CARE INSURANCE CON-
23 TRACTS.—In the case of a qualified long-term care insur-
24 ance contract, only eligible long-term care premiums (as

1 defined in section 213(d)(10)) may be taken into account
2 under subsection (a).

3 “(e) DEDUCTION NOT AVAILABLE FOR PAYMENT OF
4 ANCILLARY COVERAGE PREMIUMS.—Any amount paid as
5 a premium for insurance which provides for—

6 “(1) coverage for accidents, disability, dental
7 care, vision care, or a specified illness, or

8 “(2) making payments of a fixed amount per
9 day (or other period) by reason of being hospitalized,
10 shall not be taken into account under subsection (a).

11 “(f) SPECIAL RULES.—

12 “(1) COORDINATION WITH DEDUCTION FOR
13 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
14 DIVIDUALS.—The amount taken into account by the
15 taxpayer in computing the deduction under section
16 162(l) shall not be taken into account under this
17 section.

18 “(2) COORDINATION WITH MEDICAL EXPENSE
19 DEDUCTION.—The amount taken into account by
20 the taxpayer in computing the deduction under this
21 section shall not be taken into account under section
22 213.

23 “(g) REGULATIONS.—The Secretary shall prescribe
24 such regulations as may be appropriate to carry out this
25 section, including regulations requiring employers to re-

1 port to their employees and the Secretary such informa-
2 tion as the Secretary determines to be appropriate.”.

3 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
4 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
5 of section 62 is amended by inserting after paragraph (17)
6 the following new item:

7 “(18) HEALTH AND LONG-TERM CARE INSUR-
8 ANCE COSTS.—The deduction allowed by section
9 222.”.

10 (c) CLERICAL AMENDMENT.—The table of sections
11 for part VII of subchapter B of chapter 1 is amended by
12 striking the last item and inserting the following new
13 items:

“Sec. 222. Health and long-term care insurance costs.
“Sec. 223. Cross reference.”.

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

17 **SEC. 303. 2-YEAR EXTENSION OF AVAILABILITY OF MED-**
18 **ICAL SAVINGS ACCOUNTS.**

19 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
20 tion 220(i) (defining cut-off year) are each amended by
21 striking “2000” each place it appears and inserting
22 “2002”.

23 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 220(j) is
2 amended—

3 (A) by striking “1998 or 1999” each place
4 it appears and inserting “1998, 1999, 2000, or
5 2001”, and

6 (B) by striking “600,000 (750,000 in the
7 case of 1999)” and inserting “750,000
8 (600,000 in the case of 1998)”.

9 (2) Subparagraph (A) of section 220(j)(4) is
10 amended by striking “, 1998, and 1999” and insert-
11 ing “and of each calendar year after 1997 and be-
12 fore 2002”.

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

16 **SEC. 304. ADDITIONAL CONSUMER PROTECTIONS FOR**
17 **LONG-TERM CARE INSURANCE.**

18 (a) ADDITIONAL PROTECTIONS APPLICABLE TO
19 LONG-TERM CARE INSURANCE.—Subparagraph (A) of
20 section 7702B(g)(2) (relating to requirements of model
21 regulation and Act) is amended to read as follows:

22 “(A) IN GENERAL.—The requirements of
23 this paragraph are met with respect to any con-
24 tract if such contract meets—

1 “(i) MODEL REGULATION.—The fol-
2 lowing requirements of the model regula-
3 tion:

4 “(I) Section 6A (relating to guar-
5 anteed renewal or noncancellability),
6 and the requirements of section 6B of
7 the model Act relating to such section
8 6A.

9 “(II) Section 6B (relating to pro-
10 hibitions on limitations and exclu-
11 sions).

12 “(III) Section 6C (relating to ex-
13 tension of benefits).

14 “(IV) Section 6D (relating to
15 continuation or conversion of cov-
16 erage).

17 “(V) Section 6E (relating to dis-
18 continuance and replacement of poli-
19 cies).

20 “(VI) Section 7 (relating to unin-
21 tentional lapse).

22 “(VII) Section 8 (relating to dis-
23 closure), other than section 8F there-
24 of.

1 “(VIII) Section 11 (relating to
2 prohibitions against post-claims un-
3 derwriting).

4 “(IX) Section 12 (relating to
5 minimum standards).

6 “(X) Section 13 (relating to re-
7 quirement to offer inflation protec-
8 tion), except that any requirement for
9 a signature on a rejection of inflation
10 protection shall permit the signature
11 to be on an application or on a sepa-
12 rate form.

13 “(XI) Section 25 (relating to pro-
14 hibition against preexisting conditions
15 and probationary periods in replace-
16 ment policies or certificates).

17 “(XII) The provisions of section
18 26 relating to contingent nonforfeiture
19 benefits, if the policyholder declines
20 the offer of a nonforfeiture provision
21 described in paragraph (4).

22 “(ii) MODEL ACT.—The following re-
23 quirements of the model Act:

24 “(I) Section 6C (relating to pre-
25 existing conditions).

1 “(II) Section 6D (relating to
2 prior hospitalization).

3 “(III) The provisions of section 8
4 relating to contingent nonforfeiture
5 benefits, if the policyholder declines
6 the offer of a nonforfeiture provision
7 described in paragraph (4).

8 “(B) DEFINITIONS.—For purposes of this
9 paragraph—

10 “(i) MODEL PROVISIONS.—The terms
11 ‘model regulation’ and ‘model Act’ mean
12 the long-term care insurance model regula-
13 tion, and the long-term care insurance
14 model Act, respectively, promulgated by
15 the National Association of Insurance
16 Commissioners (as adopted as of Sep-
17 tember 2000).

18 “(ii) COORDINATION.—Any provision
19 of the model regulation or model Act listed
20 under clause (i) or (ii) of subparagraph
21 (A) shall be treated as including any other
22 provision of such regulation or Act nec-
23 essary to implement the provision.

24 “(iii) DETERMINATION.—For pur-
25 poses of this section and section 4980C,

1 the determination of whether any require-
2 ment of a model regulation or the model
3 Act has been met shall be made by the
4 Secretary.”

5 (b) EXCISE TAX.—Paragraph (1) of section
6 4980C(c) (relating to requirements of model provisions)
7 is amended to read as follows:

8 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

9 “(A) MODEL REGULATION.—The following
10 requirements of the model regulation must be
11 met:

12 “(i) Section 9 (relating to required
13 disclosure of rating practices to con-
14 sumer).”

15 “(ii) Section 14 (relating to applica-
16 tion forms and replacement coverage).

17 “(iii) Section 15 (relating to reporting
18 requirements), except that the issuer shall
19 also report at least annually the number of
20 claims denied during the reporting period
21 for each class of business (expressed as a
22 percentage of claims denied), other than
23 claims denied for failure to meet the wait-
24 ing period or because of any applicable
25 preexisting condition.

1 “(iv) Section 22 (relating to filing re-
2 quirements for marketing).

3 “(v) Section 23 (relating to standards
4 for marketing), including inaccurate com-
5 pletion of medical histories, other than
6 paragraphs (1), (6), and (9) of section
7 23C, except that—

8 “(I) in addition to such require-
9 ments, no person shall, in selling or
10 offering to sell a qualified long-term
11 care insurance contract, misrepresent
12 a material fact; and

13 “(II) no such requirements shall
14 include a requirement to inquire or
15 identify whether a prospective appli-
16 cant or enrollee for long-term care in-
17 surance has accident and sickness in-
18 surance.

19 “(vi) Section 24 (relating to suit-
20 ability).

21 “(vii) Section 29 (relating to standard
22 format outline of coverage).

23 “(viii) Section 30 (relating to require-
24 ment to deliver shopper’s guide).

1 The requirements referred to in clause (vi) shall
2 not include those portions of the personal work-
3 sheet described in Appendix B relating to con-
4 sumer protection requirements not imposed by
5 section 4980C or 7702B.

6 “(B) MODEL ACT.—The following require-
7 ments of the model Act must be met:

8 “(i) Section 6F (relating to right to
9 return), except that such section shall also
10 apply to denials of applications and any re-
11 fund shall be made within 30 days of the
12 return or denial.

13 “(ii) Section 6G (relating to outline of
14 coverage).

15 “(iii) Section 6H (relating to require-
16 ments for certificates under group plans).

17 “(iv) Section 6I (relating to policy
18 summary).

19 “(v) Section 6J (relating to monthly
20 reports on accelerated death benefits).

21 “(vi) Section 7 (relating to incontest-
22 ability period).

23 “(C) DEFINITIONS.—For purposes of this
24 paragraph, the terms ‘model regulation’ and

1 ‘model Act’ have the meanings given such terms
 2 by section 7702B(g)(2)(B).”

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to policies issued more than 1 year
 5 after the date of the enactment of this Act.

6 **SEC. 305. DEDUCTION FOR PROVIDING LONG-TERM CARE**
 7 **IN THE HOME TO HOUSEHOLD MEMBERS.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-
 9 ter 1 is amended by redesignating section 223 as section
 10 224 and by inserting after section 222 the following new
 11 section:

12 **“SEC. 223. PROVISION OF LONG-TERM CARE IN THE HOME**
 13 **TO HOUSEHOLD MEMBERS.**

14 “(a) DEDUCTION ALLOWED.—

15 “(1) IN GENERAL.—There shall be allowed as a
 16 deduction for the taxable year an amount equal to
 17 the applicable amount multiplied by the number of
 18 qualified family members of the taxpayer for the
 19 taxable year.

20 “(2) APPLICABLE AMOUNT.—For purposes of
 21 paragraph (1), the applicable amount for a taxable
 22 year shall be the amount determined in accordance
 23 with the following table:

“For taxable years beginning in:	The applicable amount is:
2001	\$3,000
2002	\$4,000
2003	\$5,000

2004	\$6,000
2005	\$7,000
2006	\$8,000
2007	\$9,000
2008 and thereafter	\$10,000.

1 “(b) LIMITATIONS.—

2 “(1) REDUCTION FOR AMOUNTS RECEIVED
3 UNDER LONG-TERM CARE INSURANCE POLICY.—The
4 amount of the deduction allowable under subsection
5 (a) with respect to a qualified family member shall
6 be reduced (but not below zero) by the amount re-
7 ceived for the taxable year under a long-term care
8 insurance policy (whether or not such policy is a
9 qualified long-term care insurance contract under
10 section 7702B) with respect to which the insured is
11 the qualified family member.

12 “(2) PHASEOUT.—The amount of the deduction
13 allowable under subsection (a) (after the application
14 of paragraph (1)) shall be reduced in the same man-
15 ner as the exemption amount is reduced under sec-
16 tion 151(d)(3).

17 “(c) QUALIFIED FAMILY MEMBER.—For purposes of
18 this section—

19 “(1) IN GENERAL.—The term ‘qualified family
20 member’ means, with respect to any taxable year,
21 any individual—

22 “(A) who is—

23 “(i) the taxpayer’s spouse, or

1 “(ii) an individual who bears a rela-
2 tionship to the taxpayer described in any
3 of paragraphs (1) through (8) of section
4 152(a),

5 “(B) who is a member for the entire tax-
6 able year of the household maintained by the
7 taxpayer,

8 “(C) whose gross income for the calendar
9 year in which the taxable year of the taxpayer
10 begins is less than the sum of—

11 “(i) the exemption amount (as defined
12 in section 151(d)), and

13 “(ii) the standard deduction, and

14 “(D) who has been certified, before the due
15 date for filing the return of tax for the taxable
16 year (without extensions), by a physician (as
17 defined in section 1861(r)(1) of the Social Se-
18 curity Act) as being an individual described in
19 paragraph (3) for a period—

20 “(i) which is at least 180 consecutive
21 days, and

22 “(ii) a portion of which occurs within
23 the taxable year.

24 “(2) SPECIAL RULES.—

1 “(A) FREQUENCY OF CERTIFICATION.—
2 The term ‘qualified family member’ shall not
3 include any individual otherwise meeting the re-
4 quirements of paragraph (1)(D) unless the cer-
5 tification is made within the 39½ month period
6 ending on the due date (or such other period as
7 the Secretary prescribes).

8 “(B) GROSS INCOME TEST NOT TO APPLY
9 TO CERTAIN INDIVIDUALS.—Paragraph (1)(C)
10 shall not apply to—

11 “(i) the spouse of the taxpayer,

12 “(ii) any child of the taxpayer de-
13 scribed in section 151(c)(1)(B), and

14 “(iii) any gross income which is not
15 taken into account under paragraph (1)(B)
16 of section 151(c) by reason of paragraph
17 (5) thereof.

18 “(3) INDIVIDUALS WITH LONG-TERM CARE
19 NEEDS.—An individual is described in this para-
20 graph if the individual meets any of the following re-
21 quirements:

22 “(A) The individual is at least 6 years of
23 age and—

24 “(i) is unable to perform (without
25 substantial assistance from another indi-

1 vidual) at least 3 activities of daily living
2 (as defined in section 7702B(c)(2)(B)) due
3 to a loss of functional capacity, or

4 “(ii) requires substantial supervision
5 to protect such individual from threats to
6 health and safety due to severe cognitive
7 impairment, and

8 “(I) is unable to perform, with-
9 out reminding or cuing assistance, at
10 least 1 activity of daily living (as so
11 defined), or

12 “(II) to the extent provided in
13 regulations prescribed by the Sec-
14 retary (in consultation with the Sec-
15 retary of Health and Human Serv-
16 ices), is unable to engage in age ap-
17 propriate activities.

18 “(B) The individual is at least 2 but not
19 6 years of age and is unable due to a loss of
20 functional capacity to perform (without sub-
21 stantial assistance from another individual) at
22 least 2 of the following activities: eating, trans-
23 ferring, or mobility.

24 “(C) The individual is under 2 years of age
25 and requires specific durable medical equipment

1 by reason of a severe health condition or re-
2 quires a skilled practitioner trained to address
3 the individual's condition to be available if the
4 individual's parents or guardians are absent.

5 “(d) SPECIAL RULES.—

6 “(1) IDENTIFICATION REQUIREMENT.—No de-
7 duction shall be allowed under this section to a tax-
8 payer with respect to any qualified family member
9 unless the taxpayer includes the name and taxpayer
10 identification number of such member, and the iden-
11 tification number of the physician certifying such
12 member, on the return of tax for the taxable year.

13 “(2) TAXABLE YEAR MUST BE FULL TAXABLE
14 YEAR.—No deduction shall be allowable under this
15 section in the case of a taxable year covering a pe-
16 riod of less than 12 months, except that in the case
17 of a taxable year closed by the death of a taxpayer
18 a ratable portion of the deduction shall be allowable.

19 “(3) SPECIAL RULES.—Rules similar to the
20 rules of paragraphs (1), (2), (3), (4), and (5) of sec-
21 tion 21(e) shall apply for purposes of this sub-
22 section.”.

23 (b) DEDUCTION ALLOWABLE WHETHER OR NOT
24 TAXPAYER ITEMIZES OTHER DEDUCTIONS.—

1 (1) Subsection (b) of section 63 is amended by
2 striking “and” at the end of paragraph (1), by strik-
3 ing the period at the end of paragraph (2) and in-
4 sserting “, and”, and by adding at the end the fol-
5 lowing new paragraph:

6 “(3) the deduction allowed by section 223.”

7 (2) Subsection (d) of section 63 is amended by
8 striking “and” at the end of paragraph (1), by strik-
9 ing the period at the end of paragraph (2) and in-
10 sserting “, and”, and by adding at the end the fol-
11 lowing new paragraph:

12 “(3) the deduction allowed by section 223.”

13 (c) CONFORMING AMENDMENTS.—

14 (1) Section 6213(g)(2) is amended by striking
15 “and” at the end of subparagraph (K), by striking
16 the period at the end of subparagraph (L) and in-
17 sserting “, and”, and by inserting after subparagraph
18 (L) the following new subparagraph:

19 “(M) an omission of a correct TIN or phy-
20 sician identification number required under sec-
21 tion 223(d)(1) (relating to deduction for provi-
22 sion of long-term care in the home to household
23 members) to be included on a return.”

1 (2) The table of sections for part VII of sub-
 2 chapter B of chapter 1 is amended by striking the
 3 last item and inserting the following new items:

 “Sec. 223. Provision of long-term care in the home to household
 members.

 “Sec. 224. Cross reference.”

4 (d) **EFFECTIVE DATE.**—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 2000.

7 **TITLE IV—PENSION AND INDI-**
 8 **VIDUAL RETIREMENT AR-**
 9 **RANGEMENT PROVISIONS**

10 **SEC. 400. SHORT TITLE.**

11 This title may be cited as the “Retirement Savings
 12 and Pension Coverage Act of 2000”.

13 **Subtitle A—Individual Retirement**
 14 **Accounts**

15 **SEC. 401. MODIFICATION OF IRA CONTRIBUTION LIMITS.**

16 (a) **INCREASE IN CONTRIBUTION LIMIT.**—

17 (1) **IN GENERAL.**—Paragraph (1)(A) of section
 18 219(b) (relating to maximum amount of deduction)
 19 is amended by striking “\$2,000” and inserting “the
 20 deductible amount”.

21 (2) **DEDUCTIBLE AMOUNT.**—Section 219(b) is
 22 amended by adding at the end the following new
 23 paragraph:

1 “(5) DEDUCTIBLE AMOUNT.—For purposes of
2 paragraph (1)(A)—

3 “(A) IN GENERAL.—The deductible
4 amount shall be determined in accordance with
5 the following table:

“For taxable years beginning in:	The deductible amount is:
2001	\$3,000
2002	\$4,000
2003 and thereafter	\$5,000.

6 “(B) CATCH-UP CONTRIBUTIONS FOR INDI-
7 VIDUALS 50 OR OLDER.—

8 “(i) IN GENERAL.—In the case of an
9 individual who has attained the age of 50
10 before the close of the taxable year, the de-
11 ductible amount for such taxable year (de-
12 termined without regard to this subpara-
13 graph) shall be increased by the applicable
14 catch-up amount.

15 “(ii) APPLICABLE CATCH-UP
16 AMOUNT.—For purposes of clause (i), the
17 applicable catch-up amount shall be the
18 amount determined in accordance with the
19 following table:

“For taxable years beginning in:	The applicable catch-up amount is:
2001	\$500
2002	\$1,000
2003 and thereafter	\$1,500.

20 “(C) COST-OF-LIVING ADJUSTMENT.—

1 “(i) IN GENERAL.—In the case of any
2 taxable year beginning in a calendar year
3 after 2003, the \$5,000 amount under sub-
4 paragraph (A) and the \$1,500 amount
5 under subparagraph (B) shall each be in-
6 creased by an amount equal to—

7 “(I) such dollar amount, multi-
8 plied by

9 “(II) the cost-of-living adjust-
10 ment determined under section 1(f)(3)
11 for the calendar year in which the tax-
12 able year begins, determined by sub-
13 stituting ‘calendar year 2002’ for ‘cal-
14 endar year 1992’ in subparagraph (B)
15 thereof.

16 “(ii) ROUNDING RULES.—If any
17 amount after adjustment under clause (i)
18 is not a multiple of \$500, such amount
19 shall be rounded to the next lower multiple
20 of \$500.”.

21 (b) INCREASE IN AGI LIMITS FOR ACTIVE PARTICI-

22 PANTS.—

23 (1) JOINT RETURNS.—The table in clause (i) of
24 section 219(g)(3)(B) (relating to applicable dollar
25 amount) is amended to read as follows:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$56,000
2002	\$60,000
2003	\$64,000
2004	\$68,000
2005	\$72,000
2006	\$76,000
2007 or thereafter	\$80,000.”.

1 (2) OTHER TAXPAYERS.—Section 219(g)(3)(B)
2 (relating to applicable dollar amount) is amended by
3 striking clauses (ii) and (iii) and inserting the fol-
4 lowing:

5 “(ii) In the case of any other tax-
6 payer:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$36,000
2002	\$40,000
2003	\$44,000
2004	\$48,000
2005 or thereafter	\$50,000.”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) Section 408(a)(1) is amended by striking
9 “in excess of \$2,000 on behalf of any individual”
10 and inserting “on behalf of any individual in excess
11 of the amount in effect for such taxable year under
12 section 219(b)(1)(A)”.

13 (2) Section 408(b)(2)(B) is amended by strik-
14 ing “\$2,000” and inserting “the dollar amount in
15 effect under section 219(b)(1)(A)”.

1 (3) Section 408(b) is amended by striking
2 “\$2,000” in the matter following paragraph (4) and
3 inserting “the dollar amount in effect under section
4 219(b)(1)(A)”.

5 (4) Section 408(j) is amended by striking
6 “\$2,000”.

7 (5) Section 408(p)(8) is amended by striking
8 “\$2,000” and inserting “the dollar amount in effect
9 under section 219(b)(1)(A)”.

10 (d) **EFFECTIVE DATE.**—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2000.

13 **SEC. 402. DEEMED IRAS UNDER EMPLOYER PLANS.**

14 (a) **IN GENERAL.**—Section 408 (relating to individual
15 retirement accounts) is amended by redesignating sub-
16 section (q) as subsection (r) and by inserting after sub-
17 section (p) the following new subsection:

18 “(q) **DEEMED IRAS UNDER QUALIFIED EMPLOYER**
19 **PLANS.**—

20 “(1) **GENERAL RULE.**—If—

21 “(A) a qualified employer plan elects to
22 allow employees to make voluntary employee
23 contributions to a separate account or annuity
24 established under the plan, and

1 “(B) under the terms of the qualified em-
2 ployer plan, such account or annuity meets the
3 applicable requirements of this section or sec-
4 tion 408A for an individual retirement account
5 or annuity,

6 then such account or annuity shall be treated for
7 purposes of this title in the same manner as an indi-
8 vidual retirement plan and not as a qualified em-
9 ployer plan (and contributions to such account or
10 annuity as contributions to an individual retirement
11 plan and not to the qualified employer plan). For
12 purposes of subparagraph (B), the requirements of
13 subsection (a)(5) shall not apply.

14 “(2) SPECIAL RULES FOR QUALIFIED EM-
15 PLOYER PLANS.—For purposes of this title, a quali-
16 fied employer plan shall not fail to meet any require-
17 ment of this title solely by reason of establishing and
18 maintaining a program described in paragraph (1).

19 “(3) DEFINITIONS.—For purposes of this
20 subsection—

21 “(A) QUALIFIED EMPLOYER PLAN.—The
22 term ‘qualified employer plan’ has the meaning
23 given such term by section 72(p)(4); except
24 such term shall only include an eligible deferred
25 compensation plan (as defined in section

1 457(b)) which is maintained by an eligible em-
2 ployer described in section 457(e)(1)(A).

3 “(B) VOLUNTARY EMPLOYEE CONTRIBU-
4 TION.—The term ‘voluntary employee contribu-
5 tion’ means any contribution (other than a
6 mandatory contribution within the meaning of
7 section 411(c)(2)(C))—

8 “(i) which is made by an individual as
9 an employee under a qualified employer
10 plan which allows employees to elect to
11 make contributions described in paragraph
12 (1), and

13 “(ii) with respect to which the indi-
14 vidual has designated the contribution as a
15 contribution to which this subsection ap-
16 plies.”.

17 (b) AMENDMENT OF ERISA.—

18 (1) IN GENERAL.—Section 4 of the Employee
19 Retirement Income Security Act of 1974 (29 U.S.C.
20 1003) is amended by adding at the end the following
21 new subsection:

22 “(c) If a pension plan allows an employee to elect to
23 make voluntary employee contributions to accounts and
24 annuities as provided in section 408(q) of the Internal
25 Revenue Code of 1986, such accounts and annuities (and

1 contributions thereto) shall not be treated as part of such
2 plan (or as a separate pension plan) for purposes of any
3 provision of this title other than section 403(c), 404, or
4 405 (relating to exclusive benefit, and fiduciary and co-
5 fiduciary responsibilities).”.

6 (2) CONFORMING AMENDMENT.—Section 4(a)
7 of such Act (29 U.S.C. 1003(a)) is amended by in-
8 serting “or (c)” after “subsection (b)”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to plan years beginning after De-
11 cember 31, 2001.

12 **SEC. 403. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
13 **TIREMENT ACCOUNTS FOR CHARITABLE**
14 **PURPOSES.**

15 (a) IN GENERAL.—Subsection (d) of section 408 (re-
16 lating to individual retirement accounts) is amended by
17 adding at the end the following new paragraph:

18 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
19 POSES.—

20 “(A) IN GENERAL.—In the case of a quali-
21 fied charitable distribution, no amount shall be
22 includible in the gross income of the account
23 holder or beneficiary.

24 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
25

1 term ‘qualified charitable distribution’ means
2 any distribution from an individual retirement
3 account—

4 “(i) which is made on or after the
5 date that the individual for whose benefit
6 the account is maintained has attained age
7 70½, and

8 “(ii) which is a charitable contribution
9 (as defined in section 170(c)) made di-
10 rectly from the account to an organization
11 or entity described in section 170(c).

12 “(C) DENIAL OF DEDUCTION.—The
13 amount allowable as a deduction to the tax-
14 payer for the taxable year under section 170
15 (before the application of section 170(b)) for
16 qualified charitable distributions shall be re-
17 duced (but not below zero) by the sum of the
18 amounts of the qualified charitable distributions
19 during such year which (but for this paragraph)
20 would have been includible in the gross income
21 of the taxpayer for such year.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply to taxable years beginning after
24 December 31, 2000.

1 **SEC. 404. MODIFICATION OF AGI LIMITS FOR ROTH IRAS.**

2 (a) INCREASE IN AGI LIMIT FOR ROTH IRA CON-
3 TRIBUTIONS.—

4 (1) IN GENERAL.—Section 408A(c)(3)(C)(ii)
5 (relating to limits based on modified adjusted gross
6 income) is amended to read as follows:

7 “(ii) the applicable dollar amount is—
8 “(I) in the case of a taxpayer fil-
9 ing a joint return, \$190,000, and
10 “(II) in the case of any other
11 taxpayer, \$95,000.”.

12 (2) PHASEOUT AMOUNT.—Clause (ii) of section
13 408A(c)(3)(A) is amended to read as follows:

14 “(ii) \$15,000 (\$30,000 in the case of
15 a joint return).”.

16 (b) INCREASE IN AGI LIMIT FOR ROTH IRA CON-
17 VERSIONS.—Section 408A(c)(3)(B) (relating to rollover
18 from IRA) is amended by striking “relates” and all that
19 follows and inserting “relates, the taxpayer’s adjusted
20 gross income exceeds \$100,000 (\$200,000 in the case of
21 a joint return).”.

22 (c) CONFORMING AMENDMENT.—Section 408A(c)(3)
23 is amended by striking subparagraph (D).

24 (d) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to taxable years beginning after
26 December 31, 2000.

1 **Subtitle B—Expanding Coverage**

2 **SEC. 411. INCREASE IN BENEFIT AND CONTRIBUTION LIM-** 3 **ITS.**

4 (a) DEFINED BENEFIT PLANS.—

5 (1) DOLLAR LIMIT.—

6 (A) Subparagraph (A) of section 415(b)(1)
7 (relating to limitation for defined benefit plans)
8 is amended by striking “\$90,000” and inserting
9 “\$160,000”.

10 (B) Subparagraphs (C) and (D) of section
11 415(b)(2) are each amended by striking
12 “\$90,000” each place it appears in the head-
13 ings and the text and inserting “\$160,000”.

14 (C) Paragraph (7) of section 415(b) (relat-
15 ing to benefits under certain collectively bar-
16 gained plans) is amended by striking “the
17 greater of \$68,212 or one-half the amount oth-
18 erwise applicable for such year under paragraph
19 (1)(A) for ‘\$90,000’” and inserting “one-half
20 the amount otherwise applicable for such year
21 under paragraph (1)(A) for ‘\$160,000’”.

22 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
23 BEFORE AGE 62.—Subparagraph (C) of section
24 415(b)(2) is amended by striking “the social security
25 retirement age” each place it appears in the heading

1 and text and inserting “age 62” and by striking the
2 second sentence.

3 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
4 AFTER AGE 65.—Subparagraph (D) of section
5 415(b)(2) is amended by striking “the social security
6 retirement age” each place it appears in the heading
7 and text and inserting “age 65”.

8 (4) COST-OF-LIVING ADJUSTMENTS.—Sub-
9 section (d) of section 415 (related to cost-of-living
10 adjustments) is amended—

11 (A) by striking “\$90,000” in paragraph
12 (1)(A) and inserting “\$160,000”; and

13 (B) in paragraph (3)(A)—

14 (i) by striking “\$90,000” in the head-
15 ing and inserting “\$160,000”; and

16 (ii) by striking “October 1, 1986” and
17 inserting “July 1, 2000”.

18 (5) CONFORMING AMENDMENTS.—

19 (A) Section 415(b)(2) is amended by strik-
20 ing subparagraph (F).

21 (B) Section 415(b)(9) is amended to read
22 as follows:

23 “(9) SPECIAL RULE FOR COMMERCIAL AIR-
24 LINE PILOTS.—In the case of any participant
25 who is a commercial airline pilot, if, as of the

1 time of the participant’s retirement, regulations
2 prescribed by the Federal Aviation Administra-
3 tion require an individual to separate from serv-
4 ice as a commercial airline pilot after attaining
5 any age occurring on or after age 60 and before
6 age 62, paragraph (2)(C) shall be applied by
7 substituting such age for age 62.”.

8 (C) Section 415(b)(10)(C)(i) is amended
9 by striking “applied without regard to para-
10 graph (2)(F)”.

11 (b) DEFINED CONTRIBUTION PLANS.—

12 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
13 tion 415(c)(1) (relating to limitation for defined con-
14 tribution plans) is amended by striking “\$30,000”
15 and inserting “\$40,000”.

16 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-
17 section (d) of section 415 (related to cost-of-living
18 adjustments) is amended—

19 (A) by striking “\$30,000” in paragraph
20 (1)(C) and inserting “\$40,000”; and

21 (B) in paragraph (3)(D)—

22 (i) by striking “\$30,000” in the head-
23 ing and inserting “\$40,000”; and

24 (ii) by striking “October 1, 1993” and
25 inserting “July 1, 2000”.

1 (3) CONFORMING AMENDMENTS.—

2 (A) IN GENERAL.—Section 664(g)(3)(E)
3 (relating to plan requirements) is amended by
4 striking “limitations under section 415(c)(1)”
5 and inserting “applicable limitation under para-
6 graph (7)”.

7 (B) APPLICABLE LIMITATION.—Section
8 664(g) (relating to qualified gratuitous transfer
9 of qualified employer securities) is amended by
10 adding at the end the following new paragraph:

11 “(7) APPLICABLE LIMITATION.—

12 “(A) IN GENERAL.—For purposes of para-
13 graph (3)(E), the applicable limitation under
14 this paragraph with respect to a participant is
15 an amount equal to the lesser of—

16 “(i) \$30,000, or

17 “(ii) 25 percent of the participant’s
18 compensation (as defined in section
19 415(c)(3)).

20 “(B) COST-OF-LIVING ADJUSTMENT.—The
21 Secretary shall adjust annually the \$30,000
22 amount under subparagraph (A)(i) at the same
23 time and in the same manner as under section
24 415(d), except that the base period shall be the
25 calendar quarter beginning October 1, 1993,

1 and any increase under this subparagraph
2 which is not a multiple of \$5,000 shall be
3 rounded to the next lowest multiple of \$5,000.”.

4 (c) QUALIFIED TRUSTS.—

5 (1) COMPENSATION LIMIT.—Sections
6 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
7 amended by striking “\$150,000” each place it ap-
8 pears and inserting “\$200,000”.

9 (2) BASE PERIOD AND ROUNDING OF COST-OF-
10 LIVING ADJUSTMENT.—Subparagraph (B) of section
11 401(a)(17) is amended—

12 (A) by striking “October 1, 1993” and in-
13 serting “July 1, 2000”; and

14 (B) by striking “\$10,000” both places it
15 appears and inserting “\$5,000”.

16 (d) ELECTIVE DEFERRALS.—

17 (1) IN GENERAL.—Paragraph (1) of section
18 402(g) (relating to limitation on exclusion for elec-
19 tive deferrals) is amended to read as follows:

20 “(1) IN GENERAL.—

21 “(A) LIMITATION.—Notwithstanding sub-
22 sections (e)(3) and (h)(1)(B), the elective defer-
23 rals of any individual for any taxable year shall
24 be included in such individual’s gross income to
25 the extent the amount of such deferrals for the

1 taxable year exceeds the applicable dollar
 2 amount.

3 “(B) APPLICABLE DOLLAR AMOUNT.—For
 4 purposes of subparagraph (A), the applicable
 5 dollar amount shall be the amount determined
 6 in accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”.

7 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
 8 (5) of section 402(g) is amended to read as follows:

9 “(5) COST-OF-LIVING ADJUSTMENT.—In the
 10 case of taxable years beginning after December 31,
 11 2005, the Secretary shall adjust the \$15,000
 12 amount under paragraph (1)(B) at the same time
 13 and in the same manner as under section 415(d),
 14 except that the base period shall be the calendar
 15 quarter beginning July 1, 2004, and any increase
 16 under this paragraph which is not a multiple of
 17 \$500 shall be rounded to the next lowest multiple of
 18 \$500.”.

19 (3) CONFORMING AMENDMENTS.—

20 (A) Section 402(g) (relating to limitation
 21 on exclusion for elective deferrals), as amended

1 by paragraphs (1) and (2), is further amended
2 by striking paragraph (4) and redesignating
3 paragraphs (5), (6), (7), (8), and (9) as para-
4 graphs (4), (5), (6), (7), and (8), respectively.

5 (B) Paragraph (2) of section 457(c) is
6 amended by striking “402(g)(8)(A)(iii)” and in-
7 serting “402(g)(7)(A)(iii)”.

8 (C) Clause (iii) of section 501(c)(18)(D) is
9 amended by striking “(other than paragraph
10 (4) thereof)”.

11 (e) DEFERRED COMPENSATION PLANS OF STATE
12 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
13 ZATIONS.—

14 (1) IN GENERAL.—Section 457 (relating to de-
15 ferred compensation plans of State and local govern-
16 ments and tax-exempt organizations) is amended—

17 (A) in subsections (b)(2)(A) and (c)(1) by
18 striking “\$7,500” each place it appears and in-
19 serting “the applicable dollar amount”; and

20 (B) in subsection (b)(3)(A) by striking
21 “\$15,000” and inserting “twice the dollar
22 amount in effect under subsection (b)(2)(A)”.

23 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-
24 LIVING ADJUSTMENT.—Paragraph (15) of section
25 457(e) is amended to read as follows:

1 “(15) APPLICABLE DOLLAR AMOUNT.—

2 “(A) IN GENERAL.—The applicable dollar
 3 amount shall be the amount determined in ac-
 4 cordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

5 “(B) COST-OF-LIVING ADJUSTMENTS.—In
 6 the case of taxable years beginning after De-
 7 cember 31, 2005, the Secretary shall adjust the
 8 \$15,000 amount under subparagraph (A) at the
 9 same time and in the same manner as under
 10 section 415(d), except that the base period shall
 11 be the calendar quarter beginning July 1, 2004,
 12 and any increase under this paragraph which is
 13 not a multiple of \$500 shall be rounded to the
 14 next lowest multiple of \$500.”.

15 (f) SIMPLE RETIREMENT ACCOUNTS.—

16 (1) LIMITATION.—Clause (ii) of section
 17 408(p)(2)(A) (relating to general rule for qualified
 18 salary reduction arrangement) is amended by strik-
 19 ing “\$6,000” and inserting “the applicable dollar
 20 amount”.

1 (2) APPLICABLE DOLLAR AMOUNT.—Subpara-
 2 graph (E) of 408(p)(2) is amended to read as fol-
 3 lows:

4 “(E) APPLICABLE DOLLAR AMOUNT; COST-
 5 OF-LIVING ADJUSTMENT.—

6 “(i) IN GENERAL.—For purposes of
 7 subparagraph (A)(ii), the applicable dollar
 8 amount shall be the amount determined in
 9 accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

10 “(ii) COST-OF-LIVING ADJUSTMENT.—
 11 In the case of a year beginning after De-
 12 cember 31, 2004, the Secretary shall ad-
 13 just the \$10,000 amount under clause (i)
 14 at the same time and in the same manner
 15 as under section 415(d), except that the
 16 base period taken into account shall be the
 17 calendar quarter beginning July 1, 2003,
 18 and any increase under this subparagraph
 19 which is not a multiple of \$500 shall be
 20 rounded to the next lower multiple of
 21 \$500.”.

22 (3) CONFORMING AMENDMENTS.—

1 (A) Subclause (I) of section
2 401(k)(11)(B)(i) is amended by striking
3 “\$6,000” and inserting “the amount in effect
4 under section 408(p)(2)(A)(ii)”.

5 (B) Section 401(k)(11) is amended by
6 striking subparagraph (E).

7 (g) ROUNDING RULE RELATING TO DEFINED BEN-
8 EFIT PLANS AND DEFINED CONTRIBUTION PLANS.—
9 Paragraph (4) of section 415(d) is amended to read as
10 follows:

11 “(4) ROUNDING.—

12 “(A) \$160,000 AMOUNT.—Any increase
13 under subparagraph (A) of paragraph (1) which
14 is not a multiple of \$5,000 shall be rounded to
15 the next lowest multiple of \$5,000.

16 “(B) \$40,000 AMOUNT.—Any increase
17 under subparagraph (C) of paragraph (1) which
18 is not a multiple of \$1,000 shall be rounded to
19 the next lowest multiple of \$1,000.”.

20 (h) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to years beginning after December
22 31, 2000.

1 **SEC. 412. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
2 **NERS, AND SOLE PROPRIETORS.**

3 (a) IN GENERAL.—Subparagraph (B) of section
4 4975(f)(6) (relating to exemptions not to apply to certain
5 transactions) is amended by adding at the end the fol-
6 lowing new clause:

7 “(iii) LOAN EXCEPTION.—For pur-
8 poses of subparagraph (A)(i), the term
9 ‘owner-employee’ shall only include a per-
10 son described in subclause (II) or (III) of
11 clause (i).”.

12 (b) AMENDMENT OF ERISA.—Section 408(d)(2) of
13 the Employee Retirement Income Security Act of 1974
14 (29 U.S.C. 1108(d)(2)) is amended by adding at the end
15 the following new subparagraph:

16 “(C) For purposes of paragraph (1)(A), the term
17 ‘owner-employee’ shall only include a person described in
18 clause (ii) or (iii) of subparagraph (A).”.

19 (c) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to years beginning after December
21 31, 2000.

22 **SEC. 413. MODIFICATION OF TOP-HEAVY RULES.**

23 (a) SIMPLIFICATION OF DEFINITION OF KEY EM-
24 PLOYEE.—

25 (1) IN GENERAL.—Section 416(i)(1)(A) (defin-
26 ing key employee) is amended—

1 (A) by striking “or any of the 4 preceding
2 plan years” in the matter preceding clause (i);

3 (B) by striking clause (i) and inserting the
4 following:

5 “(i) an officer of the employer having
6 an annual compensation greater than
7 \$115,000,”;

8 (C) by striking clause (ii) and redesignig-
9 nating clauses (iii) and (iv) as clauses (ii) and
10 (iii), respectively; and

11 (D) by striking the second sentence in the
12 matter following clause (iii), as redesignated by
13 subparagraph (C).

14 (2) COST-OF-LIVING ADJUSTMENT.—Section
15 416(i)(1) is amended by adding at the end the fol-
16 lowing new subparagraph:

17 “(E) COST-OF-LIVING ADJUSTMENT.—In
18 the case of a year beginning after December 31,
19 2001, the Secretary shall adjust the \$115,000
20 amount under subparagraph (A)(i) at the same
21 time and in the same manner as under section
22 415(d), except that the base period taken into
23 account shall be the calendar quarter beginning
24 July 1, 2000, and any increase under this sub-
25 paragraph which is not a multiple of \$5,000

1 shall be rounded to the next lower multiple of
2 \$5,000.”.

3 (3) CONFORMING AMENDMENT.—Section
4 416(i)(1)(B)(iii) is amended by striking “and sub-
5 paragraph (A)(ii)”.

6 (b) MATCHING CONTRIBUTIONS TAKEN INTO AC-
7 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
8 Section 416(c)(2)(A) (relating to defined contribution
9 plans) is amended by adding at the end the following:
10 “Employer matching contributions (as defined in section
11 401(m)(4)(A)) shall be taken into account for purposes
12 of this subparagraph.”.

13 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE
14 DETERMINATION DATE TAKEN INTO ACCOUNT.—

15 (1) IN GENERAL.—Paragraph (3) of section
16 416(g) is amended to read as follows:

17 “(3) DISTRIBUTIONS DURING LAST YEAR BE-
18 FORE DETERMINATION DATE TAKEN INTO AC-
19 COUNT.—

20 “(A) IN GENERAL.—For purposes of
21 determining—

22 “(i) the present value of the cumu-
23 lative accrued benefit for any employee, or

24 “(ii) the amount of the account of any
25 employee,

1 such present value or amount shall be increased
2 by the aggregate distributions made with re-
3 spect to such employee under the plan during
4 the 1-year period ending on the determination
5 date. The preceding sentence shall also apply to
6 distributions under a terminated plan which if
7 it had not been terminated would have been re-
8 quired to be included in an aggregation group.

9 “(B) 5-YEAR PERIOD IN CASE OF IN-SERV-
10 ICE DISTRIBUTION.—In the case of any dis-
11 tribution made for a reason other than separa-
12 tion from service, death, or disability, subpara-
13 graph (A) shall be applied by substituting ‘5-
14 year period’ for ‘1-year period’.”

15 (2) BENEFITS NOT TAKEN INTO ACCOUNT.—

16 Subparagraph (E) of section 416(g)(4) is
17 amended—

18 (A) by striking “LAST 5 YEARS” in the
19 heading and inserting “LAST YEAR BEFORE DE-
20 TERMINATION DATE”; and

21 (B) by striking “5-year period” and insert-
22 ing “1-year period”.

23 (d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph
24 (4) of section 416(g) (relating to other special rules for

1 top-heavy plans) is amended by adding at the end the fol-
 2 lowing new subparagraph:

3 “(H) CASH OR DEFERRED ARRANGEMENTS
 4 USING ALTERNATIVE METHODS OF MEETING
 5 NONDISCRIMINATION REQUIREMENTS.—The
 6 term ‘top-heavy plan’ shall not include a plan
 7 which consists solely of—

8 “(i) a cash or deferred arrangement
 9 which meets the requirements of section
 10 401(k)(12), and

11 “(ii) matching contributions with re-
 12 spect to which the requirements of section
 13 401(m)(11) are met.

14 If, but for this subparagraph, a plan would be
 15 treated as a top-heavy plan because it is a
 16 member of an aggregation group which is a top-
 17 heavy group, contributions under the plan may
 18 be taken into account in determining whether
 19 any other plan in the group meets the require-
 20 ments of subsection (c)(2).”.

21 (e) FROZEN PLAN EXEMPT FROM MINIMUM BEN-
 22 EFIT REQUIREMENT.—Subparagraph (C) of section
 23 416(c)(1) (relating to defined benefit plans) is amended—

24 (A) by striking “clause (ii)” in clause (i)
 25 and inserting “clause (ii) or (iii)”; and

1 (B) by adding at the end the following:

2 “(iii) EXCEPTION FOR FROZEN
3 PLAN.—For purposes of determining an
4 employee’s years of service with the em-
5 ployer, any service with the employer shall
6 be disregarded to the extent that such
7 service occurs during a plan year when the
8 plan benefits (within the meaning of sec-
9 tion 410(b)) no key employee or former
10 key employee.”.

11 (f) ELIMINATION OF FAMILY ATTRIBUTION.—Sec-
12 tion 416(i)(1)(B) (defining 5-percent owner) is amended
13 by adding at the end the following new clause:

14 “(iv) FAMILY ATTRIBUTION DIS-
15 REGARDED.—Solely for purposes of apply-
16 ing this paragraph (and not for purposes
17 of any provision of this title which incor-
18 porates by reference the definition of a key
19 employee or 5-percent owner under this
20 paragraph), section 318 shall be applied
21 without regard to subsection (a)(1) thereof
22 in determining whether any person is a 5-
23 percent owner.”.

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 2000.

4 **SEC. 414. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
5 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
6 **ITS.**

7 (a) IN GENERAL.—Section 404 (relating to deduction
8 for contributions of an employer to an employees' trust
9 or annuity plan and compensation under a deferred pay-
10 ment plan) is amended by adding at the end the following
11 new subsection:

12 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
13 COUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective
14 deferrals (as defined in section 402(g)(3)) shall not be
15 subject to any limitation contained in paragraph (3), (7),
16 or (9) of subsection (a), and such elective deferrals shall
17 not be taken into account in applying any such limitation
18 to any other contributions.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to years beginning after December
21 31, 2000.

1 **SEC. 415. REPEAL OF COORDINATION REQUIREMENTS FOR**
2 **DEFERRED COMPENSATION PLANS OF STATE**
3 **AND LOCAL GOVERNMENTS AND TAX-EX-**
4 **EMPT ORGANIZATIONS.**

5 (a) IN GENERAL.—Subsection (c) of section 457 (re-
6 lating to deferred compensation plans of State and local
7 governments and tax-exempt organizations), as amended
8 by section 411, is amended to read as follows:

9 “(c) LIMITATION.—The maximum amount of the
10 compensation of any one individual which may be deferred
11 under subsection (a) during any taxable year shall not ex-
12 ceed the amount in effect under subsection (b)(2)(A) (as
13 modified by any adjustment provided under subsection
14 (b)(3)).”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to years beginning after Decem-
17 ber 31, 2000.

18 **SEC. 416. ELIMINATION OF USER FEE FOR REQUESTS TO**
19 **IRS REGARDING PENSION PLANS.**

20 (a) ELIMINATION OF CERTAIN USER FEES.—The
21 Secretary of the Treasury or the Secretary’s delegate shall
22 not require payment of user fees under the program estab-
23 lished under section 10511 of the Revenue Act of 1987
24 for requests to the Internal Revenue Service for deter-
25 mination letters with respect to the qualified status of a
26 pension benefit plan maintained solely by one or more eli-

1 gible employers or any trust which is part of the plan.

2 The preceding sentence shall not apply to any request—

3 (1) made after the later of—

4 (A) the fifth plan year the pension benefit
5 plan is in existence; or

6 (B) the end of any remedial amendment
7 period with respect to the plan beginning within
8 the first 5 plan years; or

9 (2) made by the sponsor of any prototype or
10 similar plan which the sponsor intends to market to
11 participating employers.

12 (b) PENSION BENEFIT PLAN.—For purposes of this
13 section, the term “pension benefit plan” means a pension,
14 profit-sharing, stock bonus, annuity, or employee stock
15 ownership plan.

16 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-
17 tion, the term “eligible employer” has the same meaning
18 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
19 nal Revenue Code of 1986. The determination of whether
20 an employer is an eligible employer under this section shall
21 be made as of the date of the request described in sub-
22 section (a).

23 (d) DETERMINATION OF AVERAGE FEES
24 CHARGED.—For purposes of any determination of average

1 fees charged, any request to which subsection (a) applies
2 shall not be taken into account.

3 (e) EFFECTIVE DATE.—The provisions of this section
4 shall apply with respect to requests made after December
5 31, 2000.

6 **SEC. 417. DEDUCTION LIMITS.**

7 (a) MODIFICATION OF LIMITS.—

8 (1) STOCK BONUS AND PROFIT SHARING
9 TRUSTS.—

10 (A) IN GENERAL.—Subclause (I) of section
11 404(a)(3)(A)(i) (relating to stock bonus and
12 profit sharing trusts) is amended by striking
13 “15 percent” and inserting “25 percent”.

14 (B) CONFORMING AMENDMENT.—Subpara-
15 graph (C) of section 404(h)(1) is amended by
16 striking “15 percent” each place it appears and
17 inserting “25 percent”.

18 (2) DEFINED CONTRIBUTION PLANS.—

19 (A) IN GENERAL.—Clause (v) of section
20 404(a)(3)(A) (relating to stock bonus and profit
21 sharing trusts) is amended to read as follows:

22 “(v) DEFINED CONTRIBUTION PLANS
23 SUBJECT TO THE FUNDING STANDARDS.—

24 Except as provided by the Secretary, a de-
25 fined contribution plan which is subject to

1 the funding standards of section 412 shall
2 be treated in the same manner as a stock
3 bonus or profit-sharing plan for purposes
4 of this subparagraph.”.

5 (B) CONFORMING AMENDMENTS.—

6 (i) Section 404(a)(1)(A) is amended
7 by inserting “(other than a trust to which
8 paragraph (3) applies)” after “pension
9 trust”.

10 (ii) Section 404(h)(2) is amended by
11 striking “stock bonus or profit-sharing
12 trust” and inserting “trust subject to sub-
13 section (a)(3)(A)”.

14 (iii) The heading of section 404(h)(2)
15 is amended by striking “STOCK BONUS
16 AND PROFIT-SHARING TRUST” and insert-
17 ing “CERTAIN TRUSTS”.

18 (b) COMPENSATION.—

19 (1) IN GENERAL.—Section 404(a) (relating to
20 general rule) is amended by adding at the end the
21 following:

22 “(12) DEFINITION OF COMPENSATION.—For
23 purposes of paragraphs (3), (7), (8), and (9), the
24 term ‘compensation’ shall include amounts treated

1 as participant's compensation under subparagraph
2 (C) or (D) of section 415(c)(3).”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subparagraph (B) of section 404(a)(3)
5 is amended by striking the last sentence there-
6 of.

7 (B) Clause (i) of section 4972(e)(6)(B) is
8 amended by striking “(within the meaning of
9 section 404(a))” and inserting “(within the
10 meaning of section 404(a) and as adjusted
11 under section 404(a)(12))”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to years beginning after December
14 31, 2000.

15 **SEC. 418. OPTION TO TREAT ELECTIVE DEFERRALS AS**
16 **AFTER-TAX ROTH CONTRIBUTIONS.**

17 (a) IN GENERAL.—Subpart A of part I of subchapter
18 D of chapter 1 (relating to deferred compensation, etc.)
19 is amended by inserting after section 402 the following
20 new section:

21 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
22 **RALS AS ROTH CONTRIBUTIONS.**

23 “(a) GENERAL RULE.—If an applicable retirement
24 plan includes a qualified Roth contribution program—

1 “(1) any designated Roth contribution made by
2 an employee pursuant to the program shall be treat-
3 ed as an elective deferral for purposes of this chap-
4 ter, except that such contribution shall not be ex-
5 cludable from gross income, and

6 “(2) such plan (and any arrangement which is
7 part of such plan) shall not be treated as failing to
8 meet any requirement of this chapter solely by rea-
9 son of including such program.

10 “(b) QUALIFIED ROTH CONTRIBUTION PROGRAM.—

11 For purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified Roth
13 contribution program’ means a program under which
14 an employee may elect to make designated Roth con-
15 tributions in lieu of all or a portion of elective defer-
16 rals the employee is otherwise eligible to make under
17 the applicable retirement plan.

18 “(2) SEPARATE ACCOUNTING REQUIRED.—A
19 program shall not be treated as a qualified Roth
20 contribution program unless the applicable retire-
21 ment plan—

22 “(A) establishes separate accounts (‘des-
23 ignated Roth accounts’) for the designated Roth
24 contributions of each employee and any earn-
25 ings properly allocable to the contributions, and

1 “(B) maintains separate recordkeeping
2 with respect to each account.

3 “(c) DEFINITIONS AND RULES RELATING TO DES-
4 IGNATED ROTH CONTRIBUTIONS.—For purposes of this
5 section—

6 “(1) DESIGNATED ROTH CONTRIBUTION.—The
7 term ‘designated Roth contribution’ means any elec-
8 tive deferral which—

9 “(A) is excludable from gross income of an
10 employee without regard to this section, and

11 “(B) the employee designates (at such time
12 and in such manner as the Secretary may pre-
13 scribe) as not being so excludable.

14 “(2) DESIGNATION LIMITS.—The amount of
15 elective deferrals which an employee may designate
16 under paragraph (1) shall not exceed the excess (if
17 any) of—

18 “(A) the maximum amount of elective de-
19 ferrals excludable from gross income of the em-
20 ployee for the taxable year (without regard to
21 this section), over

22 “(B) the aggregate amount of elective de-
23 ferrals of the employee for the taxable year
24 which the employee does not designate under
25 paragraph (1).

1 “(3) ROLLOVER CONTRIBUTIONS.—

2 “(A) IN GENERAL.—A rollover contribu-
3 tion of any payment or distribution from a des-
4 ignated Roth account which is otherwise allow-
5 able under this chapter may be made only if the
6 contribution is to—

7 “(i) another designated Roth account
8 of the individual from whose account the
9 payment or distribution was made, or

10 “(ii) a Roth IRA of such individual.

11 “(B) COORDINATION WITH LIMIT.—Any
12 rollover contribution to a designated Roth ac-
13 count under subparagraph (A) shall not be
14 taken into account for purposes of paragraph
15 (1).

16 “(d) DISTRIBUTION RULES.—For purposes of this
17 title—

18 “(1) EXCLUSION.—Any qualified distribution
19 from a designated Roth account shall not be includ-
20 ible in gross income.

21 “(2) QUALIFIED DISTRIBUTION.—For purposes
22 of this subsection—

23 “(A) IN GENERAL.—The term ‘qualified
24 distribution’ has the meaning given such term

1 by section 408A(d)(2)(A) (without regard to
2 clause (iv) thereof).

3 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
4 SION PERIOD.—A payment or distribution from
5 a designated Roth account shall not be treated
6 as a qualified distribution if such payment or
7 distribution is made within the 5-taxable-year
8 period beginning with the earlier of—

9 “(i) the first taxable year for which
10 the individual made a designated Roth con-
11 tribution to any designated Roth account
12 established for such individual under the
13 same applicable retirement plan, or

14 “(ii) if a rollover contribution was
15 made to such designated Roth account
16 from a designated Roth account previously
17 established for such individual under an-
18 other applicable retirement plan, the first
19 taxable year for which the individual made
20 a designated Roth contribution to such
21 previously established account.

22 “(C) DISTRIBUTIONS OF EXCESS DEFER-
23 RALS AND CONTRIBUTIONS AND EARNINGS
24 THEREON.—The term ‘qualified distribution’
25 shall not include any distribution of any excess

1 deferral under section 402(g)(2) or any excess
2 contribution under section 401(k)(8), and any
3 income on the excess deferral or contribution.

4 “(3) TREATMENT OF DISTRIBUTIONS OF CER-
5 TAIN EXCESS DEFERRALS.—Notwithstanding section
6 72, if any excess deferral under section 402(g)(2) at-
7 tributable to a designated Roth contribution is not
8 distributed on or before the 1st April 15 following
9 the close of the taxable year in which such excess de-
10 ferral is made, the amount of such excess deferral
11 shall—

12 “(A) not be treated as investment in the
13 contract, and

14 “(B) be included in gross income for the
15 taxable year in which such excess is distributed.

16 “(4) AGGREGATION RULES.—Section 72 shall
17 be applied separately with respect to distributions
18 and payments from a designated Roth account and
19 other distributions and payments from the plan.

20 “(e) OTHER DEFINITIONS.—For purposes of this
21 section—

22 “(1) APPLICABLE RETIREMENT PLAN.—The
23 term ‘applicable retirement plan’ means—

1 “(A) an employees’ trust described in sec-
2 tion 401(a) which is exempt from tax under
3 section 501(a), and

4 “(B) a plan under which amounts are con-
5 tributed by an individual’s employer for an an-
6 nuity contract described in section 403(b).

7 “(2) ELECTIVE DEFERRAL.—The term ‘elective
8 deferral’ means any elective deferral described in
9 subparagraph (A) or (C) of section 402(g)(3).”.

10 (b) EXCESS DEFERRALS.—Section 402(g) (relating
11 to limitation on exclusion for elective deferrals) is
12 amended—

13 (1) by adding at the end of paragraph (1)(A)
14 (as added by section 201(d)(1)) the following new
15 sentence: “The preceding sentence shall not apply to
16 the portion of such excess as does not exceed the
17 designated Roth contributions of the individual for
18 the taxable year.”; and

19 (2) by inserting “(or would be included but for
20 the last sentence thereof)” after “paragraph (1)” in
21 paragraph (2)(A).

22 (c) ROLLOVERS.—Subparagraph (B) of section
23 402(e)(8) is amended by adding at the end the following:

24 “If any portion of an eligible rollover distribu-
25 tion is attributable to payments or distributions

1 from a designated Roth account (as defined in
2 section 402A), an eligible retirement plan with
3 respect to such portion shall include only an-
4 other designated Roth account and a Roth
5 IRA.”.

6 (d) REPORTING REQUIREMENTS.—

7 (1) W-2 INFORMATION.—Section 6051(a)(8) is
8 amended by inserting “, including the amount of
9 designated Roth contributions (as defined in section
10 402A)” before the comma at the end.

11 (2) INFORMATION.—Section 6047 is amended
12 by redesignating subsection (f) as subsection (g) and
13 by inserting after subsection (e) the following new
14 subsection:

15 “(f) DESIGNATED ROTH CONTRIBUTIONS.—The Sec-
16 retary shall require the plan administrator of each applica-
17 ble retirement plan (as defined in section 402A) to make
18 such returns and reports regarding designated Roth con-
19 tributions (as defined in section 402A) to the Secretary,
20 participants and beneficiaries of the plan, and such other
21 persons as the Secretary may prescribe.”.

22 (e) CONFORMING AMENDMENTS.—

23 (1) Section 408A(e) is amended by adding after
24 the first sentence the following new sentence: “Such

1 term includes a rollover contribution described in
2 section 402A(c)(3)(A).”.

3 (2) The table of sections for subpart A of part
4 I of subchapter D of chapter 1 is amended by insert-
5 ing after the item relating to section 402 the fol-
6 lowing new item:

“Sec. 402A. Optional treatment of elective deferrals as Roth con-
tributions.”.

7 (f) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2000.

10 **Subtitle C—Enhancing Fairness** 11 **For Women**

12 **SEC. 421. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS** 13 **AGE 50 OR OVER.**

14 (a) IN GENERAL.—Section 414 (relating to defini-
15 tions and special rules) is amended by adding at the end
16 the following new subsection:

17 “(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS
18 AGE 50 OR OVER.—

19 “(1) IN GENERAL.—An applicable employer
20 plan shall not be treated as failing to meet any re-
21 quirement of this title solely because the plan per-
22 mits an eligible participant to make additional elec-
23 tive deferrals in any plan year.

1 “(2) LIMITATION ON AMOUNT OF ADDITIONAL
2 DEFERRALS.—

3 “(A) IN GENERAL.—A plan shall not per-
4 mit additional elective deferrals under para-
5 graph (1) for any year in an amount greater
6 than the lesser of—

7 “(i) the applicable deferral amount, or

8 “(ii) the excess (if any) of—

9 “(I) the participant’s compensa-
10 tion for the year, over

11 “(II) any other elective deferrals
12 of the participant for such year which
13 are made without regard to this sub-
14 section.

15 “(B) APPLICABLE DEFERRAL AMOUNT;
16 COST-OF-LIVING ADJUSTMENT.—

17 “(i) IN GENERAL.—For purposes of
18 subparagraph (A)(i), the applicable defer-
19 ral amount shall be the amount determined
20 in accordance with the following table:

“For taxable years beginning in calendar year:	The applicable deferral amount:
2001	\$1,000
2002	\$2,000
2003	\$3,000
2004	\$4,000
2005 or thereafter	\$5,000.

1 “(ii) COST-OF-LIVING ADJUSTMENT.—

2 In the case of a year beginning after De-
3 cember 31, 2005, the Secretary shall ad-
4 just the \$5,000 amount under clause (i) at
5 the same time and in the same manner as
6 under section 415(d), except that the base
7 period taken into account shall be the cal-
8 endar quarter beginning July 1, 2004, and
9 any increase under this subparagraph
10 which is not a multiple of \$500 shall be
11 rounded to the next lower multiple of
12 \$500.

13 “(3) TREATMENT OF CONTRIBUTIONS.—In the
14 case of any contribution to a plan under paragraph
15 (1), such contribution shall not, with respect to the
16 year in which the contribution is made—

17 “(A) be subject to any otherwise applicable
18 limitation contained in section 402(g),
19 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii),
20 415, or 457, or

21 “(B) be taken into account in applying
22 such limitations to other contributions or bene-
23 fits under such plan or any other such plan.

24 “(4) APPLICATION OF NONDISCRIMINATION
25 RULES.—

1 “(A) IN GENERAL.—An applicable em-
2 ployer plan shall not be treated as failing to
3 meet the nondiscrimination requirements under
4 section 401(a)(4) with respect to benefits,
5 rights, and features if the plan allows all eligi-
6 ble participants to make the same election with
7 respect to the additional elective deferrals under
8 this subsection.

9 “(B) AGGREGATION.—For purposes of
10 subparagraph (A), all plans maintained by em-
11 ployers who are treated as a single employer
12 under subsection (b), (c), (m), or (o) of section
13 414 shall be treated as 1 plan.

14 “(5) ELIGIBLE PARTICIPANT.—For purposes of
15 this subsection, the term ‘eligible participant’ means,
16 with respect to any plan year, a participant in a
17 plan—

18 “(A) who has attained the age of 50 before
19 the close of the plan year, and

20 “(B) with respect to whom no other elec-
21 tive deferrals may (without regard to this sub-
22 section) be made to the plan for the plan year
23 by reason of the application of any limitation or
24 other restriction described in paragraph (3) or

1 any comparable limitation contained in the
2 terms of the plan.

3 “(6) OTHER DEFINITIONS AND RULES.—For
4 purposes of this subsection—

5 “(A) APPLICABLE EMPLOYER PLAN.—The
6 term ‘applicable employer plan’ means—

7 “(i) an employees’ trust described in
8 section 401(a) which is exempt from tax
9 under section 501(a),

10 “(ii) a plan under which amounts are
11 contributed by an individual’s employer for
12 an annuity contract described in section
13 403(b),

14 “(iii) an eligible deferred compensa-
15 tion plan under section 457 of an eligible
16 employer as defined in section
17 457(e)(1)(A), and

18 “(iv) an arrangement meeting the re-
19 quirements of section 408 (k) or (p).

20 “(B) ELECTIVE DEFERRAL.—The term
21 ‘elective deferral’ has the meaning given such
22 term by subsection (u)(2)(C).

23 “(C) EXCEPTION FOR SECTION 457
24 PLANS.—This subsection shall not apply to an
25 applicable employer plan described in subpara-

1 graph (A)(iii) for any year to which section
2 457(b)(3) applies.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to contributions in taxable years
5 beginning after December 31, 2000.

6 **SEC. 422. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
7 **EMPLOYEES TO DEFINED CONTRIBUTION**
8 **PLANS.**

9 (a) EQUITABLE TREATMENT.—

10 (1) IN GENERAL.—Subparagraph (B) of section
11 415(c)(1) (relating to limitation for defined con-
12 tribution plans) is amended by striking “25 percent”
13 and inserting “100 percent”.

14 (2) APPLICATION TO SECTION 403(b).—Section
15 403(b) is amended—

16 (A) by striking “the exclusion allowance
17 for such taxable year” in paragraph (1) and in-
18 serting “the applicable limit under section
19 415”;

20 (B) by striking paragraph (2); and

21 (C) by inserting “or any amount received
22 by a former employee after the fifth taxable
23 year following the taxable year in which such
24 employee was terminated” before the period at

1 the end of the second sentence of paragraph
2 (3).

3 (3) CONFORMING AMENDMENTS.—

4 (A) Subsection (f) of section 72 is amend-
5 ed by striking “section 403(b)(2)(D)(iii)” and
6 inserting “section 403(b)(2)(D)(iii), as in effect
7 before the enactment of the Retirement Savings
8 and Pension Coverage Act of 2000”.

9 (B) Section 404(a)(10)(B) is amended by
10 striking “, the exclusion allowance under sec-
11 tion 403(b)(2),”.

12 (C) Section 415(a)(2) is amended by strik-
13 ing “, and the amount of the contribution for
14 such portion shall reduce the exclusion allow-
15 ance as provided in section 403(b)(2)”.

16 (D) Section 415(c)(3) is amended by add-
17 ing at the end the following new subparagraph:

18 “(E) ANNUITY CONTRACTS.—In the case
19 of an annuity contract described in section
20 403(b), the term ‘participant’s compensation’
21 means the participant’s includible compensation
22 determined under section 403(b)(3).”.

23 (E) Section 415(c) is amended by striking
24 paragraph (4).

1 (F) Section 415(c)(7) is amended to read
2 as follows:

3 “(7) CERTAIN CONTRIBUTIONS BY CHURCH
4 PLANS NOT TREATED AS EXCEEDING LIMIT.—

5 “(A) IN GENERAL.—Notwithstanding any
6 other provision of this subsection, at the elec-
7 tion of a participant who is an employee of a
8 church or a convention or association of church-
9 es, including an organization described in sec-
10 tion 414(e)(3)(B)(ii), contributions and other
11 additions for an annuity contract or retirement
12 income account described in section 403(b) with
13 respect to such participant, when expressed as
14 an annual addition to such participant’s ac-
15 count, shall be treated as not exceeding the lim-
16 itation of paragraph (1) if such annual addition
17 is not in excess of \$10,000.

18 “(B) \$40,000 AGGREGATE LIMITATION.—
19 The total amount of additions with respect to
20 any participant which may be taken into ac-
21 count for purposes of this subparagraph for all
22 years may not exceed \$40,000.

23 “(C) ANNUAL ADDITION.—For purposes of
24 this paragraph, the term ‘annual addition’ has

1 the meaning given such term by paragraph
2 (2).”.

3 (G) Subparagraph (B) of section 402(g)(7)
4 (as redesignated by section 201(d)(3)(A)) is
5 amended by inserting before the period at the
6 end the following: “(as in effect before the en-
7 actment of the Retirement Savings and Pension
8 Coverage Act of 2000)”.

9 (3) EFFECTIVE DATE.—The amendments made
10 by this subsection shall apply to years beginning
11 after December 31, 2000.

12 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
13 408.—

14 (1) IN GENERAL.—Subsection (k) of section
15 415 is amended by adding at the end the following
16 new paragraph:

17 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
18 408.—For purposes of this section, any annuity con-
19 tract described in section 403(b) for the benefit of
20 a participant shall be treated as a defined contribu-
21 tion plan maintained by each employer with respect
22 to which the participant has the control required
23 under subsection (b) or (c) of section 414 (as modi-
24 fied by subsection (h)). For purposes of this section,
25 any contribution by an employer to a simplified em-

1 ployee pension plan for an individual for a taxable
2 year shall be treated as an employer contribution to
3 a defined contribution plan for such individual for
4 such year.”.

5 (2) EFFECTIVE DATE.—

6 (A) IN GENERAL.—The amendment made
7 by paragraph (1) shall apply to limitation years
8 beginning after December 31, 1999.

9 (B) EXCLUSION ALLOWANCE.—Effective
10 for limitation years beginning in 2000, in the
11 case of any annuity contract described in sec-
12 tion 403(b) of the Internal Revenue Code of
13 1986, the amount of the contribution disquali-
14 fied by reason of section 415(g) of such Code
15 shall reduce the exclusion allowance as provided
16 in section 403(b)(2) of such Code.

17 (3) MODIFICATION OF 403(b) EXCLUSION AL-
18 LOWANCE TO CONFORM TO 415 MODIFICATION.—The
19 Secretary of the Treasury shall modify the regula-
20 tions regarding the exclusion allowance under section
21 403(b)(2) of the Internal Revenue Code of 1986 to
22 render void the requirement that contributions to a
23 defined benefit pension plan be treated as previously
24 excluded amounts for purposes of the exclusion al-
25 lowance. For taxable years beginning after Decem-

1 ber 31, 1999, such regulations shall be applied as if
2 such requirement were void.

3 (c) DEFERRED COMPENSATION PLANS OF STATE
4 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
5 ZATIONS.—

6 (1) IN GENERAL.—Subparagraph (B) of section
7 457(b)(2) (relating to salary limitation on eligible
8 deferred compensation plans) is amended by striking
9 “33 $\frac{1}{3}$ percent” and inserting “100 percent”.

10 (2) EFFECTIVE DATE.—The amendment made
11 by this subsection shall apply to years beginning
12 after December 31, 2000.

13 **SEC. 423. FASTER VESTING OF CERTAIN EMPLOYER**
14 **MATCHING CONTRIBUTIONS.**

15 (a) IN GENERAL.—Section 411(a) (relating to min-
16 imum vesting standards) is amended—

17 (1) in paragraph (2), by striking “A plan” and
18 inserting “Except as provided in paragraph (12), a
19 plan”; and

20 (2) by adding at the end the following:

21 “(12) FASTER VESTING FOR MATCHING CON-
22 TRIBUTIONS.—In the case of matching contributions
23 (as defined in section 401(m)(4)(A)), paragraph (2)
24 shall be applied—

1 “(A) by substituting ‘3 years’ for ‘5 years’
2 in subparagraph (A), and

3 “(B) by substituting the following table for
4 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”.

5 (b) AMENDMENT OF ERISA.—Section 203(a) of the
6 Employee Retirement Income Security Act of 1974 (29
7 U.S.C. 1053(a)) is amended—

8 (1) in paragraph (2), by striking “A plan” and
9 inserting “Except as provided in paragraph (4), a
10 plan”, and

11 (2) by adding at the end the following:

12 “(4) In the case of matching contributions (as
13 defined in section 401(m)(4)(A) of the Internal Rev-
14 enue Code of 1986), paragraph (2) shall be
15 applied—

16 “(A) by substituting ‘3 years’ for ‘5 years’
17 in subparagraph (A), and

18 “(B) by substituting the following table for
19 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60

5	80
6	100.”.

1 (c) EFFECTIVE DATES.—

2 (1) IN GENERAL.—Except as provided in para-
 3 graph (2), the amendments made by this section
 4 shall apply to contributions for plan years beginning
 5 after December 31, 2000.

6 (2) COLLECTIVE BARGAINING AGREEMENTS.—

7 In the case of a plan maintained pursuant to one or
 8 more collective bargaining agreements between em-
 9 ployee representatives and one or more employers
 10 ratified by the date of the enactment of this Act, the
 11 amendments made by this section shall not apply to
 12 contributions on behalf of employees covered by any
 13 such agreement for plan years beginning before the
 14 earlier of—

15 (A) the later of—

16 (i) the date on which the last of such
 17 collective bargaining agreements termi-
 18 nates (determined without regard to any
 19 extension thereof on or after such date of
 20 the enactment); or

21 (ii) January 1, 2001; or

22 (B) January 1, 2005.

23 (3) SERVICE REQUIRED.—With respect to any
 24 plan, the amendments made by this section shall not

1 apply to any employee before the date that such em-
2 ployee has 1 hour of service under such plan in any
3 plan year to which the amendments made by this
4 section apply.

5 **SEC. 424. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBU-**
6 **TION RULES.**

7 (a) SIMPLIFICATION AND FINALIZATION OF MIN-
8 IMUM DISTRIBUTION REQUIREMENTS.—

9 (1) IN GENERAL.—The Secretary of the Treas-
10 ury shall—

11 (A) simplify and finalize the regulations re-
12 lating to minimum distribution requirements
13 under sections 401(a)(9), 408(a)(6) and (b)(3),
14 403(b)(10), and 457(d)(2) of the Internal Rev-
15 enue Code of 1986; and

16 (B) modify such regulations to—

17 (i) reflect current life expectancy; and

18 (ii) revise the required distribution
19 methods so that, under reasonable assump-
20 tions, the amount of the required minimum
21 distribution does not decrease over a par-
22 ticipant's life expectancy.

23 (2) FRESH START.—Notwithstanding subpara-
24 graph (D) of section 401(a)(9) of such Code, during
25 the first year that regulations are in effect under

1 this subsection, required distributions for future
2 years may be redetermined to reflect changes under
3 such regulations. Such redetermination shall include
4 the opportunity to choose a new designated bene-
5 ficiary and to elect a new method of calculating life
6 expectancy.

7 (3) DATE FOR REGULATIONS.—Not later than
8 December 31, 2001, the Secretary shall issue final
9 regulations described in paragraph (1) and such reg-
10 ulations shall apply without regard to whether an in-
11 dividual had previously begun receiving minimum
12 distributions.

13 (b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
14 BEGUN BEFORE DEATH OCCURS.—

15 (1) IN GENERAL.—Subparagraph (B) of section
16 401(a)(9) is amended by striking clause (i) and re-
17 designating clauses (ii), (iii), and (iv) as clauses (i),
18 (ii), and (iii), respectively.

19 (2) CONFORMING CHANGES.—

20 (A) Clause (i) of section 401(a)(9)(B) (as
21 so redesignated) is amended—

22 (i) by striking “FOR OTHER CASES” in
23 the heading; and

24 (ii) by striking “the distribution of the
25 employee’s interest has begun in accord-

1 ance with subparagraph (A)(ii)” and in-
2 serting “his entire interest has been dis-
3 tributed to him”.

4 (B) Clause (ii) of section 401(a)(9)(B) (as
5 so redesignated) is amended by striking “clause
6 (ii)” and inserting “clause (i)”.

7 (C) Clause (iii) of section 401(a)(9)(B) (as
8 so redesignated) is amended—

9 (i) by striking “clause (iii)(I)” and in-
10 serting “clause (ii)(I)”;

11 (ii) by striking “clause (iii)(III)” in
12 subclause (I) and inserting “clause
13 (ii)(III)”;

14 (iii) by striking “the date on which
15 the employee would have attained age
16 70¹/₂,” in subclause (I) and inserting
17 “April 1 of the calendar year following the
18 calendar year in which the spouse attains
19 70¹/₂,”; and

20 (iv) by striking “the distributions to
21 such spouse begin,” in subclause (II) and
22 inserting “his entire interest has been dis-
23 tributed to him,”.

24 (3) EFFECTIVE DATE.—

1 (A) IN GENERAL.—Except as provided in
2 subparagraph (B), the amendments made by
3 this subsection shall apply to years beginning
4 after December 31, 2000.

5 (B) DISTRIBUTIONS TO SURVIVING
6 SPOUSE.—

7 (i) IN GENERAL.—In the case of an
8 employee described in clause (ii), distribu-
9 tions to the surviving spouse of the em-
10 ployee shall not be required to commence
11 prior to the date on which such distribu-
12 tions would have been required to begin
13 under section 401(a)(9)(B) of the Internal
14 Revenue Code of 1986 (as in effect on the
15 day before the date of the enactment of
16 this Act).

17 (ii) CERTAIN EMPLOYEES.—An em-
18 ployee is described in this clause if such
19 employee dies before—

20 (I) the date of the enactment of
21 this Act, and

22 (II) the required beginning date
23 (within the meaning of section
24 401(a)(9)(C) of the Internal Revenue
25 Code of 1986) of the employee.

1 (c) REDUCTION IN EXCISE TAX.—

2 (1) IN GENERAL.—Subsection (a) of section
3 4974 is amended by striking “50 percent” and in-
4 serting “10 percent”.

5 (2) EFFECTIVE DATE.—The amendment made
6 by this subsection shall apply to years beginning
7 after December 31, 2000.

8 **SEC. 425. CLARIFICATION OF TAX TREATMENT OF DIVISION**
9 **OF SECTION 457 PLAN BENEFITS UPON DI-**
10 **VORCE.**

11 (a) IN GENERAL.—Section 414(p)(11) (relating to
12 application of rules to governmental and church plans) is
13 amended—

14 (1) by inserting “or an eligible deferred com-
15 pensation plan (within the meaning of section
16 457(b))” after “subsection (e)”; and

17 (2) in the heading, by striking “GOVERN-
18 MENTAL AND CHURCH PLANS” and inserting “CER-
19 TAIN OTHER PLANS”.

20 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
21 MENTS.—Paragraph (10) of section 414(p) is amended by
22 striking “and section 409(d)” and inserting “section
23 409(d), and section 457(d)”.

24 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
25 TION 457 PLAN.—Subsection (p) of section 414 is amend-

1 (2) EFFECTIVE DATE.—The revised regulations
2 under this subsection shall apply to years beginning
3 after December 31, 2000.

4 (b) HARDSHIP DISTRIBUTIONS NOT TREATED AS
5 ELIGIBLE ROLLOVER DISTRIBUTIONS.—

6 (1) MODIFICATION OF DEFINITION OF ELIGI-
7 BLE ROLLOVER.—Section 402(c)(4)(C) (relating to
8 eligible rollover distribution) is amended by striking
9 “described in section 401(k)(2)(B)(i)(IV)” and in-
10 sserting “under the terms of the plan”.

11 (2) EFFECTIVE DATE.—The amendment made
12 by this subsection shall apply to distributions made
13 after December 31, 2001, unless a plan adminis-
14 trator elects to apply such amendment to distribu-
15 tions made after December 31, 2000.

16 **SEC. 427. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBU-**
17 **TIONS FOR DOMESTIC OR SIMILAR WORKERS.**

18 (a) IN GENERAL.—Section 4972(c)(6) (relating to
19 exceptions to nondeductible contributions), as amended by
20 section 442(b), is amended by striking “or” at the end
21 of subparagraph (A), by striking the period and inserting
22 “, or” at the end of subparagraph (B), and by inserting
23 after subparagraph (B) the following new subparagraph:

24 “(C) so much of the contributions to a
25 qualified employer plan which are not deduct-

1 ible when contributed solely because such con-
2 tributions are not made in connection with a
3 trade or business of the employer.”.

4 (b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Sec-
5 tion 4972(c)(6), as amended by subsection (a), is amended
6 by adding at the end the following new sentence: “Sub-
7 paragraph (C) shall not apply to contributions made on
8 behalf of the employer or a member of the employer’s fam-
9 ily (as defined in section 447(e)(1)).”.

10 (c) NO INFERENCE.—Nothing in the amendments
11 made by this section shall be construed to infer the proper
12 treatment of nondeductible contributions under the laws
13 in effect before such amendments.

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

17 **Subtitle D—Increasing Portability**
18 **For Participants**

19 **SEC. 431. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
20 **OF PLANS.**

21 (a) ROLLOVERS FROM AND TO SECTION 457
22 PLANS.—

23 (1) ROLLOVERS FROM SECTION 457 PLANS.—

1 (A) IN GENERAL.—Section 457(e) (relat-
2 ing to other definitions and special rules) is
3 amended by adding at the end the following:

4 “(16) ROLLOVER AMOUNTS.—

5 “(A) GENERAL RULE.—In the case of an
6 eligible deferred compensation plan established
7 and maintained by an employer described in
8 subsection (e)(1)(A), if—

9 “(i) any portion of the balance to the
10 credit of an employee in such plan is paid
11 to such employee in an eligible rollover dis-
12 tribution (within the meaning of section
13 402(c)(4) without regard to subparagraph
14 (C) thereof),

15 “(ii) the employee transfers any por-
16 tion of the property such employee receives
17 in such distribution to an eligible retire-
18 ment plan described in section
19 402(c)(8)(B), and

20 “(iii) in the case of a distribution of
21 property other than money, the amount so
22 transferred consists of the property distrib-
23 uted,

1 then such distribution (to the extent so trans-
2 ferred) shall not be includible in gross income
3 for the taxable year in which paid.

4 “(B) CERTAIN RULES MADE APPLICA-
5 BLE.—The rules of paragraphs (2) through (7)
6 and (9) of section 402(c) and section 402(f)
7 shall apply for purposes of subparagraph (A).

8 “(C) REPORTING.—Rollovers under this
9 paragraph shall be reported to the Secretary in
10 the same manner as rollovers from qualified re-
11 tirement plans (as defined in section
12 4974(c)).”.

13 (B) DEFERRAL LIMIT DETERMINED WITH-
14 OUT REGARD TO ROLLOVER AMOUNTS.—Section
15 457(b)(2) (defining eligible deferred compensa-
16 tion plan) is amended by inserting “(other than
17 rollover amounts)” after “taxable year”.

18 (C) DIRECT ROLLOVER.—Paragraph (1) of
19 section 457(d) is amended by striking “and” at
20 the end of subparagraph (A), by striking the
21 period at the end of subparagraph (B) and in-
22 serting “, and”, and by inserting after subpara-
23 graph (B) the following:

24 “(C) in the case of a plan maintained by
25 an employer described in subsection (e)(1)(A),

1 the plan meets requirements similar to the re-
2 quirements of section 401(a)(31).

3 Any amount transferred in a direct trustee-to-trust-
4 ee transfer in accordance with section 401(a)(31)
5 shall not be includible in gross income for the tax-
6 able year of transfer.”.

7 (D) WITHHOLDING.—

8 (i) Paragraph (12) of section 3401(a)
9 is amended by adding at the end the fol-
10 lowing:

11 “(E) under or to an eligible deferred com-
12 pensation plan which, at the time of such pay-
13 ment, is a plan described in section 457(b)
14 maintained by an employer described in section
15 457(e)(1)(A), or”.

16 (ii) Paragraph (3) of section 3405(c)
17 is amended to read as follows:

18 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
19 purposes of this subsection, the term ‘eligible roll-
20 over distribution’ has the meaning given such term
21 by section 402(f)(2)(A).”.

22 (iii) LIABILITY FOR WITHHOLDING.—
23 Subparagraph (B) of section 3405(d)(2) is
24 amended by striking “or” at the end of
25 clause (ii), by striking the period at the

1 end of clause (iii) and inserting “, or”, and
2 by adding at the end the following:

3 “(iv) section 457(b) and which is
4 maintained by an eligible employer de-
5 scribed in section 457(e)(1)(A).”.

6 (2) ROLLOVERS TO SECTION 457 PLANS.—

7 (A) IN GENERAL.—Section 402(c)(8)(B)
8 (defining eligible retirement plan) is amended
9 by striking “and” at the end of clause (iii), by
10 striking the period at the end of clause (iv) and
11 inserting “, and”, and by inserting after clause
12 (iv) the following new clause:

13 “(v) an eligible deferred compensation
14 plan described in section 457(b) which is
15 maintained by an eligible employer de-
16 scribed in section 457(e)(1)(A).”.

17 (B) SEPARATE ACCOUNTING.—Section
18 402(c) is amended by adding at the end the fol-
19 lowing new paragraph:

20 “(11) SEPARATE ACCOUNTING.—Unless a plan
21 described in clause (v) of paragraph (8)(B) agrees to
22 separately account for amounts rolled into such plan
23 from eligible retirement plans not described in such
24 clause, the plan described in such clause may not ac-

1 cept transfers or rollovers from such retirement
2 plans.”.

3 (C) 10 PERCENT ADDITIONAL TAX.—Sub-
4 section (t) of section 72 (relating to 10-percent
5 additional tax on early distributions from quali-
6 fied retirement plans) is amended by adding at
7 the end the following new paragraph:

8 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
9 TION 457 PLANS.—For purposes of this subsection,
10 a distribution from an eligible deferred compensation
11 plan (as defined in section 457(b)) of an eligible em-
12 ployer described in section 457(e)(1)(A) shall be
13 treated as a distribution from a qualified retirement
14 plan described in 4974(c)(1) to the extent that such
15 distribution is attributable to an amount transferred
16 to an eligible deferred compensation plan from a
17 qualified retirement plan (as defined in section
18 4974(c)).”.

19 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
20 403(b) PLANS.—

21 (1) ROLLOVERS FROM SECTION 403(b)
22 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-
23 over amounts) is amended by striking “such dis-
24 tribution” and all that follows and inserting “such

1 distribution to an eligible retirement plan described
2 in section 402(c)(8)(B), and”.

3 (2) ROLLOVERS TO SECTION 403(b) PLANS.—

4 Section 402(c)(8)(B) (defining eligible retirement
5 plan), as amended by subsection (a), is amended by
6 striking “and” at the end of clause (iv), by striking
7 the period at the end of clause (v) and inserting “,
8 and”, and by inserting after clause (v) the following
9 new clause:

10 “(vi) an annuity contract described in
11 section 403(b).”.

12 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
13 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
14 402(f) (relating to written explanation to recipients of dis-
15 tributions eligible for rollover treatment) is amended by
16 striking “and” at the end of subparagraph (C), by striking
17 the period at the end of subparagraph (D) and inserting
18 “, and”, and by adding at the end the following new sub-
19 paragraph:

20 “(E) of the provisions under which dis-
21 tributions from the eligible retirement plan re-
22 ceiving the distribution may be subject to re-
23 strictions and tax consequences which are dif-
24 ferent from those applicable to distributions
25 from the plan making such distribution.”.

1 (d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relat-
2 ing to rollover where spouse receives distribution after
3 death of employee) is amended by striking “; except that”
4 and all that follows up to the end period.

5 (e) CONFORMING AMENDMENTS.—

6 (1) Section 72(o)(4) is amended by striking
7 “and 408(d)(3)” and inserting “403(b)(8),
8 408(d)(3), and 457(e)(16)”.

9 (2) Section 219(d)(2) is amended by striking
10 “or 408(d)(3)” and inserting “408(d)(3), or
11 457(e)(16)”.

12 (3) Section 401(a)(31)(B) is amended by strik-
13 ing “and 403(a)(4)” and inserting “, 403(a)(4),
14 403(b)(8), and 457(e)(16)”.

15 (4) Subparagraph (A) of section 402(f)(2) is
16 amended by striking “or paragraph (4) of section
17 403(a)” and inserting “, paragraph (4) of section
18 403(a), subparagraph (A) of section 403(b)(8), or
19 subparagraph (A) of section 457(e)(16)”.

20 (5) Paragraph (1) of section 402(f) is amended
21 by striking “from an eligible retirement plan”.

22 (6) Subparagraphs (A) and (B) of section
23 402(f)(1) are amended by striking “another eligible
24 retirement plan” and inserting “an eligible retire-
25 ment plan”.

1 (7) Subparagraph (B) of section 403(b)(8) is
2 amended to read as follows:

3 “(B) CERTAIN RULES MADE APPLICA-
4 BLE.—The rules of paragraphs (2) through (7)
5 and (9) of section 402(c) and section 402(f)
6 shall apply for purposes of subparagraph (A),
7 except that section 402(f) shall be applied to
8 the payor in lieu of the plan administrator.”.

9 (8) Section 408(a)(1) is amended by striking
10 “or 403(b)(8),” and inserting “403(b)(8), or
11 457(e)(16)”.

12 (9) Subparagraphs (A) and (B) of section
13 415(b)(2) are each amended by striking “and
14 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
15 457(e)(16)”.

16 (10) Section 415(c)(2) is amended by striking
17 “and 408(d)(3)” and inserting “408(d)(3), and
18 457(e)(16)”.

19 (11) Section 4973(b)(1)(A) is amended by
20 striking “or 408(d)(3)” and inserting “408(d)(3), or
21 457(e)(16)”.

22 (f) EFFECTIVE DATE; SPECIAL RULES.—

23 (1) EFFECTIVE DATE.—Except as provided in
24 paragraph (2), the amendments made by this section

1 shall apply to distributions after December 31,
2 2000.

3 (2) REASONABLE NOTICE.—No penalty shall be
4 imposed on a plan for the failure to provide the in-
5 formation required by the amendment made by sub-
6 section (c) with respect to any distribution made be-
7 fore January 1, 2002, if the administrator of such
8 plan makes a reasonable attempt to comply with
9 such requirement.

10 (3) SPECIAL RULE.—Notwithstanding any other
11 provision of law, subsections (h)(3) and (h)(5) of
12 section 1122 of the Tax Reform Act of 1986 shall
13 not apply to any distribution from an eligible retire-
14 ment plan (as defined in clause (iii) or (iv) of section
15 402(c)(8)(B) of the Internal Revenue Code of 1986)
16 on behalf of an individual if there was a rollover to
17 such plan on behalf of such individual which is per-
18 mitted solely by reason of any amendment made by
19 this section.

20 **SEC. 432. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
21 **MENT PLANS.**

22 (a) IN GENERAL.—Subparagraph (A) of section
23 408(d)(3) (relating to rollover amounts) is amended by
24 adding “or” at the end of clause (i), by striking clauses
25 (ii) and (iii), and by adding at the end the following:

1 “(ii) the entire amount received (in-
2 cluding money and any other property) is
3 paid into an eligible retirement plan for
4 the benefit of such individual not later
5 than the 60th day after the date on which
6 the payment or distribution is received, ex-
7 cept that the maximum amount which may
8 be paid into such plan may not exceed the
9 portion of the amount received which is in-
10 cludible in gross income (determined with-
11 out regard to this paragraph).

12 For purposes of clause (ii), the term ‘eligible re-
13 tirement plan’ means an eligible retirement plan
14 described in clause (iii), (iv), (v), or (vi) of sec-
15 tion 402(c)(8)(B).”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Paragraph (1) of section 403(b) is amended
18 by striking “section 408(d)(3)(A)(iii)” and inserting
19 “section 408(d)(3)(A)(ii)”.

20 (2) Clause (i) of section 408(d)(3)(D) is amend-
21 ed by striking “(i), (ii), or (iii)” and inserting “(i)
22 or (ii)”.

23 (3) Subparagraph (G) of section 408(d)(3) is
24 amended to read as follows:

1 “(G) SIMPLE RETIREMENT ACCOUNTS.—In
2 the case of any payment or distribution out of
3 a simple retirement account (as defined in sub-
4 section (p)) to which section 72(t)(6) applies,
5 this paragraph shall not apply unless such pay-
6 ment or distribution is paid into another simple
7 retirement account.”.

8 (c) EFFECTIVE DATE; SPECIAL RULE.—

9 (1) EFFECTIVE DATE.—The amendments made
10 by this section shall apply to distributions after De-
11 cember 31, 2000.

12 (2) SPECIAL RULE.—Notwithstanding any other
13 provision of law, subsections (h)(3) and (h)(5) of
14 section 1122 of the Tax Reform Act of 1986 shall
15 not apply to any distribution from an eligible retire-
16 ment plan (as defined in clause (iii) or (iv) of section
17 402(c)(8)(B) of the Internal Revenue Code of 1986)
18 on behalf of an individual if there was a rollover to
19 such plan on behalf of such individual which is per-
20 mitted solely by reason of the amendments made by
21 this section.

22 **SEC. 433. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

23 (a) ROLLOVERS FROM EXEMPT TRUSTS.—Para-
24 graph (2) of section 402(c) (relating to maximum amount
25 which may be rolled over) is amended by adding at the

1 end the following: “The preceding sentence shall not apply
2 to such distribution to the extent—

3 “(A) such portion is transferred in a direct
4 trustee-to-trustee transfer to a qualified trust
5 which is part of a plan which is a defined con-
6 tribution plan and which agrees to separately
7 account for amounts so transferred, including
8 separately accounting for the portion of such
9 distribution which is includible in gross income
10 and the portion of such distribution which is
11 not so includible, or

12 “(B) such portion is transferred to an eli-
13 gible retirement plan described in clause (i) or
14 (ii) of paragraph (8)(B).”.

15 (b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE
16 ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of sec-
17 tion 401(a)(31) (relating to limitation) is amended by add-
18 ing at the end the following: “The preceding sentence shall
19 not apply to such distribution if the plan to which such
20 distribution is transferred—

21 “(i) agrees to separately account for
22 amounts so transferred, including sepa-
23 rately accounting for the portion of such
24 distribution which is includible in gross in-

1 come and the portion of such distribution
2 which is not so includible, or

3 “(ii) is an eligible retirement plan de-
4 scribed in clause (i) or (ii) of section
5 402(c)(8)(B).”.

6 (c) RULES FOR APPLYING SECTION 72 TO IRAS.—
7 Paragraph (3) of section 408(d) (relating to special rules
8 for applying section 72) is amended by inserting at the
9 end the following:

10 “(H) APPLICATION OF SECTION 72.—

11 “(i) IN GENERAL.—If—

12 “(I) a distribution is made from
13 an individual retirement plan, and

14 “(II) a rollover contribution is
15 made to an eligible retirement plan
16 described in section 402(c)(8)(B)(iii),
17 (iv), (v), or (vi) with respect to all or
18 part of such distribution,

19 then, notwithstanding paragraph (2), the
20 rules of clause (ii) shall apply for purposes
21 of applying section 72.

22 “(ii) APPLICABLE RULES.—In the
23 case of a distribution described in clause
24 (i)—

1 “(I) section 72 shall be applied
2 separately to such distribution,

3 “(II) notwithstanding the pro
4 rata allocation of income on, and in-
5 vestment in, the contract to distribu-
6 tions under section 72, the portion of
7 such distribution rolled over to an eli-
8 gible retirement plan described in
9 clause (i) shall be treated as from in-
10 come on the contract (to the extent of
11 the aggregate income on the contract
12 from all individual retirement plans of
13 the distributee), and

14 “(III) appropriate adjustments
15 shall be made in applying section 72
16 to other distributions in such taxable
17 year and subsequent taxable years.”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to distributions made after Decem-
20 ber 31, 2001.

21 **SEC. 434. HARDSHIP EXCEPTION TO 60-DAY RULE.**

22 (a) EXEMPT TRUSTS.—Paragraph (3) of section
23 402(c) (relating to transfer must be made within 60 days
24 of receipt) is amended to read as follows:

1 “(3) TRANSFER MUST BE MADE WITHIN 60
2 DAYS OF RECEIPT.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), paragraph (1) shall not
5 apply to any transfer of a distribution made
6 after the 60th day following the day on which
7 the distributee received the property distrib-
8 uted.

9 “(B) HARDSHIP EXCEPTION.—The Sec-
10 retary may waive the 60-day requirement under
11 subparagraph (A) where the failure to waive
12 such requirement would be against equity or
13 good conscience, including casualty, disaster, or
14 other events beyond the reasonable control of
15 the individual subject to such requirement.”.

16 (b) IRAS.—Paragraph (3) of section 408(d) (relating
17 to rollover contributions), as amended by section 433, is
18 amended by adding after subparagraph (H) the following
19 new subparagraph:

20 “(I) WAIVER OF 60-DAY REQUIREMENT.—
21 The Secretary may waive the 60-day require-
22 ment under subparagraphs (A) and (D) where
23 the failure to waive such requirement would be
24 against equity or good conscience, including
25 casualty, disaster, or other events beyond the

1 reasonable control of the individual subject to
2 such requirement.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to distributions after December 31,
5 2000.

6 **SEC. 435. TREATMENT OF FORMS OF DISTRIBUTION.**

7 (a) PLAN TRANSFERS.—

8 (1) AMENDMENT OF INTERNAL REVENUE
9 CODE.—Paragraph (6) of section 411(d) (relating to
10 accrued benefit not to be decreased by amendment)
11 is amended by adding at the end the following:

12 “(D) PLAN TRANSFERS.—

13 “(i) IN GENERAL.—A defined con-
14 tribution plan (in this subparagraph re-
15 ferred to as the ‘transferee plan’) shall not
16 be treated as failing to meet the require-
17 ments of this subsection merely because
18 the transferee plan does not provide some
19 or all of the forms of distribution pre-
20 viously available under another defined
21 contribution plan (in this subparagraph re-
22 ferred to as the ‘transferor plan’) to the
23 extent that—

24 “(I) the forms of distribution
25 previously available under the trans-

1 feror plan applied to the account of a
2 participant or beneficiary under the
3 transferor plan that was transferred
4 from the transferor plan to the trans-
5 feree plan pursuant to a direct trans-
6 fer rather than pursuant to a distribu-
7 tion from the transferor plan,

8 “(II) the terms of both the trans-
9 feror plan and the transferee plan au-
10 thorize the transfer described in sub-
11 clause (I),

12 “(III) the transfer described in
13 subclause (I) was made pursuant to a
14 voluntary election by the participant
15 or beneficiary whose account was
16 transferred to the transferee plan,

17 “(IV) the election described in
18 subclause (III) was made after the
19 participant or beneficiary received a
20 notice describing the consequences of
21 making the election, and

22 “(V) the transferee plan allows
23 the participant or beneficiary de-
24 scribed in subclause (III) to receive
25 any distribution to which the partici-

1 pant or beneficiary is entitled under
2 the transferee plan in the form of a
3 single sum distribution.

4 “(ii) SPECIAL RULE FOR MERGERS;
5 ETC.—Clause (i) shall apply to plan merg-
6 ers and other transactions having the ef-
7 fect of a direct transfer, including consoli-
8 dations of benefits attributable to different
9 employers within a multiple employer plan.

10 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-
11 tions, a defined contribution plan shall not be
12 treated as failing to meet the requirements of
13 this section merely because of the elimination of
14 a form of distribution previously available there-
15 under. This subparagraph shall not apply to the
16 elimination of a form of distribution with re-
17 spect to any participant unless—

18 “(i) a single sum payment is available
19 to such participant at the same time or
20 times as the form of distribution being
21 eliminated, and
22 eliminated, and

23 “(ii) such single sum payment is
24 based on the same or greater portion of

1 the participant’s account as the form of
2 distribution being eliminated.”.

3 (2) AMENDMENT OF ERISA.—Section 204(g) of
4 the Employee Retirement Income Security Act of
5 1974 (29 U.S.C. 1054(g)) is amended by adding at
6 the end the following:

7 “(4)(A) A defined contribution plan (in this subpara-
8 graph referred to as the ‘transferee plan’) shall not be
9 treated as failing to meet the requirements of this sub-
10 section merely because the transferee plan does not pro-
11 vide some or all of the forms of distribution previously
12 available under another defined contribution plan (in this
13 subparagraph referred to as the ‘transferor plan’) to the
14 extent that—

15 “(i) the forms of distribution previously avail-
16 able under the transferor plan applied to the account
17 of a participant or beneficiary under the transferor
18 plan that was transferred from the transferor plan
19 to the transferee plan pursuant to a direct transfer
20 rather than pursuant to a distribution from the
21 transferor plan;

22 “(ii) the terms of both the transferor plan and
23 the transferee plan authorize the transfer described
24 in clause (i);

1 “(iii) the transfer described in clause (i) was
2 made pursuant to a voluntary election by the partici-
3 pant or beneficiary whose account was transferred to
4 the transferee plan;

5 “(iv) the election described in clause (iii) was
6 made after the participant or beneficiary received a
7 notice describing the consequences of making the
8 election; and

9 “(v) the transferee plan allows the participant
10 or beneficiary described in clause (iii) to receive any
11 distribution to which the participant or beneficiary is
12 entitled under the transferee plan in the form of a
13 single sum distribution.

14 “(B) Subparagraph (A) shall apply to plan mergers
15 and other transactions having the effect of a direct trans-
16 fer, including consolidations of benefits attributable to dif-
17 ferent employers within a multiple employer plan.

18 “(5) Except to the extent provided in regulations pro-
19 mulgated by the Secretary of the Treasury, a defined con-
20 tribution plan shall not be treated as failing to meet the
21 requirements of this subsection merely because of the
22 elimination of a form of distribution previously available
23 thereunder. This paragraph shall not apply to the elimi-
24 nation of a form of distribution with respect to any partici-
25 pant unless—

1 “(A) a single sum payment is available to such
2 participant at the same time or times as the form
3 of distribution being eliminated; and

4 “(B) such single sum payment is based on the
5 same or greater portion of the participant’s account
6 as the form of distribution being eliminated.”.

7 (3) EFFECTIVE DATE.—The amendments made
8 by this subsection shall apply to years beginning
9 after December 31, 2000.

10 (b) REGULATIONS.—

11 (1) AMENDMENT OF INTERNAL REVENUE
12 CODE.—Paragraph (6)(B) of section 411(d) (relat-
13 ing to accrued benefit not to be decreased by amend-
14 ment) is amended by inserting after the second sen-
15 tence the following new sentence: “The Secretary
16 shall by regulations provide that this subparagraph
17 shall not apply to any plan amendment which re-
18 duces or eliminates benefits or subsidies which cre-
19 ate significant burdens or complexities for the plan
20 and plan participants and does not adversely affect
21 the rights of any participant in a more than de mini-
22 mis manner.”.

23 (2) AMENDMENT OF ERISA.—Section 204(g)(2)
24 of the Employee Retirement Income Security Act of
25 1974 (29 U.S.C. 1054(g)(2)) is amended by insert-

1 ing before the last sentence the following new sen-
2 tence: “The Secretary of the Treasury shall by regu-
3 lations provide that this paragraph shall not apply
4 to any plan amendment which reduces or eliminates
5 benefits or subsidies which create significant bur-
6 dens or complexities for the plan and plan partici-
7 pants and does not adversely affect the rights of any
8 participant in a more than de minimis manner.”.

9 (3) SECRETARY DIRECTED.—Not later than
10 December 31, 2002, the Secretary of the Treasury
11 is directed to issue regulations under section
12 411(d)(6) of the Internal Revenue Code of 1986 and
13 section 204(g) of the Employee Retirement Income
14 Security Act of 1974, including the regulations re-
15 quired by the amendment made by this subsection.
16 Such regulations shall apply to plan years beginning
17 after December 31, 2002, or such earlier date as is
18 specified by the Secretary of the Treasury.

19 **SEC. 436. RATIONALIZATION OF RESTRICTIONS ON DIS-**
20 **TRIBUTIONS.**

21 (a) MODIFICATION OF SAME DESK EXCEPTION.—

22 (1) SECTION 401(k).—

23 (A) Section 401(k)(2)(B)(i)(I) (relating to
24 qualified cash or deferred arrangements) is

1 amended by striking “separation from service”
2 and inserting “severance from employment”.

3 (B) Subparagraph (A) of section
4 401(k)(10) (relating to distributions upon ter-
5 mination of plan or disposition of assets or sub-
6 sidiary) is amended to read as follows:

7 “(A) IN GENERAL.—An event described in
8 this subparagraph is the termination of the
9 plan without establishment or maintenance of
10 another defined contribution plan (other than
11 an employee stock ownership plan as defined in
12 section 4975(e)(7)).”.

13 (C) Section 401(k)(10) is amended—

14 (i) in subparagraph (B)—

15 (I) by striking “An event” in
16 clause (i) and inserting “A termi-
17 nation”; and

18 (II) by striking “the event” in
19 clause (i) and inserting “the termi-
20 nation”;

21 (ii) by striking subparagraph (C); and

22 (iii) by striking “OR DISPOSITION OF
23 ASSETS OR SUBSIDIARY” in the heading.

24 (2) SECTION 403(b).—

1 (A) Paragraphs (7)(A)(ii) and (11)(A) of
2 section 403(b) are each amended by striking
3 “separates from service” and inserting “has a
4 severance from employment”.

5 (B) The heading for paragraph (11) of
6 section 403(b) is amended by striking “SEPARA-
7 TION FROM SERVICE” and inserting “SEVER-
8 ANCE FROM EMPLOYMENT”.

9 (3) SECTION 457.—Clause (ii) of section
10 457(d)(1)(A) is amended by striking “is separated
11 from service” and inserting “has a severance from
12 employment”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to distributions after December 31,
15 2000.

16 **SEC. 437. PURCHASE OF SERVICE CREDIT IN GOVERN-**
17 **MENTAL DEFINED BENEFIT PLANS.**

18 (a) 403(b) PLANS.—Subsection (b) of section 403 is
19 amended by adding at the end the following new para-
20 graph:

21 “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO
22 PURCHASE PERMISSIVE SERVICE CREDIT.—No
23 amount shall be includible in gross income by reason
24 of a direct trustee-to-trustee transfer to a defined

1 benefit governmental plan (as defined in section
2 414(d)) if such transfer is—

3 “(A) for the purchase of permissive service
4 credit (as defined in section 415(n)(3)(A))
5 under such plan, or

6 “(B) a repayment to which section 415
7 does not apply by reason of subsection (k)(3)
8 thereof.”.

9 (b) 457 PLANS.—Subsection (e) of section 457 is
10 amended by adding after paragraph (16) the following
11 new paragraph:

12 “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO
13 PURCHASE PERMISSIVE SERVICE CREDIT.—No
14 amount shall be includible in gross income by reason
15 of a direct trustee-to-trustee transfer to a defined
16 benefit governmental plan (as defined in section
17 414(d)) if such transfer is—

18 “(A) for the purchase of permissive service
19 credit (as defined in section 415(n)(3)(A))
20 under such plan, or

21 “(B) a repayment to which section 415
22 does not apply by reason of subsection (k)(3)
23 thereof.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to trustee-to-trustee transfers after
3 December 31, 2000.

4 **SEC. 438. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
5 **PURPOSES OF CASH-OUT AMOUNTS.**

6 (a) QUALIFIED PLANS.—

7 (1) AMENDMENT OF INTERNAL REVENUE
8 CODE.—Section 411(a)(11) (relating to restrictions
9 on certain mandatory distributions) is amended by
10 adding at the end the following:

11 “(D) SPECIAL RULE FOR ROLLOVER CON-
12 TRIBUTIONS.—A plan shall not fail to meet the
13 requirements of this paragraph if, under the
14 terms of the plan, the present value of the non-
15 forfeitable accrued benefit is determined with-
16 out regard to that portion of such benefit which
17 is attributable to rollover contributions (and
18 earnings allocable thereto). For purposes of this
19 subparagraph, the term ‘rollover contributions’
20 means any rollover contribution under sections
21 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),
22 and 457(e)(16).”.

23 (2) AMENDMENT OF ERISA.—Section 203(e) of
24 the Employee Retirement Income Security Act of

1 “(2) MINIMUM DISTRIBUTION REQUIRE-
2 MENTS.—A plan meets the minimum distribution re-
3 quirements of this paragraph if such plan meets the
4 requirements of section 401(a)(9).”.

5 (b) INCLUSION IN GROSS INCOME.—

6 (1) YEAR OF INCLUSION.—Subsection (a) of
7 section 457 (relating to year of inclusion in gross in-
8 come) is amended to read as follows:

9 “(a) YEAR OF INCLUSION IN GROSS INCOME.—

10 “(1) IN GENERAL.—Any amount of compensa-
11 tion deferred under an eligible deferred compensa-
12 tion plan, and any income attributable to the
13 amounts so deferred, shall be includible in gross in-
14 come only for the taxable year in which such com-
15 pensation or other income—

16 “(A) is paid to the participant or other
17 beneficiary, in the case of a plan of an eligible
18 employer described in subsection (e)(1)(A), and

19 “(B) is paid or otherwise made available to
20 the participant or other beneficiary, in the case
21 of a plan of an eligible employer described in
22 subsection (e)(1)(B).

23 “(2) SPECIAL RULE FOR ROLLOVER
24 AMOUNTS.—To the extent provided in section

1 72(t)(9), section 72(t) shall apply to any amount in-
2 cludible in gross income under this subsection.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) So much of paragraph (9) of section
5 457(e) as precedes subparagraph (A) is amend-
6 ed to read as follows:

7 “(9) BENEFITS OF TAX EXEMPT ORGANIZATION
8 PLANS NOT TREATED AS MADE AVAILABLE BY REA-
9 SON OF CERTAIN ELECTIONS, ETC.—In the case of
10 an eligible deferred compensation plan of an em-
11 ployer described in subsection (e)(1)(B)—”.

12 (B) Section 457(d) is amended by adding
13 at the end the following new paragraph:

14 “(3) SPECIAL RULE FOR GOVERNMENT PLAN.—
15 An eligible deferred compensation plan of an em-
16 ployer described in subsection (e)(1)(A) shall not be
17 treated as failing to meet the requirements of this
18 subsection solely by reason of making a distribution
19 described in subsection (e)(9)(A).”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to distributions after December 31,
22 2000.

1 **Subtitle E—Strengthening Pension**
 2 **Security and Enforcement**

3 **SEC. 441. REPEAL OF 155 PERCENT OF CURRENT LIABILITY**
 4 **FUNDING LIMIT.**

5 (a) AMENDMENTS OF INTERNAL REVENUE CODE.—
 6 Section 412(c)(7) (relating to full-funding limitation) is
 7 amended—

8 (1) by striking “the applicable percentage” in
 9 subparagraph (A)(i)(I) and inserting “in the case of
 10 plan years beginning before January 1, 2004, the
 11 applicable percentage”; and

12 (2) by amending subparagraph (F) to read as
 13 follows:

14 “(F) APPLICABLE PERCENTAGE.—For
 15 purposes of subparagraph (A)(i)(I), the applica-
 16 ble percentage shall be determined in accord-
 17 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”.

18 (b) AMENDMENT OF ERISA.—Section 302(c)(7) of
 19 the Employee Retirement Income Security Act of 1974
 20 (29 U.S.C. 1082(c)(7)) is amended—

21 (1) by striking “the applicable percentage” in
 22 subparagraph (A)(i)(I) and inserting “in the case of

1 plan years beginning before January 1, 2004, the
 2 applicable percentage”; and

3 (2) by amending subparagraph (F) to read as
 4 follows:

5 “(F) APPLICABLE PERCENTAGE.—For
 6 purposes of subparagraph (A)(i)(I), the applica-
 7 ble percentage shall be determined in accord-
 8 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to plan years beginning after De-
 11 cember 31, 2000.

12 **SEC. 442. MAXIMUM CONTRIBUTION DEDUCTION RULES**
 13 **MODIFIED AND APPLIED TO ALL DEFINED**
 14 **BENEFIT PLANS.**

15 (a) IN GENERAL.—Subparagraph (D) of section
 16 404(a)(1) (relating to special rule in case of certain plans)
 17 is amended to read as follows:

18 “(D) SPECIAL RULE IN CASE OF CERTAIN
 19 PLANS.—

20 “(i) IN GENERAL.—In the case of any
 21 defined benefit plan, except as provided in
 22 regulations, the maximum amount deduct-
 23 ible under the limitations of this paragraph

1 shall not be less than the unfunded termi-
2 nation liability (determined as if the pro-
3 posed termination date referred to in sec-
4 tion 4041(b)(2)(A)(i)(II) of the Employee
5 Retirement Income Security Act of 1974
6 were the last day of the plan year).

7 “(ii) PLANS WITH LESS THAN 100
8 PARTICIPANTS.—For purposes of this sub-
9 paragraph, in the case of a plan which has
10 less than 100 participants for the plan
11 year, termination liability shall not include
12 the liability attributable to benefit in-
13 creases for highly compensated employees
14 (as defined in section 414(q)) resulting
15 from a plan amendment which is made or
16 becomes effective, whichever is later, within
17 the last 2 years before the termination
18 date.

19 “(iii) RULE FOR DETERMINING NUM-
20 BER OF PARTICIPANTS.—For purposes of
21 determining whether a plan has more than
22 100 participants, all defined benefit plans
23 maintained by the same employer (or any
24 member of such employer’s controlled
25 group (within the meaning of section

1 412(l)(8)(C)) shall be treated as one plan,
2 but only employees of such member or em-
3 ployer shall be taken into account.

4 “(iv) PLANS MAINTAINED BY PROFES-
5 SIONAL SERVICE EMPLOYERS.—Clause (i)
6 shall not apply to a plan described in sec-
7 tion 4021(b)(13) of the Employee Retire-
8 ment Income Security Act of 1974.”.

9 (b) CONFORMING AMENDMENT.—Paragraph (6) of
10 section 4972(c) is amended to read as follows:

11 “(6) EXCEPTIONS.—In determining the amount
12 of nondeductible contributions for any taxable year,
13 there shall not be taken into account so much of the
14 contributions to one or more defined contribution
15 plans which are not deductible when contributed
16 solely because of section 404(a)(7) as does not ex-
17 ceed the greater of—

18 “(A) the amount of contributions not in
19 excess of 6 percent of compensation (within the
20 meaning of section 404(a)) paid or accrued
21 (during the taxable year for which the contribu-
22 tions were made) to beneficiaries under the
23 plans, or

24 “(B) the sum of—

1 “(i) the amount of contributions de-
2 scribed in section 401(m)(4)(A), plus

3 “(ii) the amount of contributions de-
4 scribed in section 402(g)(3)(A).

5 For purposes of this paragraph, the deductible limits
6 under section 404(a)(7) shall first be applied to
7 amounts contributed to a defined benefit plan and
8 then to amounts described in subparagraph (B).”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to plan years beginning after De-
11 cember 31, 2000.

12 **SEC. 443. EXCISE TAX RELIEF FOR SOUND PENSION FUND-**
13 **ING.**

14 (a) IN GENERAL.—Subsection (c) of section 4972
15 (relating to nondeductible contributions) is amended by
16 adding at the end the following new paragraph:

17 “(7) DEFINED BENEFIT PLAN EXCEPTION.—In
18 determining the amount of nondeductible contribu-
19 tions for any taxable year, an employer may elect for
20 such year not to take into account any contributions
21 to a defined benefit plan except to the extent that
22 such contributions exceed the full-funding limitation
23 (as defined in section 412(c)(7), determined without
24 regard to subparagraph (A)(i)(I) thereof). For pur-
25 poses of this paragraph, the deductible limits under

1 section 404(a)(7) shall first be applied to amounts
2 contributed to defined contribution plans and then
3 to amounts described in this paragraph. If an em-
4 ployer makes an election under this paragraph for a
5 taxable year, paragraph (6) shall not apply to such
6 employer for such taxable year.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to years beginning after December
9 31, 2000.

10 **SEC. 444. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY**
11 **DEFINED BENEFIT PLANS SIGNIFICANTLY**
12 **REDUCING FUTURE BENEFIT ACCRUALS.**

13 (a) AMENDMENT OF INTERNAL REVENUE CODE.—

14 (1) IN GENERAL.—Chapter 43 (relating to
15 qualified pension, etc., plans) is amended by adding
16 at the end the following new section:

17 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING**
18 **BENEFIT ACCRUALS TO SATISFY NOTICE RE-**
19 **QUIREMENTS.**

20 “(a) IMPOSITION OF TAX.—There is hereby imposed
21 a tax on the failure of any applicable pension plan to meet
22 the requirements of subsection (e) with respect to any ap-
23 plicable individual.

24 “(b) AMOUNT OF TAX.—

1 “(1) IN GENERAL.—The amount of the tax im-
2 posed by subsection (a) on any failure with respect
3 to any applicable individual shall be \$100 for each
4 day in the noncompliance period with respect to such
5 failure.

6 “(2) NONCOMPLIANCE PERIOD.—For purposes
7 of this section, the term ‘noncompliance period’
8 means, with respect to any failure, the period begin-
9 ning on the date the failure first occurs and ending
10 on the date the notice to which the failure relates is
11 provided or the failure is otherwise corrected.

12 “(c) LIMITATIONS ON AMOUNT OF TAX.—

13 “(1) TAX NOT TO APPLY WHERE FAILURE NOT
14 DISCOVERED AND REASONABLE DILIGENCE EXER-
15 CISED.—No tax shall be imposed by subsection (a)
16 on any failure during any period for which it is es-
17 tablished to the satisfaction of the Secretary that
18 any person subject to liability for the tax under sub-
19 section (d) did not know that the failure existed and
20 exercised reasonable diligence to meet the require-
21 ments of subsection (e).

22 “(2) TAX NOT TO APPLY TO FAILURES COR-
23 RECTED WITHIN 30 DAYS.—No tax shall be imposed
24 by subsection (a) on any failure if—

1 “(A) any person subject to liability for the
2 tax under subsection (d) exercised reasonable
3 diligence to meet the requirements of subsection
4 (e), and

5 “(B) such person provides the notice de-
6 scribed in subsection (e) during the 30-day pe-
7 riod beginning on the first date such person
8 knew, or exercising reasonable diligence would
9 have known, that such failure existed.

10 “(3) OVERALL LIMITATION FOR UNINTEN-
11 TIONAL FAILURES.—

12 “(A) IN GENERAL.—If the person subject
13 to liability for tax under subsection (d) exer-
14 cised reasonable diligence to meet the require-
15 ments of subsection (e), the tax imposed by
16 subsection (a) for failures during the taxable
17 year of the employer (or, in the case of a multi-
18 employer plan, the taxable year of the trust
19 forming part of the plan) shall not exceed
20 \$500,000. For purposes of the preceding sen-
21 tence, all multiemployer plans of which the
22 same trust forms a part shall be treated as 1
23 plan.

24 “(B) TAXABLE YEARS IN THE CASE OF
25 CERTAIN CONTROLLED GROUPS.—For purposes

1 of this paragraph, if all persons who are treated
2 as a single employer for purposes of this section
3 do not have the same taxable year, the taxable
4 years taken into account shall be determined
5 under principles similar to the principles of sec-
6 tion 1561.

7 “(4) WAIVER BY SECRETARY.—In the case of a
8 failure which is due to reasonable cause and not to
9 willful neglect, the Secretary may waive part or all
10 of the tax imposed by subsection (a) to the extent
11 that the payment of such tax would be excessive or
12 otherwise inequitable relative to the failure involved.

13 “(d) LIABILITY FOR TAX.—The following shall be lia-
14 ble for the tax imposed by subsection (a):

15 “(1) In the case of a plan other than a multi-
16 employer plan, the employer.

17 “(2) In the case of a multiemployer plan, the
18 plan.

19 “(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFI-
20 CANTLY REDUCING BENEFIT ACCRUALS.—

21 “(1) IN GENERAL.—If an applicable pension
22 plan is amended to provide for a significant reduc-
23 tion in the rate of future benefit accrual, the plan
24 administrator shall provide written notice to each

1 applicable individual (and to each employee organi-
2 zation representing applicable individuals).

3 “(2) NOTICE.—The notice required by para-
4 graph (1) shall be written in a manner calculated to
5 be understood by the average plan participant and
6 shall provide sufficient information (as determined
7 in accordance with regulations prescribed by the
8 Secretary) to allow applicable individuals to under-
9 stand the effect of the plan amendment. The Sec-
10 retary may provide a simplified form of notice for,
11 or exempt from any notice requirement, a plan—

12 “(A) which has fewer than 100 partici-
13 pants who have accrued a benefit under the
14 plan, or

15 “(B) which offers participants the option
16 to choose between the new benefit formula and
17 the old benefit formula.

18 “(3) TIMING OF NOTICE.—Except as provided
19 in regulations, the notice required by paragraph (1)
20 shall be provided within a reasonable time before the
21 effective date of the plan amendment.

22 “(4) DESIGNEES.—Any notice under paragraph
23 (1) may be provided to a person designated, in writ-
24 ing, by the person to which it would otherwise be
25 provided.

1 “(5) NOTICE BEFORE ADOPTION OF AMEND-
2 MENT.—A plan shall not be treated as failing to
3 meet the requirements of paragraph (1) merely be-
4 cause notice is provided before the adoption of the
5 plan amendment if no material modification of the
6 amendment occurs before the amendment is adopt-
7 ed.

8 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
9 poses of this section—

10 “(1) APPLICABLE INDIVIDUAL.—The term ‘ap-
11 plicable individual’ means, with respect to any plan
12 amendment—

13 “(A) each participant in the plan, and

14 “(B) any beneficiary who is an alternate
15 payee (within the meaning of section 414(p)(8))
16 under an applicable qualified domestic relations
17 order (within the meaning of section
18 414(p)(1)(A)),

19 whose rate of future benefit accrual under the
20 plan may reasonably be expected to be signifi-
21 cantly reduced by such plan amendment.

22 “(2) APPLICABLE PENSION PLAN.—The term
23 ‘applicable pension plan’ means—

24 “(A) any defined benefit plan, or

1 “(B) an individual account plan which is
2 subject to the funding standards of section 412.
3 Such term shall not include a governmental plan
4 (within the meaning of section 414(d)) or a church
5 plan (within the meaning of section 414(e)) with re-
6 spect to which the election provided by section
7 410(d) has not been made.

8 “(3) EARLY RETIREMENT.—A plan amendment
9 which eliminates or significantly reduces any early
10 retirement benefit or retirement-type subsidy (within
11 the meaning of section 411(d)(6)(B)(i)) shall be
12 treated as having the effect of significantly reducing
13 the rate of future benefit accrual.

14 “(g) NEW TECHNOLOGIES.—The Secretary may by
15 regulations allow any notice under paragraph (1) or (2)
16 of subsection (e) to be provided by using new tech-
17 nologies.”

18 (2) CLERICAL AMENDMENT.—The table of sec-
19 tions for chapter 43 is amended by adding at the
20 end the following new item:

 “Sec. 4980F. Failure of applicable plans reducing benefit accruals
 to satisfy notice requirements.”.

21 (b) AMENDMENT OF ERISA.—Section 204(h) of the
22 Employee Retirement Income Security Act of 1974 (29
23 U.S.C. 1054(h)) is amended by adding at the end the fol-
24 lowing new paragraphs:

1 “(3)(A) An applicable pension plan to which para-
2 graph (1) applies shall not be treated as meeting the re-
3 quirements of such paragraph unless, in addition to any
4 notice required to be provided to an individual or organiza-
5 tion under such paragraph, the plan administrator pro-
6 vides the notice described in subparagraph (B) to each ap-
7 plicable individual (and to each employee organization rep-
8 resenting applicable individuals).

9 “(B) The notice required by subparagraph (A) shall
10 be written in a manner calculated to be understood by the
11 average plan participant and shall provide sufficient infor-
12 mation (as determined in accordance with regulations pre-
13 scribed by the Secretary of the Treasury) to allow applica-
14 ble individuals to understand the effect of the plan amend-
15 ment. The Secretary of the Treasury may provide a sim-
16 plified form of notice for, or exempt from any notice re-
17 quirement, a plan—

18 “(i) which has fewer than 100 participants who
19 have accrued a benefit under the plan, or

20 “(ii) which offers participants the option to
21 choose between the new benefit formula and the old
22 benefit formula.

23 “(C) Except as provided in regulations prescribed by
24 the Secretary of the Treasury, the notice required by sub-

1 paragraph (A) shall be provided within a reasonable time
2 before the effective date of the plan amendment.

3 “(D) Any notice under subparagraph (A) may be pro-
4 vided to a person designated, in writing, by the person
5 to which it would otherwise be provided.

6 “(E) A plan shall not be treated as failing to meet
7 the requirements of subparagraph (A) merely because no-
8 tice is provided before the adoption of the plan amendment
9 if no material modification of the amendment occurs be-
10 fore the amendment is adopted.

11 “(F) The Secretary of the Treasury may by regula-
12 tions allow any notice under subparagraph (A) or (B) to
13 be provided by using new technologies.

14 “(4) For purposes of paragraph (3)—

15 “(A) The term ‘applicable individual’ means,
16 with respect to any plan amendment—

17 “(i) each participant in the plan; and

18 “(ii) any beneficiary who is an alternate
19 payee (within the meaning of section
20 206(d)(3)(K)) under an applicable qualified do-
21 mestic relations order (within the meaning of
22 section 206(d)(3)(B)(i)),

23 whose rate of future benefit accrual under the plan
24 may reasonably be expected to be significantly re-
25 duced by such plan amendment.

1 “(B) The term ‘applicable pension plan’
2 means—

3 “(i) any defined benefit plan; or

4 “(ii) an individual account plan which is
5 subject to the funding standards of section 412
6 of the Internal Revenue Code of 1986.

7 “(C) A plan amendment which eliminates or
8 significantly reduces any early retirement benefit or
9 retirement-type subsidy (within the meaning of sub-
10 section (g)(2)(A)) shall be treated as having the ef-
11 fect of significantly reducing the rate of future ben-
12 efit accrual.”.

13 (c) EFFECTIVE DATES.—

14 (1) IN GENERAL.—The amendments made by
15 this section shall apply to plan amendments taking
16 effect on or after the date of the enactment of this
17 Act.

18 (2) TRANSITION.—Until such time as the Sec-
19 retary of the Treasury issues regulations under sec-
20 tions 4980F(e)(2) and (3) of the Internal Revenue
21 Code of 1986 and section 204(h)(3) of the Employee
22 Retirement Income Security Act of 1974 (as added
23 by the amendments made by this section), a plan
24 shall be treated as meeting the requirements of such

1 sections if it makes a good faith effort to comply
2 with such requirements.

3 (3) SPECIAL NOTICE RULES.—

4 (A) IN GENERAL.—The period for pro-
5 viding any notice required by the amendments
6 made by this section shall not end before the
7 date which is 3 months after the date of the en-
8 actment of this Act.

9 (B) REASONABLE NOTICE.—The amend-
10 ments made by this section shall not apply to
11 any plan amendment taking effect on or after
12 the date of the enactment of this Act if, before
13 October 25, 2000, notice was provided to par-
14 ticipants and beneficiaries adversely affected by
15 the plan amendment (or their representatives)
16 which was reasonably expected to notify them
17 of the nature and effective date of the plan
18 amendment.

19 (d) STUDY.—The Secretary of the Treasury shall
20 prepare a report on the effects of conversions of tradi-
21 tional defined benefit plans to cash balance or hybrid for-
22 mula plans. Such study shall examine the effect of such
23 conversions on longer service participants, including the
24 incidence and effects of “wear away” provisions under
25 which participants earn no additional benefits for a period

1 of time after the conversion. As soon as practicable, but
2 not later than 60 days after the date of the enactment
3 of this Act, the Secretary shall submit such report, to-
4 gether with recommendations thereon, to the Committee
5 on Ways and Means and the Committee on Education and
6 the Workforce of the House of Representatives and the
7 Committee on Finance and the Committee on Health,
8 Education, Labor, and Pensions of the Senate.

9 **SEC. 445. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
10 **SECTION 415.**

11 (a) COMPENSATION LIMIT.—

12 (1) IN GENERAL.—Paragraph (11) of section
13 415(b) (relating to limitation for defined benefit
14 plans) is amended to read as follows:

15 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
16 MENTAL AND MULTIEMPLOYER PLANS.—In the case
17 of a governmental plan (as defined in section
18 414(d)) or a multiemployer plan (as defined in sec-
19 tion 414(f)), subparagraph (B) of paragraph (1)
20 shall not apply.”.

21 (2) CONFORMING AMENDMENT.—Section
22 415(b)(7) (relating to benefits under certain collec-
23 tively bargained plans) is amended by inserting
24 “(other than a multiemployer plan)” after “defined

1 benefit plan” in the matter preceding subparagraph
2 (A).

3 (b) COMBINING AND AGGREGATION OF PLANS.—

4 (1) COMBINING OF PLANS.—Subsection (f) of
5 section 415 (relating to combining of plans) is
6 amended by adding at the end the following:

7 “(3) EXCEPTION FOR MULTIEMPLOYER
8 PLANS.—Notwithstanding paragraph (1) and sub-
9 section (g), a multiemployer plan (as defined in sec-
10 tion 414(f)) shall not be combined or aggregated—

11 “(A) with any other plan which is not a
12 multiemployer plan for purposes of applying
13 subsection (b)(1)(B) to such other plan, or

14 “(B) with any other multiemployer plan
15 for purposes of applying the limitations estab-
16 lished in this section.”.

17 (2) CONFORMING AMENDMENT FOR AGGREGA-
18 TION OF PLANS.—Subsection (g) of section 415 (re-
19 lating to aggregation of plans) is amended by strik-
20 ing “The Secretary” and inserting “Except as pro-
21 vided in subsection (f)(3), the Secretary”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to years beginning after December
24 31, 2000.

1 **SEC. 446. PROTECTION OF INVESTMENT OF EMPLOYEE**
 2 **CONTRIBUTIONS TO 401(K) PLANS.**

3 (a) IN GENERAL.—Section 1524(b) of the Taxpayer
 4 Relief Act of 1997 is amended to read as follows:

5 “(b) EFFECTIVE DATE.—

6 “(1) IN GENERAL.—Except as provided in para-
 7 graph (2), the amendments made by this section
 8 shall apply to elective deferrals for plan years begin-
 9 ning after December 31, 1998.

10 “(2) NONAPPLICATION TO PREVIOUSLY AC-
 11 QUIRED PROPERTY.—The amendments made by this
 12 section shall not apply to any elective deferral which
 13 is invested in assets consisting of qualifying em-
 14 ployer securities, qualifying employer real property,
 15 or both, if such assets were acquired before January
 16 1, 1999.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply as if included in the provision of
 19 the Taxpayer Relief Act of 1997 to which it relates.

20 **SEC. 447. PERIODIC PENSION BENEFITS STATEMENTS.**

21 (a) IN GENERAL.—Section 105(a) of the Employee
 22 Retirement Income Security Act of 1974 (29 U.S.C. 1025
 23 (a)) is amended to read as follows:

24 “(a)(1) Except as provided in paragraph (2)—

25 “(A) the administrator of an individual account
 26 plan shall furnish a pension benefit statement—

1 “(i) to a plan participant at least once an-
2 nually, and

3 “(ii) to a plan beneficiary upon written re-
4 quest, and

5 “(B) the administrator of a defined benefit plan
6 shall furnish a pension benefit statement—

7 “(i) at least once every 3 years to each
8 participant with a nonforfeitable accrued ben-
9 efit who is employed by the employer maintain-
10 ing the plan at the time the statement is fur-
11 nished to participants, and

12 “(ii) to a plan participant or plan bene-
13 ficiary of the plan upon written request.

14 “(2) Notwithstanding paragraph (1), the adminis-
15 trator of a plan to which more than 1 unaffiliated em-
16 ployer is required to contribute shall only be required to
17 furnish a pension benefit statement under paragraph (1)
18 upon the written request of a participant or beneficiary
19 of the plan.

20 “(3) A pension benefit statement under paragraph
21 (1)—

22 “(A) shall indicate, on the basis of the latest
23 available information—

24 “(i) the total benefits accrued, and

1 “(ii) the nonforfeitable pension benefits, if
2 any, which have accrued, or the earliest date on
3 which benefits will become nonforfeitable,

4 “(B) shall be written in a manner calculated to
5 be understood by the average plan participant, and

6 “(C) may be provided in written, electronic, tel-
7 ephonic, or other appropriate form.

8 “(4)(A) In the case of a defined benefit plan, the re-
9 quirements of paragraph (1)(B)(i) shall be treated as met
10 with respect to a participant if the administrator provides
11 the participant at least once each year with notice of the
12 availability of the pension benefit statement and the ways
13 in which the participant may obtain such statement. Such
14 notice shall be provided in written, electronic, telephonic,
15 or other appropriate form, and may be included with other
16 communications to the participant if done in a manner
17 reasonably designed to attract the attention of the partici-
18 pant.

19 “(B) The Secretary may provide that years in which
20 no employee or former employee benefits (within the
21 meaning of section 410(b) of the Internal Revenue Code
22 of 1986) under the plan need not be taken into account
23 in determining the 3-year period under paragraph
24 (1)(B)(i).”.

25 (b) CONFORMING AMENDMENTS.—

1 cable in lieu of) such employer securities may, dur-
2 ing a nonallocation year, accrue (or be allocated di-
3 rectly or indirectly under any plan of the employer
4 meeting the requirements of section 401(a)) for the
5 benefit of any disqualified person.

6 “(2) FAILURE TO MEET REQUIREMENTS.—

7 “(A) IN GENERAL.—If a plan fails to meet
8 the requirements of paragraph (1), the plan
9 shall be treated as having distributed to any
10 disqualified person the amount allocated to the
11 account of such person in violation of para-
12 graph (1) at the time of such allocation.

13 “(B) CROSS REFERENCE.—

**“For excise tax relating to violations of paragraph
(1) and ownership of synthetic equity, see section
4979A.**

14 “(3) NONALLOCATION YEAR.—For purposes of
15 this subsection—

16 “(A) IN GENERAL.—The term ‘nonalloca-
17 tion year’ means any plan year of an employee
18 stock ownership plan if, at any time during
19 such plan year—

20 “(i) such plan holds employer securi-
21 ties consisting of stock in an S corpora-
22 tion, and

1 “(ii) disqualified persons own at least
2 50 percent of the number of shares of
3 stock in the S corporation.

4 “(B) CONTRIBUTION RULES.—For purposes
5 of subparagraph (A)—

6 “(i) IN GENERAL.—The rules of sec-
7 tion 318(a) shall apply for purposes of de-
8 termining ownership, except that—

9 “(I) in applying paragraph (1)
10 thereof, the members of an individ-
11 ual’s family shall include members of
12 the family described in paragraph
13 (4)(D), and

14 “(II) paragraph (4) thereof shall
15 not apply.

16 “(ii) DEEMED-OWNED SHARES.—Not-
17 withstanding the employee trust exception
18 in section 318(a)(2)(B)(i), an individual
19 shall be treated as owning deemed-owned
20 shares of the individual.

21 Solely for purposes of applying paragraph (5),
22 this subparagraph shall be applied after the at-
23 tribution rules of paragraph (5) have been ap-
24 plied.

1 “(4) DISQUALIFIED PERSON.—For purposes of
2 this subsection—

3 “(A) IN GENERAL.—The term ‘disqualified
4 person’ means any person if—

5 “(i) the aggregate number of deemed-
6 owned shares of such person and the mem-
7 bers of such person’s family is at least 20
8 percent of the number of deemed-owned
9 shares of stock in the S corporation, or

10 “(ii) in the case of a person not de-
11 scribed in clause (i), the number of
12 deemed-owned shares of such person is at
13 least 10 percent of the number of deemed-
14 owned shares of stock in such corporation.

15 “(B) TREATMENT OF FAMILY MEMBERS.—

16 In the case of a disqualified person described in
17 subparagraph (A)(i), any member of such per-
18 son’s family with deemed-owned shares shall be
19 treated as a disqualified person if not otherwise
20 treated as a disqualified person under subpara-
21 graph (A).

22 “(C) DEEMED-OWNED SHARES.—

23 “(i) IN GENERAL.—The term
24 ‘deemed-owned shares’ means, with respect
25 to any person—

1 “(I) the stock in the S corpora-
2 tion constituting employer securities
3 of an employee stock ownership plan
4 which is allocated to such person
5 under the plan, and

6 “(II) such person’s share of the
7 stock in such corporation which is
8 held by such plan but which is not al-
9 located under the plan to participants.

10 “(ii) PERSON’S SHARE OF
11 UNALLOCATED STOCK.—For purposes of
12 clause (i)(II), a person’s share of
13 unallocated S corporation stock held by
14 such plan is the amount of the unallocated
15 stock which would be allocated to such per-
16 son if the unallocated stock were allocated
17 to all participants in the same proportions
18 as the most recent stock allocation under
19 the plan.

20 “(D) MEMBER OF FAMILY.—For purposes
21 of this paragraph, the term ‘member of the
22 family’ means, with respect to any individual—

23 “(i) the spouse of the individual,

24 “(ii) an ancestor or lineal descendant
25 of the individual or the individual’s spouse,

1 “(iii) a brother or sister of the indi-
2 vidual or the individual’s spouse and any
3 lineal descendant of the brother or sister,
4 and

5 “(iv) the spouse of any individual de-
6 scribed in clause (ii) or (iii).

7 A spouse of an individual who is legally sepa-
8 rated from such individual under a decree of di-
9 vorce or separate maintenance shall not be
10 treated as such individual’s spouse for purposes
11 of this subparagraph.

12 “(5) TREATMENT OF SYNTHETIC EQUITY.—For
13 purposes of paragraphs (3) and (4), in the case of
14 a person who owns synthetic equity in the S corpora-
15 tion, except to the extent provided in regulations, the
16 shares of stock in such corporation on which such
17 synthetic equity is based shall be treated as out-
18 standing stock in such corporation and deemed-
19 owned shares of such person if such treatment of
20 synthetic equity of 1 or more such persons results
21 in—

22 “(A) the treatment of any person as a dis-
23 qualified person, or

24 “(B) the treatment of any year as a non-
25 allocation year.

1 For purposes of this paragraph, synthetic equity
2 shall be treated as owned by a person in the same
3 manner as stock is treated as owned by a person
4 under the rules of paragraphs (2) and (3) of section
5 318(a). If, without regard to this paragraph, a per-
6 son is treated as a disqualified person or a year is
7 treated as a nonallocation year, this paragraph shall
8 not be construed to result in the person or year not
9 being so treated.

10 “(6) DEFINITIONS.—For purposes of this
11 subsection—

12 “(A) EMPLOYEE STOCK OWNERSHIP
13 PLAN.—The term ‘employee stock ownership
14 plan’ has the meaning given such term by sec-
15 tion 4975(e)(7).

16 “(B) EMPLOYER SECURITIES.—The term
17 ‘employer security’ has the meaning given such
18 term by section 409(l).

19 “(C) SYNTHETIC EQUITY.—The term ‘syn-
20 thetic equity’ means any stock option, warrant,
21 restricted stock, deferred issuance stock right,
22 or similar interest or right that gives the holder
23 the right to acquire or receive stock of the S
24 corporation in the future. Except to the extent
25 provided in regulations, synthetic equity also in-

1 cludes a stock appreciation right, phantom
2 stock unit, or similar right to a future cash
3 payment based on the value of such stock or
4 appreciation in such value.

5 “(7) REGULATIONS.—The Secretary shall pre-
6 scribe such regulations as may be necessary to carry
7 out the purposes of this subsection.”.

8 (b) COORDINATION WITH SECTION 4975(e)(7).—The
9 last sentence of section 4975(e)(7) (defining employee
10 stock ownership plan) is amended by inserting “, section
11 409(p),” after “409(n)”.

12 (c) EXCISE TAX.—

13 (1) APPLICATION OF TAX.—Subsection (a) of
14 section 4979A (relating to tax on certain prohibited
15 allocations of employer securities) is amended—

16 (A) by striking “or” at the end of para-
17 graph (1); and

18 (B) by striking all that follows paragraph

19 (2) and inserting the following:

20 “(3) there is any allocation of employer securi-
21 ties which violates the provisions of section 409(p),
22 or a nonallocation year described in subsection
23 (e)(2)(C) with respect to an employee stock owner-
24 ship plan, or

1 “(4) any synthetic equity is owned by a dis-
2 qualified person in any nonallocation year,
3 there is hereby imposed a tax on such allocation or owner-
4 ship equal to 50 percent of the amount involved.”.

5 (2) LIABILITY.—Section 4979A(c) (defining li-
6 ability for tax) is amended to read as follows:

7 “(c) LIABILITY FOR TAX.—The tax imposed by this
8 section shall be paid—

9 “(1) in the case of an allocation referred to in
10 paragraph (1) or (2) of subsection (a), by—

11 “(A) the employer sponsoring such plan, or

12 “(B) the eligible worker-owned cooperative,
13 which made the written statement described in sec-
14 tion 664(g)(1)(E) or in section 1042(b)(3)(B) (as
15 the case may be), and

16 “(2) in the case of an allocation or ownership
17 referred to in paragraph (3) or (4) of subsection (a),
18 by the S corporation the stock in which was so allo-
19 cated or owned.”.

20 (3) DEFINITIONS.—Section 4979A(e) (relating
21 to definitions) is amended to read as follows:

22 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
23 poses of this section—

24 “(1) DEFINITIONS.—Except as provided in
25 paragraph (2), terms used in this section have the

1 same respective meanings as when used in sections
2 409 and 4978.

3 “(2) SPECIAL RULES RELATING TO TAX IM-
4 POSED BY REASON OF PARAGRAPH (3) OR (4) OF
5 SUBSECTION (a).—

6 “(A) PROHIBITED ALLOCATIONS.—The
7 amount involved with respect to any tax im-
8 posed by reason of subsection (a)(3) is the
9 amount allocated to the account of any person
10 in violation of section 409(p)(1).

11 “(B) SYNTHETIC EQUITY.—The amount
12 involved with respect to any tax imposed by rea-
13 son of subsection (a)(4) is the value of the
14 shares on which the synthetic equity is based.

15 “(C) SPECIAL RULE DURING FIRST NON-
16 ALLOCATION YEAR.—For purposes of subpara-
17 graph (A), the amount involved for the first
18 nonallocation year of any employee stock owner-
19 ship plan shall be determined by taking into ac-
20 count the total value of all the deemed-owned
21 shares of all disqualified persons with respect to
22 such plan.

23 “(D) STATUTE OF LIMITATIONS.—The
24 statutory period for the assessment of any tax
25 imposed by this section by reason of paragraph

1 (3) or (4) of subsection (a) shall not expire be-
2 fore the date which is 3 years from the later
3 of—

4 “(i) the allocation or ownership re-
5 ferred to in such paragraph giving rise to
6 such tax, or

7 “(ii) the date on which the Secretary
8 is notified of such allocation or owner-
9 ship.”.

10 (d) EFFECTIVE DATES.—

11 (1) IN GENERAL.—The amendments made by
12 this section shall apply to plan years beginning after
13 December 31, 2001.

14 (2) EXCEPTION FOR CERTAIN PLANS.—In the
15 case of any—

16 (A) employee stock ownership plan estab-
17 lished after July 11, 2000; or

18 (B) employee stock ownership plan estab-
19 lished on or before such date if employer securi-
20 ties held by the plan consist of stock in a cor-
21 poration with respect to which an election under
22 section 1362(a) of the Internal Revenue Code
23 of 1986 is not in effect on such date,

24 the amendments made by this section shall apply to
25 plan years ending after July 11, 2000.

1 **Subtitle F—Reducing Regulatory**
2 **Burdens**

3 **SEC. 451. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

4 (a) IN GENERAL.—Paragraph (9) of section 412(c)
5 (relating to annual valuation) is amended to read as fol-
6 lows:

7 “(9) ANNUAL VALUATION.—

8 “(A) IN GENERAL.—For purposes of this
9 section, a determination of experience gains and
10 losses and a valuation of the plan’s liability
11 shall be made not less frequently than once
12 every year, except that such determination shall
13 be made more frequently to the extent required
14 in particular cases under regulations prescribed
15 by the Secretary.

16 “(B) VALUATION DATE.—

17 “(i) CURRENT YEAR.—Except as pro-
18 vided in clause (ii), the valuation referred
19 to in subparagraph (A) shall be made as of
20 a date within the plan year to which the
21 valuation refers or within one month prior
22 to the beginning of such year.

23 “(ii) ELECTION TO USE PRIOR YEAR
24 VALUATION.—The valuation referred to in
25 subparagraph (A) may be made as of a

1 date within the plan year prior to the year
2 to which the valuation refers if—

3 “(I) an election is in effect under
4 this clause with respect to the plan,
5 and

6 “(II) as of such date, the value
7 of the assets of the plan are not less
8 than 125 percent of the plan’s current
9 liability (as defined in paragraph
10 (7)(B)).

11 “(iii) ADJUSTMENTS.—Information
12 under clause (ii) shall, in accordance with
13 regulations, be actuarially adjusted to re-
14 flect significant differences in participants.

15 “(iv) ELECTION.—An election under
16 clause (ii), once made, shall be irrevocable
17 without the consent of the Secretary.”.

18 (b) AMENDMENT OF ERISA.—Paragraph (9) of sec-
19 tion 302(c) of the Employee Retirement Income Security
20 Act of 1974 (29 U.S.C. 1053(c)) is amended—

21 (1) by inserting “(A)” after “(9)”; and

22 (2) by adding at the end the following:

23 “(B)(i) Except as provided in clause (ii), the valu-
24 ation referred to in subparagraph (A) shall be made as

1 of a date within the plan year to which the valuation refers
2 or within one month prior to the beginning of such year.

3 “(ii) The valuation referred to in subparagraph (A)
4 may be made as of a date within the plan year prior to
5 the year to which the valuation refers if—

6 “(I) an election is in effect under this clause
7 with respect to the plan; and

8 “(II) as of such date, the value of the assets of
9 the plan are not less than 125 percent of the plan’s
10 current liability (as defined in paragraph (7)(B)).

11 “(iii) Information under clause (ii) shall, in accord-
12 ance with regulations, be actuarially adjusted to reflect
13 significant differences in participants.

14 “(iv) An election under clause (ii), once made, shall
15 be irrevocable without the consent of the Secretary of the
16 Treasury.”

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

20 **SEC. 452. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
21 **LOSS OF DIVIDEND DEDUCTION.**

22 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
23 applicable dividends) is amended by striking “or” at the
24 end of clause (ii), by redesignating clause (iii) as clause

1 (iv), and by inserting after clause (ii) the following new
2 clause:

3 “(iii) is, at the election of such par-
4 ticipants or their beneficiaries—

5 “(I) payable as provided in clause
6 (i) or (ii), or

7 “(II) paid to the plan and rein-
8 vested in qualifying employer securi-
9 ties, or”.

10 (b) STANDARD FOR DISALLOWANCE.—Section
11 404(k)(5)(A) (relating to disallowance of deduction) is
12 amended by inserting “avoidance or” before “evasion”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2000.

16 **SEC. 453. REPEAL OF TRANSITION RULE RELATING TO CER-**
17 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

18 (a) IN GENERAL.—Paragraph (4) of section 1114(c)
19 of the Tax Reform Act of 1986 is hereby repealed.

20 (b) EFFECTIVE DATE.—The repeal made by sub-
21 section (a) shall apply to plan years beginning after De-
22 cember 31, 2000.

23 **SEC. 454. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

24 (a) IN GENERAL.—The Secretary of the Treasury
25 shall modify Treasury Regulations section 1.410(b)–6(g)

1 to provide that employees of an organization described in
2 section 403(b)(1)(A)(i) of the Internal Revenue Code of
3 1986 who are eligible to make contributions under section
4 403(b) of such Code pursuant to a salary reduction agree-
5 ment may be treated as excludable with respect to a plan
6 under section 401(k) or (m) of such Code that is provided
7 under the same general arrangement as a plan under such
8 section 401(k), if—

9 (1) no employee of an organization described in
10 section 403(b)(1)(A)(i) of such Code is eligible to
11 participate in such section 401(k) plan or section
12 401(m) plan; and

13 (2) 95 percent of the employees who are not
14 employees of an organization described in section
15 403(b)(1)(A)(i) of such Code are eligible to partici-
16 pate in such plan under such section 401(k) or (m).

17 (b) EFFECTIVE DATE.—The modification required by
18 subsection (a) shall apply as of the same date set forth
19 in section 1426(b) of the Small Business Job Protection
20 Act of 1996.

21 **SEC. 455. CLARIFICATION OF TREATMENT OF EMPLOYER-**
22 **PROVIDED RETIREMENT ADVICE.**

23 (a) IN GENERAL.—Subsection (a) of section 132 (re-
24 lating to exclusion from gross income) is amended by
25 striking “or” at the end of paragraph (5), by striking the

1 period at the end of paragraph (6) and inserting “, or”,
2 and by adding at the end the following new paragraph:

3 “(7) qualified retirement planning services.”.

4 (b) QUALIFIED RETIREMENT PLANNING SERVICES
5 DEFINED.—Section 132 is amended by redesignating sub-
6 section (m) as subsection (n) and by inserting after sub-
7 section (l) the following:

8 “(m) QUALIFIED RETIREMENT PLANNING SERV-
9 ICES.—

10 “(1) IN GENERAL.—For purposes of this sec-
11 tion, the term ‘qualified retirement planning serv-
12 ices’ means any retirement planning advice or infor-
13 mation provided to an employee and his spouse by
14 an employer maintaining a qualified employer plan.

15 “(2) NONDISCRIMINATION RULE.—Subsection
16 (a)(7) shall apply in the case of highly compensated
17 employees only if such services are available on sub-
18 stantially the same terms to each member of the
19 group of employees normally provided education and
20 information regarding the employer’s qualified em-
21 ployer plan.

22 “(3) QUALIFIED EMPLOYER PLAN.—For pur-
23 poses of this subsection, the term ‘qualified employer
24 plan’ means a plan, contract, pension, or account de-
25 scribed in section 219(g)(5).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 2000.

4 **SEC. 456. REPORTING SIMPLIFICATION.**

5 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
6 OWNERS AND THEIR SPOUSES.—

7 (1) IN GENERAL.—The Secretary of the Treas-
8 ury shall modify the requirements for filing annual
9 returns with respect to one-participant retirement
10 plans to ensure that such plans with assets of
11 \$250,000 or less as of the close of the plan year
12 need not file a return for that year.

13 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
14 FINED.—For purposes of this subsection, the term
15 “one-participant retirement plan” means a retire-
16 ment plan that—

17 (A) on the first day of the plan year—

18 (i) covered only the employer (and the
19 employer’s spouse) and the employer
20 owned the entire business (whether or not
21 incorporated); or

22 (ii) covered only one or more partners
23 (and their spouses) in a business partner-
24 ship (including partners in an S or C cor-
25 poration);

1 (B) meets the minimum coverage require-
2 ments of section 410(b) of the Internal Revenue
3 Code of 1986 without being combined with any
4 other plan of the business that covers the em-
5 ployees of the business;

6 (C) does not provide benefits to anyone ex-
7 cept the employer (and the employer's spouse)
8 or the partners (and their spouses);

9 (D) does not cover a business that is a
10 member of an affiliated service group, a con-
11 trolled group of corporations, or a group of
12 businesses under common control; and

13 (E) does not cover a business that leases
14 employees.

15 (3) OTHER DEFINITIONS.—Terms used in para-
16 graph (2) which are also used in section 414 of the
17 Internal Revenue Code of 1986 shall have the re-
18 spective meanings given such terms by such section.

19 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
20 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
21 of plan years beginning after December 31, 2001, the Sec-
22 retary of the Treasury shall provide for the filing of a sim-
23 plified annual return for any retirement plan which covers
24 less than 25 employees on the first day of a plan year

1 and meets the requirements described in subparagraphs
2 (B), (D), and (E) of subsection (a)(2).

3 (c) EFFECTIVE DATE.—The provisions of this section
4 shall take effect on January 1, 2001.

5 **SEC. 457. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
6 **ANCE RESOLUTION SYSTEM.**

7 The Secretary of the Treasury shall continue to up-
8 date and improve the Employee Plans Compliance Resolu-
9 tion System (or any successor program) giving special at-
10 tention to—

11 (1) increasing the awareness and knowledge of
12 small employers concerning the availability and use
13 of the program;

14 (2) taking into account special concerns and
15 circumstances that small employers face with respect
16 to compliance and correction of compliance failures;

17 (3) extending the duration of the self-correction
18 period under the Administrative Policy Regarding
19 Self-Correction for significant compliance failures;

20 (4) expanding the availability to correct insig-
21 nificant compliance failures under the Administra-
22 tive Policy Regarding Self-Correction during audit;
23 and

24 (5) assuring that any tax, penalty, or sanction
25 that is imposed by reason of a compliance failure is

1 not excessive and bears a reasonable relationship to
2 the nature, extent, and severity of the failure.

3 **SEC. 458. REPEAL OF THE MULTIPLE USE TEST.**

4 (a) IN GENERAL.—Paragraph (9) of section 401(m)
5 is amended to read as follows:

6 “(9) REGULATIONS.—The Secretary shall pre-
7 scribe such regulations as may be necessary to carry
8 out the purposes of this subsection and subsection
9 (k), including regulations permitting appropriate ag-
10 gregation of plans and contributions.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to years beginning after December
13 31, 2000.

14 **SEC. 459. FLEXIBILITY IN NONDISCRIMINATION, COV-**
15 **ERAGE, AND LINE OF BUSINESS RULES.**

16 (a) NONDISCRIMINATION.—

17 (1) IN GENERAL.—The Secretary of the Treas-
18 ury shall, by regulation, provide that a plan shall be
19 deemed to satisfy the requirements of section
20 401(a)(4) of the Internal Revenue Code of 1986 if
21 such plan satisfies the facts and circumstances test
22 under section 401(a)(4) of such Code, as in effect
23 before January 1, 1994, but only if—

1 (A) the plan satisfies conditions prescribed
2 by the Secretary to appropriately limit the
3 availability of such test; and

4 (B) the plan is submitted to the Secretary
5 for a determination of whether it satisfies such
6 test.

7 Subparagraph (B) shall only apply to the extent pro-
8 vided by the Secretary.

9 (2) EFFECTIVE DATES.—

10 (A) REGULATIONS.—The regulation re-
11 quired by paragraph (1) shall apply to years be-
12 ginning after December 31, 2002.

13 (B) CONDITIONS OF AVAILABILITY.—Any
14 condition of availability prescribed by the Sec-
15 retary under paragraph (1)(A) shall not apply
16 before the first year beginning not less than
17 120 days after the date on which such condition
18 is prescribed.

19 (b) COVERAGE TEST.—

20 (1) IN GENERAL.—Section 410(b)(1) (relating
21 to minimum coverage requirements) is amended by
22 adding at the end the following:

23 “(D) In the case that the plan fails to
24 meet the requirements of subparagraphs (A),
25 (B) and (C), the plan—

1 “(i) satisfies subparagraph (B), as in
2 effect immediately before the enactment of
3 the Tax Reform Act of 1986,

4 “(ii) is submitted to the Secretary for
5 a determination of whether it satisfies the
6 requirement described in clause (i), and

7 “(iii) satisfies conditions prescribed by
8 the Secretary by regulation that appro-
9 priately limit the availability of this sub-
10 paragraph.

11 Clause (ii) shall apply only to the extent pro-
12 vided by the Secretary.”.

13 (2) EFFECTIVE DATES.—

14 (A) IN GENERAL.—The amendment made
15 by paragraph (1) shall apply to years beginning
16 after December 31, 2002.

17 (B) CONDITIONS OF AVAILABILITY.—Any
18 condition of availability prescribed by the Sec-
19 retary under regulations prescribed by the Sec-
20 retary under section 410(b)(1)(D) of the Inter-
21 nal Revenue Code of 1986 shall not apply be-
22 fore the first year beginning not less than 120
23 days after the date on which such condition is
24 prescribed.

1 (c) LINE OF BUSINESS RULES.—The Secretary of
2 the Treasury shall, on or before December 31, 2002, mod-
3 ify the existing regulations issued under section 414(r) of
4 the Internal Revenue Code of 1986 in order to expand
5 (to the extent that the Secretary determines appropriate)
6 the ability of a pension plan to demonstrate compliance
7 with the line of business requirements based upon the
8 facts and circumstances surrounding the design and oper-
9 ation of the plan, even though the plan is unable to satisfy
10 the mechanical tests currently used to determine compli-
11 ance.

12 **SEC. 460. EXTENSION TO ALL GOVERNMENTAL PLANS OF**
13 **MORATORIUM ON APPLICATION OF CERTAIN**
14 **NONDISCRIMINATION RULES APPLICABLE TO**
15 **STATE AND LOCAL PLANS.**

16 (a) IN GENERAL.—

17 (1) Subparagraph (G) of section 401(a)(5) and
18 subparagraph (H) of section 401(a)(26) are each
19 amended by striking “section 414(d)” and all that
20 follows and inserting “section 414(d).”.

21 (2) Subparagraph (G) of section 401(k)(3) and
22 paragraph (2) of section 1505(d) of the Taxpayer
23 Relief Act of 1997 are each amended by striking
24 “maintained by a State or local government or polit-

1 ical subdivision thereof (or agency or instrumentality
2 thereof)”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The heading for subparagraph (G) of sec-
5 tion 401(a)(5) is amended to read as follows: “GOV-
6 ERNMENTAL PLANS”.

7 (2) The heading for subparagraph (H) of sec-
8 tion 401(a)(26) is amended to read as follows: “EX-
9 CEPTION FOR GOVERNMENTAL PLANS”.

10 (3) Subparagraph (G) of section 401(k)(3) is
11 amended by inserting “GOVERNMENTAL PLANS.—”
12 after “(G)”.

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

16 **SEC. 461. NOTICE AND CONSENT PERIOD REGARDING DIS-**
17 **TRIBUTIONS.**

18 (a) EXPANSION OF PERIOD.—

19 (1) AMENDMENT OF INTERNAL REVENUE
20 CODE.—

21 (A) IN GENERAL.—Subparagraph (A) of
22 section 417(a)(6) is amended by striking “90-
23 day” and inserting “180-day”.

24 (B) MODIFICATION OF REGULATIONS.—

25 The Secretary of the Treasury shall modify the

1 regulations under sections 402(f), 411(a)(11),
2 and 417 of the Internal Revenue Code of 1986
3 to substitute “180 days” for “90 days” each
4 place it appears in Treasury Regulations sec-
5 tions 1.402(f)-1, 1.411(a)-11(c), and 1.417(e)-
6 1(b).

7 (2) AMENDMENT OF ERISA.—Section
8 205(c)(7)(A) of the Employee Retirement Income
9 Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is
10 amended by striking “90-day” and inserting “180-
11 day”.

12 (3) EFFECTIVE DATE.—The amendments made
13 by paragraph (1)(A) and (2) and the modifications
14 required by paragraph (1)(B) shall apply to years
15 beginning after December 31, 2000.

16 (b) CONSENT REGULATION INAPPLICABLE TO CER-
17 TAIN DISTRIBUTIONS.—

18 (1) IN GENERAL.—The Secretary of the Treas-
19 ury shall modify the regulations under section
20 411(a)(11) of the Internal Revenue Code of 1986 to
21 provide that the description of a participant’s right,
22 if any, to defer receipt of a distribution shall also de-
23 scribe the consequences of failing to defer such re-
24 ceipt.

1 (2) EFFECTIVE DATE.—The modifications re-
2 quired by paragraph (1) shall apply to years begin-
3 ning after December 31, 2000.

4 (c) DISCLOSURE OF OPTIONAL FORMS OF BENE-
5 FITS.—

6 (1) REGULATIONS.—

7 (A) IN GENERAL.—The Secretary of the
8 Treasury shall, not later than December 31,
9 2001, issue final regulations under section
10 417(a)(3) of the Internal Revenue Code of 1986
11 which provide that if—

12 (i) a defined benefit plan offers both
13 a qualified joint and survivor annuity and
14 a single sum optional form of benefit, and

15 (ii) the distributable amount under
16 such single sum option is less than the
17 present value (determined in accordance
18 with section 417(e) of such Code) of the
19 qualified joint and survivor annuity com-
20 mencing as of the same annuity starting
21 date,

22 the written explanation required by section
23 417(a)(3)(A) of such Code shall include suffi-
24 cient information to allow the participant to un-

1 derstand the difference between the amount of
2 the single sum and such present value.

3 (B) UNMARRIED PARTICIPANTS.—If the
4 plan offers an unmarried participant one or
5 more annuity options that are substantially
6 more valuable than the qualified joint and sur-
7 vivor annuity offered by the plan, the compari-
8 son required under subparagraph (A) shall be
9 made between the single sum option and the
10 most valuable of the other annuity options of-
11 fered by the plan.

12 (C) FORM.—Any information required
13 under this paragraph shall be provided in a
14 manner calculated to be reasonably understood
15 by the average plan participant.

16 (2) EFFECTIVE DATE.—Regulations issued
17 under paragraph (1) shall only apply to distributions
18 made not earlier than 6 months after the date such
19 regulations are issued.

20 **SEC. 462. ANNUAL REPORT DISSEMINATION.**

21 (a) REPORT AVAILABLE THROUGH ELECTRONIC
22 MEANS.—Section 104(b)(3) of the Employee Retirement
23 Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is
24 amended by adding at the end the following new sentence:
25 “The requirement to furnish information under the pre-

1 vious sentence shall be satisfied if the administrator makes
2 such information reasonably available through electronic
3 means or other new technology.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to reports for years beginning after
6 December 31, 1999.

7 **SEC. 463. TECHNICAL CORRECTIONS TO SAVER ACT.**

8 Section 517 of the Employee Retirement Income Se-
9 curity Act of 1974 (29 U.S.C. 1147) is amended—

10 (1) in subsection (a), by striking “2001 and
11 2005 on or after September 1 of each year involved”
12 and inserting “2001, 2005, and 2009 in the month
13 of September of each year involved”;

14 (2) in subsection (b), by adding at the end the
15 following new sentence: “To effectuate the purposes
16 of this paragraph, the Secretary may enter into a co-
17 operative agreement, pursuant to the Federal Grant
18 and Cooperative Agreement Act of 1977 (31 U.S.C.
19 6301 et seq.), with the American Savings Education
20 Council.”;

21 (3) in subsection (e)(2)—

22 (A) by striking “Committee on Labor and
23 Human Resources” in subparagraph (D) and
24 inserting “Committee on Health, Education,
25 Labor, and Pensions”;

1 (B) by striking subparagraph (F) and in-
2 serting the following:

3 “(F) the Chairman and Ranking Member
4 of the Subcommittee on Labor, Health and
5 Human Services, and Education of the Com-
6 mittee on Appropriations of the House of Rep-
7 resentatives and the Chairman and Ranking
8 Member of the Subcommittee on Labor, Health
9 and Human Services, and Education of the
10 Committee on Appropriations of the Senate;”;

11 (C) by redesignating subparagraph (G) as
12 subparagraph (J); and

13 (D) by inserting after subparagraph (F)
14 the following new subparagraphs:

15 “(G) the Chairman and Ranking Member
16 of the Committee on Finance of the Senate;

17 “(H) the Chairman and Ranking Member
18 of the Committee on Ways and Means of the
19 House of Representatives;

20 “(I) the Chairman and Ranking Member
21 of the Subcommittee on Employer-Employee
22 Relations of the Committee on Education and
23 the Workforce of the House of Representatives;
24 and”;

25 (4) in subsection (e)(3)(A)—

1 (A) by striking “There shall be no more
2 than 200 additional participants.” and inserting
3 “The participants in the National Summit shall
4 also include additional participants appointed
5 under this subparagraph.”;

6 (B) by striking “one-half shall be ap-
7 pointed by the President,” in clause (i) and in-
8 serting “not more than 100 participants shall
9 be appointed under this clause by the Presi-
10 dent,”, and by striking “and” at the end of
11 clause (i);

12 (C) by striking “one-half shall be ap-
13 pointed by the elected leaders of Congress” in
14 clause (ii) and inserting “not more than 100
15 participants shall be appointed under this
16 clause by the elected leaders of Congress”, and
17 by striking the period at the end of clause (ii)
18 and inserting “; and”;

19 (D) by adding at the end the following new
20 clause:

21 “(iii) The President, in consultation
22 with the elected leaders of Congress re-
23 ferred to in subsection (a), may appoint
24 under this clause additional participants to
25 the National Summit. The number of such

1 additional participants appointed under
2 this clause may not exceed the lesser of 3
3 percent of the total number of all addi-
4 tional participants appointed under this
5 paragraph, or 10. Such additional partici-
6 pants shall be appointed from persons
7 nominated by the organization referred to
8 in subsection (b)(2) which is made up of
9 private sector businesses and associations
10 partnered with Government entities to pro-
11 mote long term financial security in retire-
12 ment through savings and with which the
13 Secretary is required thereunder to consult
14 and cooperate and shall not be Federal,
15 State, or local government employees.”;

16 (5) in subsection (e)(3)(B), by striking “Janu-
17 ary 31, 1998” in subparagraph (B) and inserting
18 “May 1, 2001, May 1, 2005, and May 1, 2009, for
19 each of the subsequent summits, respectively”;

20 (6) in subsection (f)(1)(C), by inserting “, no
21 later than 90 days prior to the date of the com-
22 mencement of the National Summit,” after “com-
23 ment” in paragraph (1)(C);

1 (7) in subsection (g), by inserting “, in con-
2 sultation with the congressional leaders specified in
3 subsection (e)(2),” after “report”;

4 (8) in subsection (i)—

5 (A) by striking “beginning on or after Oc-
6 tober 1, 1997” in paragraph (1) and inserting
7 “2001, 2005, and 2009”; and

8 (B) by adding at the end the following new
9 paragraph:

10 “(3) RECEPTION AND REPRESENTATION AU-
11 THORITY.—The Secretary is hereby granted recep-
12 tion and representation authority limited specifically
13 to the events at the National Summit. The Secretary
14 shall use any private contributions accepted in con-
15 nection with the National Summit prior to using
16 funds appropriated for purposes of the National
17 Summit pursuant to this paragraph.”; and

18 (9) in subsection (k)—

19 (A) by striking “shall enter into a contract
20 on a sole-source basis” and inserting “may
21 enter into a contract on a sole-source basis”;
22 and

23 (B) by striking “fiscal year 1998” and in-
24 serting “fiscal years 2001, 2005, and 2009”.

1 **SEC. 464. STUDY OF PENSION COVERAGE.**

2 Not later than 5 years after the date of the enact-
3 ment of this Act, the Secretary of the Treasury shall sub-
4 mit a report to the Committee on Ways and Means of the
5 House of Representatives and the Committee on Finance
6 of the Senate a report on the effect of the provisions of
7 the Retirement Savings and Pension Coverage Act of 2000
8 on pension coverage, including—

- 9 (1) any expansion of coverage for low- and mid-
10 dle-income workers;
- 11 (2) levels of pension benefits;
- 12 (3) quality of pension coverage;
- 13 (4) worker’s access to and participation in
14 plans; and
- 15 (5) retirement security.

16 **Subtitle G—Other ERISA**
17 **Provisions**

18 **SEC. 471. MISSING PARTICIPANTS.**

19 (a) IN GENERAL.—Section 4050 of the Employee Re-
20 tirement Income Security Act of 1974 (29 U.S.C. 1350)
21 is amended by redesignating subsection (c) as subsection
22 (e) and by inserting after subsection (b) the following new
23 subsection:

24 “(c) MULTIEMPLOYER PLANS.—The corporation
25 shall prescribe rules similar to the rules in subsection (a)

1 for multiemployer plans covered by this title that termi-
2 nate under section 4041A.

3 “(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

4 “(1) TRANSFER TO CORPORATION.—The plan
5 administrator of a plan described in paragraph (4)
6 may elect to transfer a missing participant’s benefits
7 to the corporation upon termination of the plan.

8 “(2) INFORMATION TO THE CORPORATION.—To
9 the extent provided in regulations, the plan adminis-
10 trator of a plan described in paragraph (4) shall,
11 upon termination of the plan, provide the corpora-
12 tion information with respect to benefits of a miss-
13 ing participant if the plan transfers such benefits—

14 “(A) to the corporation, or

15 “(B) to an entity other than the corpora-
16 tion or a plan described in paragraph (4)(B)(ii).

17 “(3) PAYMENT BY THE CORPORATION.—If ben-
18 efits of a missing participant were transferred to the
19 corporation under paragraph (1), the corporation
20 shall, upon location of the participant or beneficiary,
21 pay to the participant or beneficiary the amount
22 transferred (or the appropriate survivor benefit)
23 either—

24 “(A) in a single sum (plus interest), or

1 “(B) in such other form as is specified in
2 regulations of the corporation.

3 “(4) PLANS DESCRIBED.—A plan is described
4 in this paragraph if—

5 “(A) the plan is a pension plan (within the
6 meaning of section 3(2))—

7 “(i) to which the provisions of this
8 section do not apply (without regard to
9 this subsection), and

10 “(ii) which is not a plan described in
11 paragraphs (2) through (11) of section
12 4021(b), and

13 “(B) at the time the assets are to be dis-
14 tributed upon termination, the plan—

15 “(i) has missing participants, and

16 “(ii) has not provided for the transfer
17 of assets to pay the benefits of all missing
18 participants to another pension plan (with-
19 in the meaning of section 3(2)).

20 “(5) CERTAIN PROVISIONS NOT TO APPLY.—

21 Subsections (a)(1) and (a)(3) shall not apply to a
22 plan described in paragraph (4).”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to distributions made after final
25 regulations implementing subsections (c) and (d) of sec-

1 tion 4050 of the Employee Retirement Income Security
2 Act of 1974 (as added by subsection (a)), respectively, are
3 prescribed.

4 **SEC. 472. REDUCED PBGC PREMIUM FOR NEW PLANS OF**
5 **SMALL EMPLOYERS.**

6 (a) IN GENERAL.—Subparagraph (A) of section
7 4006(a)(3) of the Employee Retirement Income Security
8 Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

9 (1) in clause (i), by inserting “other than a new
10 single-employer plan (as defined in subparagraph
11 (F)) maintained by a small employer (as so de-
12 fined),” after “single-employer plan,”

13 (2) in clause (iii), by striking the period at the
14 end and inserting “, and”, and

15 (3) by adding at the end the following new
16 clause:

17 “(iv) in the case of a new single-employer plan
18 (as defined in subparagraph (F)) maintained by a
19 small employer (as so defined) for the plan year, \$5
20 for each individual who is a participant in such plan
21 during the plan year.”.

22 (b) DEFINITION OF NEW SINGLE-EMPLOYER
23 PLAN.—Section 4006(a)(3) of the Employee Retirement
24 Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is

1 amended by adding at the end the following new subpara-
2 graph:

3 “(F)(i) For purposes of this paragraph, a single-em-
4 ployer plan maintained by a contributing sponsor shall be
5 treated as a new single-employer plan for each of its first
6 5 plan years if, during the 36-month period ending on the
7 date of the adoption of such plan, the sponsor or any
8 member of such sponsor’s controlled group (or any prede-
9 cessor of either) did not establish or maintain a plan to
10 which this title applies with respect to which benefits were
11 accrued for substantially the same employees as are in the
12 new single-employer plan.

13 “(ii)(I) For purposes of this paragraph, the term
14 ‘small employer’ means an employer which on the first day
15 of any plan year has, in aggregation with all members of
16 the controlled group of such employer, 100 or fewer em-
17 ployees.

18 “(II) In the case of a plan maintained by two or more
19 contributing sponsors that are not part of the same con-
20 trolled group, the employees of all contributing sponsors
21 and controlled groups of such sponsors shall be aggregated
22 for purposes of determining whether any contributing
23 sponsor is a small employer.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to plans established after Decem-
3 ber 31, 2000.

4 **SEC. 473. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR**
5 **NEW AND SMALL PLANS.**

6 (a) NEW PLANS.—Subparagraph (E) of section
7 4006(a)(3) of the Employee Retirement Income Security
8 Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by
9 adding at the end the following new clause:

10 “(v) In the case of a new defined benefit plan, the
11 amount determined under clause (ii) for any plan year
12 shall be an amount equal to the product of the amount
13 determined under clause (ii) and the applicable percent-
14 age. For purposes of this clause, the term ‘applicable per-
15 centage’ means—

16 “(I) 0 percent, for the first plan year.

17 “(II) 20 percent, for the second plan year.

18 “(III) 40 percent, for the third plan year.

19 “(IV) 60 percent, for the fourth plan year.

20 “(V) 80 percent, for the fifth plan year.

21 For purposes of this clause, a defined benefit plan (as de-
22 fined in section 3(35)) maintained by a contributing spon-
23 sor shall be treated as a new defined benefit plan for each
24 of its first 5 plan years if, during the 36-month period
25 ending on the date of the adoption of the plan, the sponsor

1 and each member of any controlled group including the
2 sponsor (or any predecessor of either) did not establish
3 or maintain a plan to which this title applies with respect
4 to which benefits were accrued for substantially the same
5 employees as are in the new plan.”.

6 (b) SMALL PLANS.—Paragraph (3) of section
7 4006(a) of the Employee Retirement Income Security Act
8 of 1974 (29 U.S.C. 1306(a)), as amended by section
9 472(b), is amended—

10 (1) by striking “The” in subparagraph (E)(i)
11 and inserting “Except as provided in subparagraph
12 (G), the”, and

13 (2) by inserting after subparagraph (F) the fol-
14 lowing new subparagraph:

15 “(G)(i) In the case of an employer who has 25 or
16 fewer employees on the first day of the plan year, the addi-
17 tional premium determined under subparagraph (E) for
18 each participant shall not exceed \$5 multiplied by the
19 number of participants in the plan as of the close of the
20 preceding plan year.

21 “(ii) For purposes of clause (i), whether an employer
22 has 25 or fewer employees on the first day of the plan
23 year is determined taking into consideration all of the em-
24 ployees of all members of the contributing sponsor’s con-
25 trolled group. In the case of a plan maintained by two

1 or more contributing sponsors, the employees of all con-
2 tributing sponsors and their controlled groups shall be ag-
3 gregated for purposes of determining whether the 25-or-
4 fewer-employees limitation has been satisfied.”.

5 (c) EFFECTIVE DATES.—

6 (1) SUBSECTION (a).—The amendments made
7 by subsection (a) shall apply to plans established
8 after December 31, 2000.

9 (2) SUBSECTION (b).—The amendments made
10 by subsection (b) shall apply to plan years beginning
11 after December 31, 2000.

12 **SEC. 474. AUTHORIZATION FOR PBGC TO PAY INTEREST ON**
13 **PREMIUM OVERPAYMENT REFUNDS.**

14 (a) IN GENERAL.—Section 4007(b) of the Employ-
15 ment Retirement Income Security Act of 1974 (29 U.S.C.
16 1307(b)) is amended—

17 (1) by striking “(b)” and inserting “(b)(1)”,
18 and

19 (2) by inserting at the end the following new
20 paragraph:

21 “(2) The corporation is authorized to pay, subject to
22 regulations prescribed by the corporation, interest on the
23 amount of any overpayment of premium refunded to a des-
24 ignated payor. Interest under this paragraph shall be cal-
25 culated at the same rate and in the same manner as inter-

1 est is calculated for underpayments under paragraph
2 (1).”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 subsection (a) shall apply to interest accruing for periods
5 beginning not earlier than the date of the enactment of
6 this Act.

7 **SEC. 475. SUBSTANTIAL OWNER BENEFITS IN TERMINATED**
8 **PLANS.**

9 (a) **MODIFICATION OF PHASE-IN OF GUARANTEE.**—
10 Section 4022(b)(5) of the Employee Retirement Income
11 Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended
12 to read as follows:

13 “(5)(A) For purposes of this paragraph, the term
14 ‘majority owner’ means an individual who, at any time
15 during the 60-month period ending on the date the deter-
16 mination is being made—

17 “(i) owns the entire interest in an unincor-
18 porated trade or business,

19 “(ii) in the case of a partnership, is a partner
20 who owns, directly or indirectly, 50 percent or more
21 of either the capital interest or the profits interest
22 in such partnership, or

23 “(iii) in the case of a corporation, owns, directly
24 or indirectly, 50 percent or more in value of either

1 the voting stock of that corporation or all the stock
2 of that corporation.

3 For purposes of clause (iii), the constructive ownership
4 rules of section 1563(e) of the Internal Revenue Code of
5 1986 shall apply (determined without regard to section
6 1563(e)(3)(C)).

7 “(B) In the case of a participant who is a majority
8 owner, the amount of benefits guaranteed under this sec-
9 tion shall equal the product of—

10 “(i) a fraction (not to exceed 1) the numerator
11 of which is the number of years from the later of the
12 effective date or the adoption date of the plan to the
13 termination date, and the denominator of which is
14 10, and

15 “(ii) the amount of benefits that would be guar-
16 anteed under this section if the participant were not
17 a majority owner.”.

18 (b) MODIFICATION OF ALLOCATION OF ASSETS.—

19 (1) Section 4044(a)(4)(B) of the Employee Re-
20 tirement Income Security Act of 1974 (29 U.S.C.
21 1344(a)(4)(B)) is amended by striking “section
22 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

23 (2) Section 4044(b) of such Act (29 U.S.C.
24 1344(b)) is amended—

1 (A) by striking “(5)” in paragraph (2) and
2 inserting “(4), (5),” and

3 (B) by redesignating paragraphs (3)
4 through (6) as paragraphs (4) through (7), re-
5 spectively, and by inserting after paragraph (2)
6 the following new paragraph:

7 “(3) If assets available for allocation under
8 paragraph (4) of subsection (a) are insufficient to
9 satisfy in full the benefits of all individuals who are
10 described in that paragraph, the assets shall be allo-
11 cated first to benefits described in subparagraph (A)
12 of that paragraph. Any remaining assets shall then
13 be allocated to benefits described in subparagraph
14 (B) of that paragraph. If assets allocated to such
15 subparagraph (B) are insufficient to satisfy in full
16 the benefits described in that subparagraph, the as-
17 sets shall be allocated pro rata among individuals on
18 the basis of the present value (as of the termination
19 date) of their respective benefits described in that
20 subparagraph.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 4021 of the Employee Retirement
23 Income Security Act of 1974 (29 U.S.C. 1321) is
24 amended—

1 (A) in subsection (b)(9), by striking “as
2 defined in section 4022(b)(6)”, and

3 (B) by adding at the end the following new
4 subsection:

5 “(d) For purposes of subsection (b)(9), the term ‘sub-
6 stantial owner’ means an individual who, at any time dur-
7 ing the 60-month period ending on the date the determina-
8 tion is being made—

9 “(1) owns the entire interest in an unincor-
10 porated trade or business,

11 “(2) in the case of a partnership, is a partner
12 who owns, directly or indirectly, more than 10 per-
13 cent of either the capital interest or the profits inter-
14 est in such partnership, or

15 “(3) in the case of a corporation, owns, directly
16 or indirectly, more than 10 percent in value of either
17 the voting stock of that corporation or all the stock
18 of that corporation.

19 For purposes of paragraph (3), the constructive ownership
20 rules of section 1563(e) of the Internal Revenue Code of
21 1986 shall apply (determined without regard to section
22 1563(e)(3)(C)).”.

23 (2) Section 4043(c)(7) of such Act (29 U.S.C.
24 1343(c)(7)) is amended by striking “section 4022(b)(6)”
25 and inserting “section 4021(d)”.

1 (d) EFFECTIVE DATES.—

2 (1) IN GENERAL.—Except as provided in para-
3 graph (2), the amendments made by this section
4 shall apply to plan terminations—

5 (A) under section 4041(c) of the Employee
6 Retirement Income Security Act of 1974 (29
7 U.S.C. 1341(c)) with respect to which notices
8 of intent to terminate are provided under sec-
9 tion 4041(a)(2) of such Act (29 U.S.C.
10 1341(a)(2)) after December 31, 2000, and

11 (B) under section 4042 of such Act (29
12 U.S.C. 1342) with respect to which proceedings
13 are instituted by the corporation after such
14 date.

15 (2) CONFORMING AMENDMENTS.—The amend-
16 ments made by subsection (c) shall take effect on
17 January 1, 2001.

18 **SEC. 476. MULTIEMPLOYER PLAN BENEFITS GUARANTEE.**

19 (a) IN GENERAL.—Section 4022A(c) of the Employee
20 Retirement Income Security Act of 1974 (29 U.S.C.
21 1322A(c)) is amended—

22 (1) by striking “\$5” each place it appears in
23 paragraph (1) and inserting “\$11”,

24 (2) by striking “\$15” in paragraph (1) and in-
25 serting “\$33”, and

1 (3) by striking paragraphs (2), (5), and (6) and
2 by redesignating paragraphs (3) and (4) as para-
3 graphs (2) and (3), respectively.

4 (b) CONFORMING AMENDMENT.—Section 4244(e)(4)
5 of such Act (29 U.S.C. 1424(e)(4)) is amended by striking
6 “and without regard to section 4022A(c)(2)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to benefits payable after the date
9 of the enactment of this Act, except that such amendments
10 shall not apply to any multiemployer plan that has re-
11 ceived financial assistance (within the meaning of section
12 4261 of the Employee Retirement Income Security Act of
13 1974) within the 1-year period ending on the date of the
14 enactment of this Act.

15 **SEC. 477. CIVIL PENALTIES FOR BREACH OF FIDUCIARY**
16 **RESPONSIBILITY.**

17 (a) IMPOSITION AND AMOUNT OF PENALTY MADE
18 DISCRETIONARY.—Section 502(l)(1) of the Employee Re-
19 tirement Income Security Act of 1974 (29 U.S.C.
20 1132(l)(1)) is amended—

21 (1) by striking “shall” and inserting “may”,
22 and

23 (2) by striking “equal to” and inserting “not
24 greater than”.

1 (b) APPLICABLE RECOVERY AMOUNT.—Section
2 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended
3 to read as follows:

4 “(2) For purposes of paragraph (1), the term ‘appli-
5 cable recovery amount’ means any amount which is recov-
6 ered from any fiduciary or other person (or from any other
7 person on behalf of any such fiduciary or other person)
8 with respect to a breach or violation described in para-
9 graph (1) on or after the 30th day following receipt by
10 such fiduciary or other person of written notice from the
11 Secretary of the violation, whether paid voluntarily or by
12 order of a court in a judicial proceeding instituted by the
13 Secretary under subsection (a)(2) or (a)(5). The Secretary
14 may, in the Secretary’s sole discretion, extend the 30-day
15 period described in the preceding sentence.”.

16 (c) OTHER RULES.—Section 502(l) of the Employee
17 Retirement Income Security Act of 1974 (29 U.S.C.
18 1132(l)) is amended by adding at the end the following
19 new paragraph:

20 “(5) A person shall be jointly and severally liable for
21 the penalty described in paragraph (1) to the same extent
22 that such person is jointly and severally liable for the ap-
23 plicable recovery amount on which the penalty is based.

24 “(6) No penalty shall be assessed under this sub-
25 section unless the person against whom the penalty is as-

1 sessed is given notice and opportunity for a hearing with
2 respect to the violation and applicable recovery amount.”.

3 (d) EFFECTIVE DATES.—

4 (1) IN GENERAL.—The amendments made by
5 this section shall apply to any breach of fiduciary re-
6 sponsibility or other violation of part 4 of subtitle B
7 of title I of the Employee Retirement Income Secu-
8 rity Act of 1974 occurring on or after the date of
9 enactment of this Act.

10 (2) TRANSITION RULE.—In applying the
11 amendment made by subsection (b) (relating to ap-
12 plicable recovery amount), a breach or other viola-
13 tion occurring before the date of enactment of this
14 Act which continues after the 180th day after such
15 date (and which may have been discontinued at any
16 time during its existence) shall be treated as having
17 occurred after such date of enactment.

18 **SEC. 478. BENEFIT SUSPENSION NOTICE.**

19 (a) MODIFICATION OF REGULATION.—The Secretary
20 of Labor shall modify the regulation under section
21 203(a)(3)(B) of the Employee Retirement Income Secu-
22 rity Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide
23 that the notification required by such regulation—

1 (1) in the case of an employee who returns to
2 work for a former employer after commencement of
3 payment of benefits under the plan shall—

4 (A) be made during the first calendar
5 month or payroll period in which the plan with-
6 holds payments, and

7 (B) if a reduced rate of future benefit ac-
8 cruals will apply to the returning employee (as
9 of the first date of participation in the plan by
10 the employee after returning to work), include
11 a statement that the rate of future benefit ac-
12 cruals will be reduced, and

13 (2) in the case of any employee who is not de-
14 scribed in paragraph (1)—

15 (A) may be included in the summary plan
16 description for the plan furnished in accordance
17 with section 104(b) of such Act (29 U.S.C.
18 1024(b)), rather than in a separate notice, and

19 (B) need not include a copy of the relevant
20 plan provisions.

21 (b) EFFECTIVE DATE.—The modification made
22 under this section shall apply to plan years beginning after
23 December 31, 2000.

1 **Subtitle H—Plan Amendments**

2 **SEC. 481. PROVISIONS RELATING TO PLAN AMENDMENTS.**

3 (a) IN GENERAL.—If this section applies to any plan
4 or contract amendment—

5 (1) such plan or contract shall be treated as
6 being operated in accordance with the terms of the
7 plan during the period described in subsection
8 (b)(2)(A); and

9 (2) except as provided by the Secretary of the
10 Treasury, such plan shall not fail to meet the re-
11 quirements of section 411(d)(6) of the Internal Rev-
12 enue Code of 1986 or section 204(g) of the Em-
13 ployee Retirement Income Security Act of 1974 by
14 reason of such amendment.

15 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

16 (1) IN GENERAL.—This section shall apply to
17 any amendment to any plan or annuity contract
18 which is made—

19 (A) pursuant to any amendment made by
20 this title, or pursuant to any regulation issued
21 under this title; and

22 (B) on or before the last day of the first
23 plan year beginning on or after January 1,
24 2003.

1 In the case of a governmental plan (as defined in
2 section 414(d) of the Internal Revenue Code of
3 1986), this paragraph shall be applied by sub-
4 stituting “2005” for “2003”.

5 (2) CONDITIONS.—This section shall not apply
6 to any amendment unless—

7 (A) during the period—

8 (i) beginning on the date the legisla-
9 tive or regulatory amendment described in
10 paragraph (1)(A) takes effect (or in the
11 case of a plan or contract amendment not
12 required by such legislative or regulatory
13 amendment, the effective date specified by
14 the plan); and

15 (ii) ending on the date described in
16 paragraph (1)(B) (or, if earlier, the date
17 the plan or contract amendment is adopt-
18 ed),

19 the plan or contract is operated as if such plan
20 or contract amendment were in effect; and

21 (B) such plan or contract amendment ap-
22 plies retroactively for such period.

1 **TITLE V—SCHOOL**
2 **CONSTRUCTION PROVISIONS**

3 **SEC. 501. ADDITIONAL INCREASE IN ARBITRAGE REBATE**
4 **EXCEPTION FOR GOVERNMENTAL BONDS**
5 **USED TO FINANCE EDUCATIONAL FACILI-**
6 **TIES.**

7 (a) **IN GENERAL.**—Section 148(f)(4)(D)(vii) (relat-
8 ing to increase in exception for bonds financing public
9 school capital expenditures) is amended by striking
10 “\$5,000,000” the second place it appears and inserting
11 “\$10,000,000”.

12 (b) **EFFECTIVE DATE.**—The amendment made by
13 subsection (a) shall apply to obligations issued after De-
14 cember 31, 2000.

15 **SEC. 502. MODIFICATION OF ARBITRAGE REBATE RULES**
16 **APPLICABLE TO PUBLIC SCHOOL CONSTRUC-**
17 **TION BONDS.**

18 (a) **IN GENERAL.**—Subparagraph (C) of section
19 148(f)(4) is amended by adding at the end the following
20 new clause:

21 “(xviii) 4-YEAR SPENDING REQUIRE-
22 MENT FOR PUBLIC SCHOOL CONSTRUCTION
23 ISSUE.—

24 “(I) **IN GENERAL.**—In the case
25 of a public school construction issue,

1 the spending requirements of clause
2 (ii) shall be treated as met if at least
3 10 percent of the available construc-
4 tion proceeds of the construction issue
5 are spent for the governmental pur-
6 poses of the issue within the 1-year
7 period beginning on the date the
8 bonds are issued, 30 percent of such
9 proceeds are spent for such purposes
10 within the 2-year period beginning on
11 such date, 60 percent of such pro-
12 ceeds are spent for such purposes
13 within the 3-year period beginning on
14 such date, and 100 percent of such
15 proceeds are spent for such purposes
16 within the 4-year period beginning on
17 such date.

18 “(II) PUBLIC SCHOOL CON-
19 STRUCTION ISSUE.—For purposes of
20 this clause, the term ‘public school
21 construction issue’ means any con-
22 struction issue if no bond which is
23 part of such issue is a private activity
24 bond and all of the available construc-
25 tion proceeds of such issue are to be

1 used for the construction (as defined
2 in clause (iv)) of public school facili-
3 ties to provide education or training
4 below the postsecondary level or for
5 the acquisition of land that is func-
6 tionally related and subordinate to
7 such facilities.

8 “(III) OTHER RULES TO
9 APPLY.—Rules similar to the rules of
10 the preceding provisions of this sub-
11 paragraph which apply to clause (ii)
12 also apply to this clause.”

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to obligations issued after Decem-
15 ber 31, 2000.

16 **SEC. 503. MODIFICATION OF SPECIAL ARBITRAGE RULE**
17 **FOR CERTAIN FUNDS.**

18 (a) IN GENERAL.—Paragraph (1) of section 648 of
19 the Tax Reform Act of 1984 is amended to read as fol-
20 lows:

21 “(1) such securities or obligations are held in a
22 fund—

23 “(A) which, except to the extent of the in-
24 vestment earnings on such securities or obliga-
25 tions, cannot be used, under State constitu-

1 “(13) qualified public educational facilities.”

2 (b) QUALIFIED PUBLIC EDUCATIONAL FACILI-
3 TIES.—Section 142 (relating to exempt facility bond) is
4 amended by adding at the end the following new sub-
5 section:

6 “(k) QUALIFIED PUBLIC EDUCATIONAL FACILI-
7 TIES.—

8 “(1) IN GENERAL.—For purposes of subsection
9 (a)(13), the term ‘qualified public educational facil-
10 ity’ means any school facility which is—

11 “(A) part of a public elementary school or
12 a public secondary school, and

13 “(B) owned by a private, for-profit cor-
14 poration pursuant to a public-private partner-
15 ship agreement with a State or local edu-
16 cational agency described in paragraph (2).

17 “(2) PUBLIC-PRIVATE PARTNERSHIP AGREE-
18 MENT DESCRIBED.—A public-private partnership
19 agreement is described in this paragraph if it is an
20 agreement—

21 “(A) under which the corporation agrees—

22 “(i) to do 1 or more of the following:
23 construct, rehabilitate, refurbish, or equip
24 a school facility, and

1 “(ii) at the end of the term of the
2 agreement, to transfer the school facility to
3 such agency for no additional consider-
4 ation, and

5 “(B) the term of which does not exceed the
6 term of the issue to be used to provide the
7 school facility.

8 “(3) SCHOOL FACILITY.—For purposes of this
9 subsection, the term ‘school facility’ means—

10 “(A) school buildings,

11 “(B) functionally related and subordinate
12 facilities and land with respect to such build-
13 ings, including any stadium or other facility pri-
14 marily used for school events, and

15 “(C) any property, to which section 168
16 applies (or would apply but for section 179), for
17 use in the facility.

18 “(4) PUBLIC SCHOOLS.—For purposes of this
19 subsection, the terms ‘elementary school’ and ‘sec-
20 ondary school’ have the meanings given such terms
21 by section 14101 of the Elementary and Secondary
22 Education Act of 1965 (20 U.S.C. 8801), as in ef-
23 fect on the date of the enactment of this subsection.

24 “(5) ANNUAL AGGREGATE FACE AMOUNT OF
25 TAX-EXEMPT FINANCING.—

1 “(A) IN GENERAL.—An issue shall not be
2 treated as an issue described in subsection
3 (a)(13) if the aggregate face amount of bonds
4 issued by the State pursuant thereto (when
5 added to the aggregate face amount of bonds
6 previously so issued during the calendar year)
7 exceeds an amount equal to the greater of—

8 “(i) \$10 multiplied by the State popu-
9 lation, or

10 “(ii) \$5,000,000.

11 “(B) ALLOCATION RULES.—

12 “(i) IN GENERAL.—Except as other-
13 wise provided in this subparagraph, the
14 State may allocate in a calendar year the
15 amount described in subparagraph (A) for
16 such year in such manner as the State de-
17 termines appropriate.

18 “(ii) RULES FOR CARRYFORWARD OF
19 UNUSED AMOUNT.—With respect to any
20 calendar year, a State may make an elec-
21 tion under rules similar to the rules of sec-
22 tion 146(f), except that the sole
23 carryforward purpose with respect to such
24 election is the issuance of exempt facility
25 bonds described in section 142(a)(13).”

1 (c) EXEMPTION FROM GENERAL STATE VOLUME
2 CAPS.—Paragraph (3) of section 146(g) (relating to ex-
3 ception for certain bonds) is amended—

4 (1) by striking “or (12)” and inserting “(12),
5 or (13)”, and

6 (2) by striking “and environmental enhance-
7 ments of hydroelectric generating facilities” and in-
8 serting “environmental enhancements of hydro-
9 electric generating facilities, and qualified public
10 educational facilities”.

11 (d) EXEMPTION FROM LIMITATION ON USE FOR
12 LAND ACQUISITION.—Section 147(h) (relating to certain
13 rules not to apply to mortgage revenue bonds, qualified
14 student loan bonds, and qualified 501(c)(3) bonds) is
15 amended by adding at the end the following new para-
16 graph:

17 “(3) EXEMPT FACILITY BONDS FOR QUALIFIED
18 PUBLIC-PRIVATE SCHOOLS.—Subsection (c) shall not
19 apply to any exempt facility bond issued as part of
20 an issue described in section 142(a)(13) (relating to
21 qualified public-private schools).”

22 (e) CONFORMING AMENDMENT.—The heading of sec-
23 tion 147(h) is amended by striking “MORTGAGE REVENUE
24 BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALI-

1 FIED 501(c)(3) BONDS” in the heading and inserting
2 “CERTAIN BONDS”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to obligations issued after Decem-
5 ber 31, 2000.

6 **SEC. 505. EXPANSION OF QUALIFIED ZONE ACADEMY BOND**
7 **PROGRAM.**

8 (a) IN GENERAL.—So much of part IV of subchapter
9 U of chapter 1 (relating to incentives for education zones)
10 as precedes subsection (d) of section 1397E is amended
11 to read as follows:

12 **“PART IV—EDUCATION BOND PROVISIONS**

“Sec. 1397E. Credit to holders of qualified zone academy bonds.

“Sec. 1397F. Qualified zone academy bond defined.

“Sec. 1397G. Authorization of additional qualified zone academy
bonds without targeting and private partnership re-
quirements.

13 **“SEC. 1397E. CREDIT TO HOLDERS OF QUALIFIED ZONE**
14 **ACADEMY BONDS.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
16 gible taxpayer who holds a qualified zone academy bond
17 on a credit allowance date of such bond which occurs dur-
18 ing the taxable year, there shall be allowed as a credit
19 against the tax imposed by this chapter for such taxable
20 year an amount equal to the sum of the credits determined
21 under subsection (b) with respect to credit allowance dates
22 during such year on which the taxpayer holds such bond.

1 “(b) AMOUNT OF CREDIT.—

2 “(1) IN GENERAL.—The amount of the credit
3 determined under this subsection with respect to any
4 credit allowance date for a qualified zone academy
5 bond is 25 percent of the annual credit determined
6 with respect to such bond.

7 “(2) ANNUAL CREDIT.—The annual credit de-
8 termined with respect to any qualified zone academy
9 bond is the product of—

10 “(A) the applicable credit rate, multiplied
11 by

12 “(B) the outstanding face amount of the
13 bond.

14 “(3) APPLICABLE CREDIT RATE.—For purposes
15 of paragraph (1), the applicable credit rate with re-
16 spect to an issue is the rate equal to an average
17 market yield (as of the day before the day that the
18 issue is sold) on outstanding long-term corporate
19 debt obligations (determined under regulations pre-
20 scribed by the Secretary).

21 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
22 DEMPTION.—In the case of a bond which is issued
23 during the 3-month period ending on a credit allow-
24 ance date, the amount of the credit determined
25 under this subsection with respect to such credit al-

1 lowance date shall be a ratable portion of the credit
2 otherwise determined based on the portion of the 3-
3 month period during which the bond is outstanding.
4 A similar rule shall apply when the bond is re-
5 deemed.

6 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

7 “(1) IN GENERAL.—The credit allowed under
8 subsection (a) for any taxable year shall not exceed
9 the excess of—

10 “(A) the sum of the regular tax liability
11 (as defined in section 26(b)) plus the tax im-
12 posed by section 55, over

13 “(B) the sum of the credits allowable
14 under part IV of subchapter A (other than sub-
15 part C thereof, relating to refundable credits).

16 “(2) CARRYOVER OF UNUSED CREDIT.—If the
17 credit allowable under subsection (a) exceeds the
18 limitation imposed by paragraph (1) for such taxable
19 year, such excess shall be carried to the succeeding
20 taxable year and added to the credit allowable under
21 subsection (a) for such taxable year.

22 “(d) DEFINITIONS.—For purposes of this section—

23 “(1) QUALIFIED ZONE ACADEMY BOND.—The
24 term ‘qualified zone academy bond’ has the meaning
25 given to such term by section 1397F; except that

1 such term shall also include any bond treated as a
2 qualified zone academy bond under section 1397G.
3 Such term shall not include any bond which is part
4 of an issue unless such issue meets the requirements
5 of subsection (g).

6 “(2) CREDIT ALLOWANCE DATE.—The term
7 ‘credit allowance date’ means—

8 “(A) March 15,

9 “(B) June 15,

10 “(C) September 15, and

11 “(D) December 15.

12 Such term includes the last day on which the bond
13 is outstanding.

14 “(3) ELIGIBLE TAXPAYER.—The term ‘eligible
15 taxpayer’ means—

16 “(A) a bank (within the meaning of section
17 581),

18 “(B) an insurance company to which sub-
19 chapter L applies,

20 “(C) a corporation actively engaged in the
21 business of lending money, and

22 “(D) any other C corporation.

23 “(e) OTHER DEFINITIONS.—For purposes of this
24 subchapter—

1 “(1) LOCAL EDUCATIONAL AGENCY.—The term
2 ‘local educational agency’ has the meaning given to
3 such term by section 14101 of the Elementary and
4 Secondary Education Act of 1965. Such term in-
5 cludes the local educational agency that serves the
6 District of Columbia, but does not include any other
7 State agency.

8 “(2) BOND.—The term ‘bond’ includes any ob-
9 ligation.

10 “(3) STATE.—The term ‘State’ includes the
11 District of Columbia and any possession of the
12 United States.

13 “(4) PUBLIC SCHOOL FACILITY.—The term
14 ‘public school facility’ shall not include—

15 “(A) any stadium or other facility pri-
16 marily used for athletic contests or exhibitions
17 or other events for which admission is charged
18 to the general public, or

19 “(B) any facility which is not owned by a
20 State or local government or any agency or in-
21 strumentality of a State or local government.

22 “(5) PERMITTED PURPOSE.—The term ‘per-
23 mitted purpose’ means—

24 “(A) in the case of a bond which is a quali-
25 fied zone academy bond without regard to sec-

1 tion 1397G, any qualified purpose (as defined
2 in section 1397F(a)(4)), and

3 “(B) in the case of a bond which is a
4 qualified zone academy bond solely by reason of
5 section 1397G, the purpose described in section
6 1397G(a)(2).

7 “(f) SPECIAL RULES.—

8 “(1) ONLY CERTAIN REFINANCINGS PER-
9 MITTED.—A refinancing of indebtedness (other than
10 a qualified zone academy bond) shall be treated as
11 a qualified zone academy bond only if such indebted-
12 ness was originally incurred by the issuer—

13 “(A) after the date of the enactment of
14 this section,

15 “(B) for a term of not more than 1 year,

16 “(C) to finance an expenditure which is a
17 permitted purpose to be financed by a qualified
18 zone academy bond, and

19 “(D) in anticipation of being refinanced
20 with proceeds of a qualified zone academy bond.

21 “(2) SINKING FUNDS.—Rules similar to the
22 rules under section 148 on replacement proceeds
23 shall apply for purposes of this section. Such re-
24 placement proceeds shall be invested in noninterest-

1 bearing State and Local Government Series obliga-
2 tions issued by the Secretary.

3 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

4 “(1) IN GENERAL.—Except as otherwise pro-
5 vided in this subsection, an issue shall be treated as
6 meeting the requirements of this subsection if the
7 issue meets the spending requirements of subclause
8 (I) of section 148(f)(4)(C)(xviii).

9 “(2) RULES REGARDING COMPLIANCE DURING
10 4-YEAR PERIOD.—If an issue fails to meet such
11 spending requirements during the 4-year period be-
12 ginning on the date of issuance, the issuer shall pay
13 to the United States amounts which would be re-
14 quired to be paid to the United States under section
15 148(f)(2) were such issue required to meet the re-
16 quirements of such section. Rules similar to the
17 rules of clause (iii) of section 148(f)(4)(C) shall
18 apply for purposes of the preceding sentence.

19 “(3) RULES REGARDING CONTINUING COMPLI-
20 ANCE AFTER 4-YEAR DETERMINATION.—If at least
21 95 percent of the proceeds of the issue is not ex-
22 pended for 1 or more permitted purposes within the
23 4-year period beginning on the date of issuance, an
24 issue shall be treated as continuing to meet the re-
25 quirements of this subsection if the issuer uses all

1 unspent proceeds of the issue to redeem bonds of the
2 issue within 90 days after the end of such 4-year pe-
3 riod.

4 “(4) SMALL ISSUER EXCEPTION.—Paragraph
5 (1) shall not apply to an issue issued by a govern-
6 mental unit with general taxing powers if the re-
7 quirements of paragraphs (2) and (3) of section
8 148(f) would be treated as met by reason of sub-
9 paragraph (D) of section 148(f)(4) if such issue
10 were treated as a tax-exempt bond and taken into
11 account under such subparagraph, and such issue
12 shall be so treated for purposes of determining
13 whether such requirements are met with respect to
14 tax-exempt bonds.

15 “(h) RECAPTURE OF PORTION OF CREDIT WHERE
16 CESSATION OF COMPLIANCE.—

17 “(1) IN GENERAL.—If any bond which when
18 issued purported to be a qualified zone academy
19 bond ceases to be a qualified zone academy bond,
20 the issuer shall pay to the United States (at the
21 time required by the Secretary) an amount equal to
22 the sum of—

23 “(A) the aggregate of the credits allowable
24 under this section with respect to such bond
25 (determined without regard to subsection (e))

1 for taxable years ending during the calendar
2 year in which such cessation occurs and the 2
3 preceding calendar years, and

4 “(B) interest at the underpayment rate
5 under section 6621 on the amount determined
6 under subparagraph (A) for each calendar year
7 for the period beginning on the first day of
8 such calendar year.

9 “(2) FAILURE TO PAY.—If the issuer fails to
10 timely pay the amount required by paragraph (1)
11 with respect to such bond, the tax imposed by this
12 chapter on each holder of any such bond which is
13 part of such issue shall be increased (for the taxable
14 year of the holder in which such cessation occurs) by
15 the aggregate decrease in the credits allowed under
16 this section to such holder for taxable years begin-
17 ning in such 3 calendar years which would have re-
18 sulted solely from denying any credit under this sec-
19 tion with respect to such issue for such taxable
20 years.

21 “(3) SPECIAL RULES.—

22 “(A) TAX BENEFIT RULE.—The tax for
23 the taxable year shall be increased under para-
24 graph (2) only with respect to credits allowed
25 by reason of this section which were used to re-

1 duce tax liability. In the case of credits not so
2 used to reduce tax liability, the carryforwards
3 and carrybacks under section 39 shall be appro-
4 priately adjusted.

5 “(B) NO CREDITS AGAINST TAX.—Any in-
6 crease in tax under paragraph (2) shall not be
7 treated as a tax imposed by this chapter for
8 purposes of determining —

9 “(i) the amount of any credit allow-
10 able under this part, or

11 “(ii) the amount of the tax imposed
12 by section 55.

13 “(i) CREDIT INCLUDED IN GROSS INCOME.—Gross
14 income includes the amount of the credit allowed to the
15 taxpayer under this section (determined without regard to
16 subsection (c)) and the amount so included shall be treat-
17 ed as interest income.

18 “(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—
19 Solely for purposes of sections 6654 and 6655, the credit
20 allowed by this section to a taxpayer by reason of holding
21 a qualified zone academy bond on a credit allowance date
22 shall be treated as if it were a payment of estimated tax
23 made by the taxpayer on such date.

1 “(k) REPORTING.—Issuers of qualified zone academy
2 bonds shall submit reports similar to the reports required
3 under section 149(e).

4 “(l) TERMINATION.—This section shall not apply to
5 any bond issued after December 31, 2005.

6 **“SEC. 1397F. QUALIFIED ZONE ACADEMY BONDS.”**

7 (b) EXTENSION OF QUALIFIED ZONE ACADEMY
8 BOND PROVISIONS.—

9 (1) Subsections (d) and (e) of section 1397E
10 (as in effect on the day before the date of the enact-
11 ment of this Act) are hereby moved and inserted
12 after the section heading for section 1397F (as
13 added by subsection (a)) and redesignated as sub-
14 sections (a) and (b).

15 (2) Subsection (b) of section 1397F (as so re-
16 designated) is amended to read as follows:

17 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
18 IGNATED.—

19 “(1) IN GENERAL.—There is a national zone
20 academy bond limitation for each calendar year.
21 Such limitation is—

22 “(A) \$400,000,000 for 1998,

23 “(B) \$400,000,000 for 1999,

24 “(C) \$400,000,000 for 2000,

25 “(D) \$400,000,000 for 2001,

1 “(E) \$400,000,000 for 2002,

2 “(F) \$400,000,000 for 2003, and

3 “(G) except as provided in paragraph (3),
4 zero after 2003.

5 “(2) ALLOCATION OF LIMITATION.—

6 “(A) IN GENERAL.—The national zone
7 academy bond limitation for a calendar year
8 shall be allocated by the Secretary among the
9 States on the basis of their respective popu-
10 lations of individuals below the poverty line (as
11 defined by the Office of Management and
12 Budget). The limitation amount allocated to a
13 State under the preceding sentence shall be al-
14 located by the State to qualified zone academies
15 within such State.

16 “(B) DESIGNATION SUBJECT TO LIMITA-
17 TION AMOUNT.—The maximum aggregate face
18 amount of bonds issued during any calendar
19 year which may be designated under subsection
20 (a) with respect to any qualified zone academy
21 shall not exceed the limitation amount allocated
22 to such academy under subparagraph (A) for
23 such calendar year.

24 “(3) CARRYOVER OF UNUSED LIMITATION.—If
25 for any calendar year—

1 “(A) the limitation amount under this sub-
2 section for any State, exceeds

3 “(B) the amount of bonds issued during
4 such year which are designated under sub-
5 section (a) (or the corresponding provisions of
6 prior law) with respect to qualified zone acad-
7 emies within such State,

8 the limitation amount under this subsection for such
9 State for the following calendar year shall be in-
10 creased by the amount of such excess. Any
11 carryforward of a limitation amount may be carried
12 only to the first 2 years (3 years for carryforwards
13 from 1998 or 1999) following the unused limitation
14 year. For purposes of the preceding sentence, a limi-
15 tation amount shall be treated as used on a first-in
16 first-out basis.”

17 (3) Subsection (a) of section 1397F (as so re-
18 designated) is amended—

19 (A) by striking “For purposes of this sec-
20 tion—” in the material preceding paragraph (1)
21 and inserting “For purposes of this part—”,

22 (B) by striking “an eligible local” in para-
23 graphs (1)(A) and (3)(A) (as redesignated by
24 this paragraph) and inserting “a local”,

1 (C) by striking “the maximum term per-
2 mitted under paragraph (3)” in paragraph
3 (1)(D) and inserting “15 years”, and

4 (D) by striking paragraphs (3) and (6)
5 and by redesignating paragraphs (4) and (5) as
6 paragraphs (3) and (4), respectively.

7 (4) Paragraph (3) of section 1397F(a) (as so
8 redesignated) is amended—

9 (A) by striking “(4)” and all that follows
10 through “The term” and inserting the fol-
11 lowing:

12 “(4) QUALIFIED ZONE ACADEMY.—The term”,

13 (B) by striking subparagraph (B),

14 (C) by redesignating clauses (i) through
15 (iv) as subparagraphs (A) through (D), respec-
16 tively, and

17 (D) by redesignating subclauses (I) and
18 (II) of subparagraph (D) (as so redesignated)
19 as clauses (i) and (ii), respectively.

20 (e) AUTHORIZATION OF ADDITIONAL QUALIFIED
21 ZONE ACADEMY BONDS WITHOUT TARGETING AND PRI-
22 VATE PARTNERSHIP REQUIREMENTS.—Part IV of sub-
23 chapter U of chapter 1 is amended by adding at the end
24 the following new section:

1 **“SEC. 1397G. AUTHORIZATION OF ADDITIONAL QUALIFIED**
2 **ZONE ACADEMY BONDS WITHOUT TAR-**
3 **GETING AND PRIVATE PARTNERSHIP RE-**
4 **QUIREMENTS.**

5 “(a) IN GENERAL.—For purposes of this part, the
6 term ‘qualified zone academy bond’ also includes any bond
7 issued by a State or local government as part of an issue
8 if—

9 “(1) the issuer designates such bond for pur-
10 pose of this section, and

11 “(2) the requirements of subparagraphs (A),
12 (B), and (D) of paragraph (1) of section 1397F(a)
13 are met with respect to such issue, determined—

14 “(A) by treating any public school facility
15 as being a qualified zone academy ,and

16 “(B) by applying paragraph (4) thereof as
17 if the only qualified purpose were constructing,
18 rehabilitating, or repairing a public school facil-
19 ity or acquiring the land which is functionally
20 related and subordinate to the public school fa-
21 cility which is to be constructed with part of the
22 proceeds of such issue.

23 “(b) LIMITATION ON AMOUNT OF BONDS DES-
24 IGNATED.—The maximum aggregate face amount of
25 bonds issued during any calendar year which may be des-
26 ignated under subsection (a) by any issuer shall not exceed

1 the limitation amount allocated under subsection (d) for
2 such calendar year to such issuer.

3 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
4 DESIGNATED.—There is a national additional qualified
5 zone academy bond limitation for each calendar year. Such
6 limitation is—

7 “(1) \$5,000,000,000 for 2001,

8 “(2) \$5,000,000,000 for 2002, and

9 “(3) \$5,000,000,000 for 2003,

10 “(4) except as provided in subsection (e), zero
11 after 2003.

12 “(d) LIMITATION ALLOCATED AMONG STATES.—

13 “(1) IN GENERAL.—

14 “(A) ALLOCATION ON THE BASIS OF POPU-
15 LATION.—50 percent of the limitation applica-
16 ble under subsection (c) for any calendar year
17 shall be allocated before such calendar year by
18 the Secretary among the States on the basis of
19 their respective populations.

20 “(B) ALLOCATION ON THE BASIS OF POV-
21 ERTY.—50 percent of the limitation applicable
22 under subsection (c) for any calendar year shall
23 be allocated before such calendar year by the
24 Secretary among the States on the basis of
25 their respective populations of individuals below

1 the poverty line (as defined by the Office of
2 Management and Budget).

3 “(C) MINIMUM ALLOCATIONS TO SMALL
4 STATES.—The Secretary shall adjust the alloca-
5 tions under this subsection for any calendar
6 year for each State to the extent necessary to
7 ensure that the amount allocated to such State
8 under this subsection for such year is not less
9 than \$25,000,000.

10 “(D) USE OF CENSUS DATA.—Determina-
11 tions under this subsection shall be made on the
12 basis of the most recently available census data.

13 “(2) ALLOCATION WITHIN THE STATE.—

14 “(A) IN GENERAL.—Except as otherwise
15 provided in subparagraph (B), the limitation al-
16 located to any State may be allocated among
17 governmental units in such State having au-
18 thority to issue such bonds as provided by State
19 law (or, in absence of State law, by the Gov-
20 ernor of such State).

21 “(B) MINIMUM ALLOCATIONS TO LARGE
22 LOCAL EDUCATIONAL AGENCIES.—In no event
23 may the limitation for any calendar year allo-
24 cated to any large local educational agency in a
25 State be less than the sum of—

1 “(i) an amount which bears the same
2 ratio to 50 percent of such limitation as
3 the population within the area under the
4 jurisdiction of such agency bears to the
5 population of the entire State, and

6 “(ii) an amount which bears the same
7 ratio to 50 percent of such limitation as
8 the population within the area under the
9 jurisdiction of such agency below the pov-
10 erty line (as defined by the Office of Man-
11 agement and Budget) bears to such popu-
12 lation of the entire State.

13 “(3) ALLOCATIONS FOR INDIAN SCHOOLS.—In
14 addition to the amounts otherwise allocated under
15 this subsection, \$200,000,000 (in the aggregate for
16 calendar years 2001, 2002, and 2003) shall be allo-
17 cated by the Secretary (after consultation with the
18 Secretary of the Interior) for purposes of the con-
19 struction, rehabilitation, and repair of schools oper-
20 ated by or on behalf of an Indian tribal government
21 (within the meaning of section 7871). In the case of
22 amounts allocated under the preceding sentence, In-
23 dian tribal governments (as so defined) shall be
24 treated as qualified issuers for purposes of this part.

25 “(4) REQUIRED STATE ALLOCATION PLANS.—

1 “(A) IN GENERAL.—Notwithstanding any
2 other provision of this section, the limitation for
3 any State shall be zero unless the limitation is
4 allocated within such State pursuant to a quali-
5 fied allocation plan.

6 “(B) QUALIFIED ALLOCATION PLAN.—For
7 purposes of subparagraph (A), the term ‘quali-
8 fied allocation plan’ means any plan which—

9 “(i) identifies the State’s needs for
10 public school facilities (including descrip-
11 tions of the capacity of public schools in
12 the State to house projected enrollments),
13 particular financing difficulties being en-
14 countered by local school districts in the
15 State, and health and safety problems at
16 existing facilities, and

17 “(ii) describes how the State will allo-
18 cate to local educational agencies, or other-
19 wise use, its allocation under this section
20 to address the needs identified under
21 clause (i), including a description of how it
22 will—

23 “(I) ensure that the needs of
24 rural, urban, and suburban areas will
25 be recognized,

1 “(II) ensure that the needs of lo-
2 calities with the greatest needs, as
3 demonstrated by inadequate school fa-
4 cilities coupled with low level of re-
5 sources, will be met, and

6 “(III) give priority to the role of
7 charter schools in achieving State
8 educational objectives.

9 “(C) APPLICATION OF PARAGRAPH.—This
10 paragraph shall apply to allocations after more
11 than 6 months after the date of the enactment
12 of this paragraph.

13 “(5) LARGE LOCAL EDUCATIONAL AGENCY.—
14 For purposes of this section, the term ‘large local
15 educational agency’ means, with respect to a cal-
16 endar year, any local educational agency with at
17 least 40,000 children who have attained age 5 but
18 not age 18 for the most recent fiscal year ending be-
19 fore such calendar year.

20 “(e) CARRYOVER OF UNUSED LIMITATION.—

21 “(1) IN GENERAL.—If for any calendar year—

22 “(A) the amount allocated under sub-
23 section (d) to any State, exceeds

1 “(B) the amount of bonds issued during
2 such year which are designated under sub-
3 section (a) pursuant to such allocation,
4 the limitation amount under such subsection for
5 such State for the following calendar year shall be
6 increased by the amount of such excess.

7 “(2) 2-YEAR CARRYFORWARD.—Any
8 carryforward of a limitation amount may be carried
9 only to the first 2 years following the unused limita-
10 tion year. For purposes of the preceding sentence, a
11 limitation amount shall be treated as used on a first-
12 in first-out basis.

13 “(3) ALLOCATIONS FOR INDIAN SCHOOLS.—
14 Rules similar to paragraphs (1) and (2) shall apply
15 to the amounts allocated under subsection (d)(3); ex-
16 cept that 2003 shall be treated as the unused limita-
17 tion year.”

18 (d) REPORTING.—Subsection (d) of section 6049 (re-
19 lating to returns regarding payments of interest) is
20 amended by adding at the end the following new para-
21 graph:

22 “(8) REPORTING OF CREDIT ON QUALIFIED
23 ZONE ACADEMY BONDS.—

24 “(A) IN GENERAL.—For purposes of sub-
25 section (a), the term ‘interest’ includes amounts

1 includible in gross income under section
2 1397E(i) and such amounts shall be treated as
3 paid on the credit allowance date (as defined in
4 section 1397E(d)(2)).

5 “(B) REPORTING TO CORPORATIONS,
6 ETC.—Except as otherwise provided in regula-
7 tions, in the case of any interest described in
8 subparagraph (A) of this paragraph, subsection
9 (b)(4) of this section shall be applied without
10 regard to subparagraphs (A), (H), (I), (J), (K),
11 and (L)(i).

12 “(C) REGULATORY AUTHORITY.—The Sec-
13 retary may prescribe such regulations as are
14 necessary or appropriate to carry out the pur-
15 poses of this paragraph, including regulations
16 which require more frequent or more detailed
17 reporting.”

18 (e) CONFORMING AMENDMENTS.—

19 (1) Subsections (f), (g), and (h) of section
20 1397E (as in effect on the day before the date of
21 the enactment of this Act) are hereby repealed.

22 (2) Subchapter U of chapter 1 of such Code is
23 amended by redesignating section 1397F (as in ef-
24 fect on the day before the date of the enactment of
25 this Act) as section 1397H.

1 (3) The table of parts of subchapter U of chap-
 2 ter 1 of such Code is amended by striking the item
 3 relating to part IV and inserting the following item:

 “Part IV. Education bond provisions.”

4 (f) EFFECTIVE DATES.—

5 (1) IN GENERAL.—Except as otherwise pro-
 6 vided in this subsection, the amendments made by
 7 this section shall apply to obligations issued after
 8 December 31, 2000.

9 (2) MODIFICATION OF RESTRICTION ON ZONE
 10 ACADEMY BOND HOLDERS.—In the case of bonds to
 11 which section 1397E of the Internal Revenue Code
 12 of 1986 (as in effect before the date of the enact-
 13 ment of this Act) applies, the limitation of such sec-
 14 tion to corporations actively engaged in the business
 15 of lending money shall not apply after the date of
 16 the enactment of this Act.

17 **TITLE VI—COMMUNITY**
 18 **REVITALIZATION**
 19 **Subtitle A—Tax Incentives for**
 20 **Renewal Communities**

21 **SEC. 601. DESIGNATION OF AND TAX INCENTIVES FOR RE-**
 22 **NEWAL COMMUNITIES.**

23 (a) IN GENERAL.—Chapter 1 is amended by adding
 24 at the end the following new subchapter:

1 **“Subchapter X—Renewal Communities**

 “Part I. Designation.

 “Part II. Renewal community capital gain; renewal community
 business.

 “Part III. Additional incentives.

2 **“PART I—DESIGNATION**

 “Sec. 1400E. Designation of renewal communities.

3 **“SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.**

4 “(a) DESIGNATION.—

5 “(1) DEFINITIONS.—For purposes of this title,
6 the term ‘renewal community’ means any area—

7 “(A) which is nominated by 1 or more
8 local governments and the State or States in
9 which it is located for designation as a renewal
10 community (hereafter in this section referred to
11 as a ‘nominated area’), and

12 “(B) which the Secretary of Housing and
13 Urban Development designates as a renewal
14 community, after consultation with—

15 “(i) the Secretaries of Agriculture,
16 Commerce, Labor, and the Treasury; the
17 Director of the Office of Management and
18 Budget, and the Administrator of the
19 Small Business Administration, and

20 “(ii) in the case of an area on an In-
21 dian reservation, the Secretary of the Inte-
22 rior.

1 “(2) NUMBER OF DESIGNATIONS.—

2 “(A) IN GENERAL.—Not more than 40
3 nominated areas may be designated as renewal
4 communities.

5 “(B) MINIMUM DESIGNATION IN RURAL
6 AREAS.—Of the areas designated under para-
7 graph (1), at least 12 must be areas—

8 “(i) which are within a local govern-
9 ment jurisdiction or jurisdictions with a
10 population of less than 50,000,

11 “(ii) which are outside of a metropoli-
12 tan statistical area (within the meaning of
13 section 143(k)(2)(B)), or

14 “(iii) which are determined by the
15 Secretary of Housing and Urban Develop-
16 ment, after consultation with the Secretary
17 of Commerce, to be rural areas.

18 One of such 12 areas shall be an area within
19 Mississippi, to be designated by the State of
20 Mississippi, that includes at least 1 census tract
21 within Madison County, Mississippi.

22 “(3) AREAS DESIGNATED BASED ON DEGREE
23 OF POVERTY, ETC.—

24 “(A) IN GENERAL.—Except as otherwise
25 provided in this section, the nominated areas

1 designated as renewal communities under this
2 subsection shall be those nominated areas with
3 the highest average ranking with respect to the
4 criteria described in subparagraphs (B), (C),
5 and (D) of subsection (c)(3). For purposes of
6 the preceding sentence, an area shall be ranked
7 within each such criterion on the basis of the
8 amount by which the area exceeds such cri-
9 terion, with the area which exceeds such cri-
10 terion by the greatest amount given the highest
11 ranking.

12 “(B) EXCEPTION WHERE INADEQUATE
13 COURSE OF ACTION, ETC.—An area shall not be
14 designated under subparagraph (A) if the Sec-
15 retary of Housing and Urban Development de-
16 termines that the course of action described in
17 subsection (d)(2) with respect to such area is
18 inadequate.

19 “(C) PREFERENCE FOR ENTERPRISE COM-
20 MUNITIES AND EMPOWERMENT ZONES.—With
21 respect to the first 20 designations made under
22 this section, a preference shall be provided to
23 those nominated areas which are enterprise
24 communities or empowerment zones (and are

1 otherwise eligible for designation under this sec-
2 tion).

3 “(4) LIMITATION ON DESIGNATIONS.—

4 “(A) PUBLICATION OF REGULATIONS.—

5 The Secretary of Housing and Urban Develop-
6 ment shall prescribe by regulation no later than
7 4 months after the date of the enactment of
8 this section, after consultation with the officials
9 described in paragraph (1)(B)—

10 “(i) the procedures for nominating an
11 area under paragraph (1)(A),

12 “(ii) the parameters relating to the
13 size and population characteristics of a re-
14 newal community, and

15 “(iii) the manner in which nominated
16 areas will be evaluated based on the cri-
17 teria specified in subsection (d).

18 “(B) TIME LIMITATIONS.—The Secretary
19 of Housing and Urban Development may des-
20 ignate nominated areas as renewal communities
21 only during the period beginning on the first
22 day of the first month following the month in
23 which the regulations described in subpara-
24 graph (A) are prescribed and ending on Decem-
25 ber 31, 2001.

1 “(C) PROCEDURAL RULES.—The Secretary
2 of Housing and Urban Development shall not
3 make any designation of a nominated area as a
4 renewal community under paragraph (2)
5 unless—

6 “(i) the local governments and the
7 States in which the nominated area is lo-
8 cated have the authority—

9 “(I) to nominate such area for
10 designation as a renewal community,

11 “(II) to make the State and local
12 commitments described in subsection
13 (d), and

14 “(III) to provide assurances sat-
15 isfactory to the Secretary of Housing
16 and Urban Development that such
17 commitments will be fulfilled,

18 “(ii) a nomination regarding such
19 area is submitted in such a manner and in
20 such form, and contains such information,
21 as the Secretary of Housing and Urban
22 Development shall by regulation prescribe,
23 and

24 “(iii) the Secretary of Housing and
25 Urban Development determines that any

1 information furnished is reasonably accu-
2 rate.

3 “(5) NOMINATION PROCESS FOR INDIAN RES-
4 ERVATIONS.—For purposes of this subchapter, in
5 the case of a nominated area on an Indian reserva-
6 tion, the reservation governing body (as determined
7 by the Secretary of the Interior) shall be treated as
8 being both the State and local governments with re-
9 spect to such area.

10 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
11 FECT.—

12 “(1) IN GENERAL.—Any designation of an area
13 as a renewal community shall remain in effect dur-
14 ing the period beginning on January 1, 2002, and
15 ending on the earliest of—

16 “(A) December 31, 2009,

17 “(B) the termination date designated by
18 the State and local governments in their nomi-
19 nation, or

20 “(C) the date the Secretary of Housing
21 and Urban Development revokes such designa-
22 tion.

23 “(2) REVOCATION OF DESIGNATION.—The Sec-
24 retary of Housing and Urban Development may re-
25 voke the designation under this section of an area if

1 such Secretary determines that the local government
2 or the State in which the area is located—

3 “(A) has modified the boundaries of the
4 area, or

5 “(B) is not complying substantially with,
6 or fails to make progress in achieving, the State
7 or local commitments, respectively, described in
8 subsection (d).

9 “(3) EARLIER TERMINATION OF CERTAIN BEN-
10 EFITS IF EARLIER TERMINATION OF DESIGNA-
11 TION.—If the designation of an area as a renewal
12 community terminates before December 31, 2009,
13 the day after the date of such termination shall be
14 substituted for ‘January 1, 2010’ each place it ap-
15 pears in sections 1400F and 1400J with respect to
16 such area.

17 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

18 “(1) IN GENERAL.—The Secretary of Housing
19 and Urban Development may designate a nominated
20 area as a renewal community under subsection (a)
21 only if the area meets the requirements of para-
22 graphs (2) and (3) of this subsection.

23 “(2) AREA REQUIREMENTS.—A nominated area
24 meets the requirements of this paragraph if—

1 “(A) the area is within the jurisdiction of
2 one or more local governments,

3 “(B) the boundary of the area is contin-
4 uous, and

5 “(C) the area—

6 “(i) has a population of not more than
7 200,000 and at least—

8 “(I) 4,000 if any portion of such
9 area (other than a rural area de-
10 scribed in subsection (a)(2)(B)(i)) is
11 located within a metropolitan statis-
12 tical area (within the meaning of sec-
13 tion 143(k)(2)(B)) which has a popu-
14 lation of 50,000 or greater, or

15 “(II) 1,000 in any other case, or

16 “(ii) is entirely within an Indian res-
17 ervation (as determined by the Secretary of
18 the Interior).

19 “(3) ELIGIBILITY REQUIREMENTS.—A nomi-
20 nated area meets the requirements of this paragraph
21 if the State and the local governments in which it
22 is located certify in writing (and the Secretary of
23 Housing and Urban Development, after such review
24 of supporting data as he deems appropriate, accepts
25 such certification) that—

1 “(A) the area is one of pervasive poverty,
2 unemployment, and general distress;

3 “(B) the unemployment rate in the area,
4 as determined by the most recent available
5 data, was at least 1½ times the national unem-
6 ployment rate for the period to which such data
7 relate;

8 “(C) the poverty rate for each population
9 census tract within the nominated area is at
10 least 20 percent; and

11 “(D) in the case of an urban area, at least
12 70 percent of the households living in the area
13 have incomes below 80 percent of the median
14 income of households within the jurisdiction of
15 the local government (determined in the same
16 manner as under section 119(b)(2) of the
17 Housing and Community Development Act of
18 1974).

19 “(4) CONSIDERATION OF OTHER FACTORS.—
20 The Secretary of Housing and Urban Development,
21 in selecting any nominated area for designation as
22 a renewal community under this section—

23 “(A) shall take into account—

24 “(i) the extent to which such area has
25 a high incidence of crime, or

1 “(ii) if such area has census tracts
2 identified in the May 12, 1998, report of
3 the General Accounting Office regarding
4 the identification of economically distressed
5 areas, and

6 “(B) with respect to 1 of the areas to be
7 designated under subsection (a)(2)(B), may, in
8 lieu of any criteria described in paragraph (3),
9 take into account the existence of outmigration
10 from the area.

11 “(d) REQUIRED STATE AND LOCAL COMMIT-
12 MENTS.—

13 “(1) IN GENERAL.—The Secretary of Housing
14 and Urban Development may designate any nomi-
15 nated area as a renewal community under subsection
16 (a) only if—

17 “(A) the local government and the State in
18 which the area is located agree in writing that,
19 during any period during which the area is a
20 renewal community, such governments will fol-
21 low a specified course of action which meets the
22 requirements of paragraph (2) and is designed
23 to reduce the various burdens borne by employ-
24 ers or employees in such area, and

1 “(B) the economic growth promotion re-
2 quirements of paragraph (3) are met.

3 “(2) COURSE OF ACTION.—

4 “(A) IN GENERAL.—A course of action
5 meets the requirements of this paragraph if
6 such course of action is a written document,
7 signed by a State (or local government) and
8 neighborhood organizations, which evidences a
9 partnership between such State or government
10 and community-based organizations and which
11 commits each signatory to specific and measur-
12 able goals, actions, and timetables. Such course
13 of action shall include at least 4 of the fol-
14 lowing:

15 “(i) A reduction of tax rates or fees
16 applying within the renewal community.

17 “(ii) An increase in the level of effi-
18 ciency of local services within the renewal
19 community.

20 “(iii) Crime reduction strategies, such
21 as crime prevention (including the provi-
22 sion of crime prevention services by non-
23 governmental entities).

24 “(iv) Actions to reduce, remove, sim-
25 plify, or streamline governmental require-

1 ments applying within the renewal commu-
2 nity.

3 “(v) Involvement in the program by
4 private entities, organizations, neighbor-
5 hood organizations, and community
6 groups, particularly those in the renewal
7 community, including a commitment from
8 such private entities to provide jobs and
9 job training for, and technical, financial, or
10 other assistance to, employers, employees,
11 and residents from the renewal community.

12 “(vi) The gift (or sale at below fair
13 market value) of surplus real property
14 (such as land, homes, and commercial or
15 industrial structures) in the renewal com-
16 munity to neighborhood organizations,
17 community development corporations, or
18 private companies.

19 “(B) RECOGNITION OF PAST EFFORTS.—
20 For purposes of this section, in evaluating the
21 course of action agreed to by any State or local
22 government, the Secretary of Housing and
23 Urban Development shall take into account the
24 past efforts of such State or local government

1 in reducing the various burdens borne by em-
2 ployers and employees in the area involved.

3 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
4 MENTS.—The economic growth promotion require-
5 ments of this paragraph are met with respect to a
6 nominated area if the local government and the
7 State in which such area is located certify in writing
8 that such government and State (respectively) have
9 repealed or reduced, will not enforce, or will reduce
10 within the nominated area at least 4 of the fol-
11 lowing:

12 “(A) Licensing requirements for occupa-
13 tions that do not ordinarily require a profes-
14 sional degree.

15 “(B) Zoning restrictions on home-based
16 businesses which do not create a public nui-
17 sance.

18 “(C) Permit requirements for street ven-
19 dors who do not create a public nuisance.

20 “(D) Zoning or other restrictions that im-
21 pede the formation of schools or child care cen-
22 ters.

23 “(E) Franchises or other restrictions on
24 competition for businesses providing public

1 services, including taxicabs, jitneys, cable tele-
2 vision, or trash hauling.

3 This paragraph shall not apply to the extent that
4 such regulation of businesses and occupations is nec-
5 essary for and well-tailored to the protection of
6 health and safety.

7 “(e) COORDINATION WITH TREATMENT OF EM-
8 POWERMENT ZONES AND ENTERPRISE COMMUNITIES.—
9 For purposes of this title, the designation under section
10 1391 of any area as an empowerment zone or enterprise
11 community shall cease to be in effect as of the date that
12 the designation of any portion of such area as a renewal
13 community takes effect.

14 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
15 poses of this subchapter—

16 “(1) GOVERNMENTS.—If more than one govern-
17 ment seeks to nominate an area as a renewal com-
18 munity, any reference to, or requirement of, this sec-
19 tion shall apply to all such governments.

20 “(2) LOCAL GOVERNMENT.—The term ‘local
21 government’ means—

22 “(A) any county, city, town, township, par-
23 ish, village, or other general purpose political
24 subdivision of a State, and

1 “(B) any combination of political subdivi-
2 sions described in subparagraph (A) recognized
3 by the Secretary of Housing and Urban Devel-
4 opment.

5 “(3) APPLICATION OF RULES RELATING TO
6 CENSUS TRACTS.—The rules of section 1392(b)(4)
7 shall apply.

8 “(4) CENSUS DATA.—Population and poverty
9 rate shall be determined by using 1990 census data.

10 “(g) PRIORITY FOR DISTRICT OF COLUMBIA NOMI-
11 NATED AREA.—For purposes of this subchapter—

12 “(1) IN GENERAL.—One nominated area within
13 the District of Columbia shall be treated for pur-
14 poses of subsection (a)(3) as having the highest av-
15 erage with respect to the criteria described in sub-
16 paragraphs (B), (C), and (D) of subsection (c)(3).

17 “(2) DATE OF DESIGNATION.—Notwithstanding
18 subsection (b)(1), the designation of a nominated
19 area within the District of Columbia as a renewal
20 community shall take effect on January 1, 2003.

21 “(3) NOMINATION.—The District of Columbia
22 shall be treated as being both a State and local gov-
23 ernment with respect to such area.

1 **“PART II—RENEWAL COMMUNITY CAPITAL GAIN;**
2 **RENEWAL COMMUNITY BUSINESS**

“Sec. 1400F. Renewal community capital gain.

“Sec. 1400G. Renewal community business defined.

3 **“SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.**

4 “(a) GENERAL RULE.—Gross income does not in-
5 clude any qualified capital gain from the sale or exchange
6 of a qualified community asset held for more than 5 years.

7 “(b) QUALIFIED COMMUNITY ASSET.—For purposes
8 of this section—

9 “(1) IN GENERAL.—The term ‘qualified com-
10 munity asset’ means—

11 “(A) any qualified community stock,

12 “(B) any qualified community partnership
13 interest, and

14 “(C) any qualified community business
15 property.

16 “(2) QUALIFIED COMMUNITY STOCK.—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the term ‘qualified commu-
19 nity stock’ means any stock in a domestic cor-
20 poration if—

21 “(i) such stock is acquired by the tax-
22 payer after December 31, 2001, and before
23 January 1, 2010, at its original issue (di-

1 rectly or through an underwriter) from the
2 corporation solely in exchange for cash,

3 “(ii) as of the time such stock was
4 issued, such corporation was a renewal
5 community business (or, in the case of a
6 new corporation, such corporation was
7 being organized for purposes of being a re-
8 newal community business), and

9 “(iii) during substantially all of the
10 taxpayer’s holding period for such stock,
11 such corporation qualified as a renewal
12 community business.

13 “(B) REDEMPTIONS.—A rule similar to
14 the rule of section 1202(c)(3) shall apply for
15 purposes of this paragraph.

16 “(3) QUALIFIED COMMUNITY PARTNERSHIP IN-
17 TEREST.—The term ‘qualified community partner-
18 ship interest’ means any capital or profits interest in
19 a domestic partnership if—

20 “(A) such interest is acquired by the tax-
21 payer after December 31, 2001, and before
22 January 1, 2010, from the partnership solely in
23 exchange for cash,

24 “(B) as of the time such interest was ac-
25 quired, such partnership was a renewal commu-

1 nity business (or, in the case of a new partner-
2 ship, such partnership was being organized for
3 purposes of being a renewal community busi-
4 ness), and

5 “(C) during substantially all of the tax-
6 payer’s holding period for such interest, such
7 partnership qualified as a renewal community
8 business.

9 A rule similar to the rule of paragraph (2)(B) shall
10 apply for purposes of this paragraph.

11 “(4) QUALIFIED COMMUNITY BUSINESS PROP-
12 PERTY.—

13 “(A) IN GENERAL.—The term ‘qualified
14 community business property’ means tangible
15 property if—

16 “(i) such property was acquired by
17 the taxpayer by purchase (as defined in
18 section 179(d)(2)) after December 31,
19 2001, and before January 1, 2010,

20 “(ii) the original use of such property
21 in the renewal community commences with
22 the taxpayer, and

23 “(iii) during substantially all of the
24 taxpayer’s holding period for such prop-
25 erty, substantially all of the use of such

1 property was in a renewal community busi-
2 ness of the taxpayer.

3 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
4 PROVEMENTS.—The requirements of clauses (i)
5 and (ii) of subparagraph (A) shall be treated as
6 satisfied with respect to—

7 “(i) property which is substantially
8 improved by the taxpayer before January
9 1, 2010, and

10 “(ii) any land on which such property
11 is located.

12 The determination of whether a property is sub-
13 stantially improved shall be made under clause
14 (ii) of section 1400B(b)(4)(B), except that ‘De-
15 cember 31, 2001’ shall be substituted for ‘De-
16 cember 31, 1997’ in such clause.

17 “(c) QUALIFIED CAPITAL GAIN.—For purposes of
18 this section—

19 “(1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the term ‘qualified capital
21 gain’ means any gain recognized on the sale or ex-
22 change of—

23 “(A) a capital asset, or

24 “(B) property used in the trade or busi-
25 ness (as defined in section 1231(b)).

1 “(2) GAIN BEFORE 2002 OR AFTER 2014 NOT
2 QUALIFIED.—The term ‘qualified capital gain’ shall
3 not include any gain attributable to periods before
4 January 1, 2002, or after December 31, 2014.

5 “(3) CERTAIN RULES TO APPLY.—Rules similar
6 to the rules of paragraphs (3), (4), and (5) of sec-
7 tion 1400B(e) shall apply for purposes of this sub-
8 section.

9 “(d) CERTAIN RULES TO APPLY.—For purposes of
10 this section, rules similar to the rules of paragraphs (5),
11 (6), and (7) of subsection (b), and subsections (f) and
12 (g), of section 1400B shall apply; except that for such pur-
13 poses section 1400B(g)(2) shall be applied by substituting
14 ‘January 1, 2002’ for ‘January 1, 1998’ and ‘December
15 31, 2014’ for ‘December 31, 2007’.

16 “(e) REGULATIONS.—The Secretary shall prescribe
17 such regulations as may be appropriate to carry out the
18 purposes of this section, including regulations to prevent
19 the avoidance of the purposes of this section.

20 **“SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.**

21 “For purposes of this subchapter, the term ‘renewal
22 community business’ means any entity or proprietorship
23 which would be a qualified business entity or qualified pro-
24 prietorship under section 1397C if references to renewal

1 communities were substituted for references to empower-
 2 ment zones in such section.

3 **“PART III—ADDITIONAL INCENTIVES**

“Sec. 1400H. Renewal community employment credit.

“Sec. 1400I. Commercial revitalization deduction.

“Sec. 1400J. Increase in expensing under section 179.

4 **“SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.**

5 “(a) IN GENERAL.—Subject to the modification in
 6 subsection (b), a renewal community shall be treated as
 7 an empowerment zone for purposes of section 1396 with
 8 respect to wages paid or incurred after December 31,
 9 2001.

10 “(b) MODIFICATION.—In applying section 1396 with
 11 respect to renewal communities—

12 “(1) the applicable percentage shall be 15 per-
 13 cent, and

14 “(2) subsection (c) thereof shall be applied by
 15 substituting ‘\$10,000’ for ‘\$15,000’ each place it ap-
 16 pears.

17 **“SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.**

18 “(a) GENERAL RULE.—At the election of the tax-
 19 payer, either—

20 “(1) one-half of any qualified revitalization ex-
 21 penditures chargeable to capital account with respect
 22 to any qualified revitalization building shall be allow-
 23 able as a deduction for the taxable year in which the
 24 building is placed in service, or

1 “(2) a deduction for all such expenditures shall
2 be allowable ratably over the 120-month period be-
3 ginning with the month in which the building is
4 placed in service.

5 “(b) QUALIFIED REVITALIZATION BUILDINGS AND
6 EXPENDITURES.—For purposes of this section—

7 “(1) QUALIFIED REVITALIZATION BUILDING.—
8 The term ‘qualified revitalization building’ means
9 any building (and its structural components) if—

10 “(A) the building is placed in service by
11 the taxpayer in a renewal community and the
12 original use of the building begins with the tax-
13 payer, or

14 “(B) in the case of such building not de-
15 scribed in subparagraph (A), such building—

16 “(i) is substantially rehabilitated
17 (within the meaning of section
18 47(c)(1)(C)) by the taxpayer, and

19 “(ii) is placed in service by the tax-
20 payer after the rehabilitation in a renewal
21 community.

22 “(2) QUALIFIED REVITALIZATION EXPENDI-
23 TURE.—

24 “(A) IN GENERAL.—The term ‘qualified
25 revitalization expenditure’ means any amount

1 properly chargeable to capital account for prop-
2 erty for which depreciation is allowable under
3 section 168 (without regard to this section) and
4 which is—

5 “(i) nonresidential real property (as
6 defined in section 168(e)), or

7 “(ii) section 1250 property (as defined
8 in section 1250(c)) which is functionally
9 related and subordinate to property de-
10 scribed in clause (i).

11 “(B) CERTAIN EXPENDITURES NOT IN-
12 CLUDED.—

13 “(i) ACQUISITION COST.—In the case
14 of a building described in paragraph
15 (1)(B), the cost of acquiring the building
16 or interest therein shall be treated as a
17 qualified revitalization expenditure only to
18 the extent that such cost does not exceed
19 30 percent of the aggregate qualified revi-
20 talization expenditures (determined with-
21 out regard to such cost) with respect to
22 such building.

23 “(ii) CREDITS.—The term ‘qualified
24 revitalization expenditure’ does not include
25 any expenditure which the taxpayer may

1 take into account in computing any credit
2 allowable under this title unless the tax-
3 payer elects to take the expenditure into
4 account only for purposes of this section.

5 “(c) DOLLAR LIMITATION.—The aggregate amount
6 which may be treated as qualified revitalization expendi-
7 tures with respect to any qualified revitalization building
8 shall not exceed the lesser of—

9 “(1) \$10,000,000, or

10 “(2) the commercial revitalization expenditure
11 amount allocated to such building under this section
12 by the commercial revitalization agency for the State
13 in which the building is located.

14 “(d) COMMERCIAL REVITALIZATION EXPENDITURE
15 AMOUNT.—

16 “(1) IN GENERAL.—The aggregate commercial
17 revitalization expenditure amount which a commer-
18 cial revitalization agency may allocate for any cal-
19 endar year is the amount of the State commercial
20 revitalization expenditure ceiling determined under
21 this paragraph for such calendar year for such agen-
22 cy.

23 “(2) STATE COMMERCIAL REVITALIZATION EX-
24 PENDITURE CEILING.—The State commercial revi-

1 talization expenditure ceiling applicable to any
2 State—

3 “(A) for each calendar year after 2001 and
4 before 2010 is \$12,000,000 for each renewal
5 community in the State, and

6 “(B) for each calendar year thereafter is
7 zero.

8 “(3) COMMERCIAL REVITALIZATION AGENCY.—
9 For purposes of this section, the term ‘commercial
10 revitalization agency’ means any agency authorized
11 by a State to carry out this section.

12 “(4) TIME AND MANNER OF ALLOCATIONS.—
13 Allocations under this section shall be made at the
14 same time and in the same manner as under para-
15 graphs (1) and (7) of section 42(h).

16 “(e) RESPONSIBILITIES OF COMMERCIAL REVITAL-
17 IZATION AGENCIES.—

18 “(1) PLANS FOR ALLOCATION.—Notwith-
19 standing any other provision of this section, the
20 commercial revitalization expenditure amount with
21 respect to any building shall be zero unless—

22 “(A) such amount was allocated pursuant
23 to a qualified allocation plan of the commercial
24 revitalization agency which is approved (in ac-
25 cordance with rules similar to the rules of sec-

1 tion 147(f)(2) (other than subparagraph (B)(ii)
2 thereof)) by the governmental unit of which
3 such agency is a part; and

4 “(B) such agency notifies the chief execu-
5 tive officer (or its equivalent) of the local juris-
6 diction within which the building is located of
7 such allocation and provides such individual a
8 reasonable opportunity to comment on the allo-
9 cation.

10 “(2) QUALIFIED ALLOCATION PLAN.—For pur-
11 poses of this subsection, the term ‘qualified alloca-
12 tion plan’ means any plan—

13 “(A) which sets forth selection criteria to
14 be used to determine priorities of the commer-
15 cial revitalization agency which are appropriate
16 to local conditions,

17 “(B) which considers—

18 “(i) the degree to which a project con-
19 tributes to the implementation of a stra-
20 tegic plan that is devised for a renewal
21 community through a citizen participation
22 process,

23 “(ii) the amount of any increase in
24 permanent, full-time employment by reason
25 of any project, and

1 “(iii) the active involvement of resi-
2 dents and nonprofit groups within the re-
3 newal community, and

4 “(C) which provides a procedure that the
5 agency (or its agent) will follow in monitoring
6 compliance with this section.

7 “(f) SPECIAL RULES.—

8 “(1) DEDUCTION IN LIEU OF DEPRECIATION.—
9 The deduction provided by this section for qualified
10 revitalization expenditures shall—

11 “(A) with respect to the deduction deter-
12 mined under subsection (a)(1), be in lieu of any
13 depreciation deduction otherwise allowable on
14 account of one-half of such expenditures, and

15 “(B) with respect to the deduction deter-
16 mined under subsection (a)(2), be in lieu of any
17 depreciation deduction otherwise allowable on
18 account of all of such expenditures.

19 “(2) BASIS ADJUSTMENT, ETC.—For purposes
20 of sections 1016 and 1250, the deduction under this
21 section shall be treated in the same manner as a de-
22 preciation deduction. For purposes of section
23 1250(b)(5), the straight line method of adjustment
24 shall be determined without regard to this section.

1 “(3) SUBSTANTIAL REHABILITATIONS TREATED
2 AS SEPARATE BUILDINGS.—A substantial rehabilita-
3 tion (within the meaning of section 47(e)(1)(C)) of
4 a building shall be treated as a separate building for
5 purposes of subsection (a).

6 “(4) CLARIFICATION OF ALLOWANCE OF DE-
7 DUCTION UNDER MINIMUM TAX.—Notwithstanding
8 section 56(a)(1), the deduction under this section
9 shall be allowed in determining alternative minimum
10 taxable income under section 55.

11 “(g) TERMINATION.—This section shall not apply to
12 any building placed in service after December 31, 2009.

13 **“SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.**

14 “(a) IN GENERAL.—For purposes of section
15 1397A—

16 “(1) a renewal community shall be treated as
17 an empowerment zone,

18 “(2) a renewal community business shall be
19 treated as an enterprise zone business, and

20 “(3) qualified renewal property shall be treated
21 as qualified zone property.

22 “(b) QUALIFIED RENEWAL PROPERTY.—For pur-
23 poses of this section—

1 “(1) IN GENERAL.—The term ‘qualified renewal
2 property’ means any property to which section 168
3 applies (or would apply but for section 179) if—

4 “(A) such property was acquired by the
5 taxpayer by purchase (as defined in section
6 179(d)(2)) after December 31, 2001, and be-
7 fore January 1, 2010, and

8 “(B) such property would be qualified zone
9 property (as defined in section 1397D) if ref-
10 erences to renewal communities were sub-
11 stituted for references to empowerment zones in
12 section 1397D.

13 “(2) CERTAIN RULES TO APPLY.—The rules of
14 subsections (a)(2) and (b) of section 1397D shall
15 apply for purposes of this section.”.

16 (b) EXCEPTION FOR COMMERCIAL REVITALIZATION
17 DEDUCTION FROM PASSIVE LOSS RULES.—

18 (1) Paragraph (3) of section 469(i) is amended
19 by redesignating subparagraphs (C), (D), and (E) as
20 subparagraphs (D), (E), and (F), respectively, and
21 by inserting after subparagraph (B) the following
22 new subparagraph:

23 “(C) EXCEPTION FOR COMMERCIAL REVI-
24 TALIZATION DEDUCTION.—Subparagraph (A)
25 shall not apply to any portion of the passive ac-

1 tivity loss for any taxable year which is attrib-
2 utable to the commercial revitalization deduc-
3 tion under section 1400I.”.

4 (2) Subparagraph (E) of section 469(i)(3), as
5 redesignated by subparagraph (A), is amended to
6 read as follows:

7 “(E) ORDERING RULES TO REFLECT EX-
8 CEPTIONS AND SEPARATE PHASE-OUTS.—If
9 subparagraph (B), (C), or (D) applies for a tax-
10 able year, paragraph (1) shall be applied—

11 “(i) first to the portion of the passive
12 activity loss to which subparagraph (C)
13 does not apply,

14 “(ii) second to the portion of the pas-
15 sive activity credit to which subparagraph
16 (B) or (D) does not apply,

17 “(iii) third to the portion of such
18 credit to which subparagraph (B) applies,

19 “(iv) fourth to the portion of such loss
20 to which subparagraph (C) applies, and

21 “(v) then to the portion of such credit
22 to which subparagraph (D) applies.”.

23 (3)(A) Subparagraph (B) of section 469(i)(6) is
24 amended by striking “or” at the end of clause (i),
25 by striking the period at the end of clause (ii) and

1 inserting “, or”, and by adding at the end the fol-
2 lowing new clause:

3 “(iii) any deduction under section
4 1400I (relating to commercial revitaliza-
5 tion deduction).”.

6 (B) The heading for such subparagraph (B) is
7 amended by striking “OR REHABILITATION CREDIT”
8 and inserting “, REHABILITATION CREDIT, OR COM-
9 Mercial Revitalization Deduction”.

10 (c) AUDIT AND REPORT.—Not later than January 31
11 of 2004, 2007, and 2010, the Comptroller General of the
12 United States shall, pursuant to an audit of the renewal
13 community program established under section 1400E of
14 the Internal Revenue Code of 1986 (as added by sub-
15 section (a)) and the empowerment zone and enterprise
16 community program under subchapter U of chapter 1 of
17 such Code, report to Congress on such program and its
18 effect on poverty, unemployment, and economic growth
19 within the designated renewal communities, empowerment
20 zones, and enterprise communities.

21 (d) CLERICAL AMENDMENT.—The table of sub-
22 chapters for chapter 1 is amended by adding at the end
23 the following new item:

1 “Subchapter X. Renewal Communities.”.

2 **SEC. 602. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH**
3 **RESIDING IN RENEWAL COMMUNITIES.**

4 (a) **HIGH-RISK YOUTH.**—Subparagraphs (A)(ii) and
5 (B) of section 51(d)(5) are each amended by striking “em-
6 powerment zone or enterprise community” and inserting
7 “empowerment zone, enterprise community, or renewal
8 community”.

9 (b) **QUALIFIED SUMMER YOUTH EMPLOYEE.**—
10 Clause (iv) of section 51(d)(7)(A) is amended by striking
11 “empowerment zone or enterprise community” and insert-
12 ing “empowerment zone, enterprise community, or re-
13 newal community”.

14 (c) **HEADINGS.**—Paragraphs (5)(B) and (7)(C) of
15 section 51(d) are each amended by inserting “OR COMMU-
16 NITY” in the heading after “ZONE”.

17 (d) **EFFECTIVE DATE.**—The amendments made by
18 this section shall apply to individuals who begin work for
19 the employer after December 31, 2001.

1 **Subtitle B—Extension and Expansion**
2 **of Empowerment Zone In-**
3 **centives**

4 **SEC. 611. AUTHORITY TO DESIGNATE 9 ADDITIONAL EM-**
5 **POWERMENT ZONES.**

6 Section 1391 is amended by adding at the end the
7 following new subsection:

8 “(h) **ADDITIONAL DESIGNATIONS PERMITTED.**—

9 “(1) **IN GENERAL.**—In addition to the areas
10 designated under subsections (a) and (g), the appro-
11 priate Secretaries may designate in the aggregate an
12 additional 9 nominated areas as empowerment zones
13 under this section, subject to the availability of eligi-
14 ble nominated areas. Of that number, not more than
15 seven may be designated in urban areas and not
16 more than 2 may be designated in rural areas.

17 “(2) **PERIOD DESIGNATIONS MAY BE MADE AND**
18 **TAKE EFFECT.**—A designation may be made under
19 this subsection after the date of the enactment of
20 this subsection and before January 1, 2002. Subject
21 to subparagraphs (B) and (C) of subsection (d)(1),
22 such designations shall remain in effect during the
23 period beginning on January 1, 2002, and ending on
24 December 31, 2009.

1 “(3) MODIFICATIONS TO ELIGIBILITY CRITERIA,
2 ETC.—The rules of subsection (g)(3) shall apply to
3 designations under this subsection.”.

4 **SEC. 612. EXTENSION OF EMPOWERMENT ZONE TREAT-**
5 **MENT THROUGH 2009.**

6 Subparagraph (A) of section 1391(d)(1) (relating to
7 period for which designation is in effect) is amended to
8 read as follows:

9 “(A)(i) in the case of an empowerment
10 zone, December 31, 2009, or

11 “(ii) in the case of an enterprise commu-
12 nity, the close of the 10th calendar year begin-
13 ning on or after such date of designation,”.

14 **SEC. 613. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EM-**
15 **POWERMENT ZONES**

16 (a) 20 PERCENT CREDIT.—Subsection (b) of section
17 1396 (relating to empowerment zone employment credit)
18 is amended to read as follows:

19 “(b) APPLICABLE PERCENTAGE.—For purposes of
20 this section, the applicable percentage is 20 percent.”.

21 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR
22 CREDIT.—Section 1396 is amended by striking subsection
23 (e).

24 (c) CONFORMING AMENDMENT.—Subsection (d) of
25 section 1400 is amended to read as follows:

1 ment zone facility bond' means any bond which
2 would be described in subsection (a) if—

3 “(A) in the case of obligations issued be-
4 fore January 1, 2002, only empowerment zones
5 designated under section 1391(g) were taken
6 into account under sections 1397C and 1397D,
7 and

8 “(B) in the case of obligations issued after
9 December 31, 2001, all empowerment zones
10 (other than the District of Columbia) were
11 taken into account under sections 1397C and
12 1397D.”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to obligations issued after Decem-
15 ber 31, 2001.

16 **SEC. 616. NONRECOGNITION OF GAIN ON ROLLOVER OF**
17 **EMPOWERMENT ZONE INVESTMENTS.**

18 (a) IN GENERAL.—Part III of subchapter U of chap-
19 ter 1 is amended—

20 (1) by redesignating subpart C as subpart D;

21 (2) by redesignating sections 1397B and 1397C
22 as sections 1397C and 1397D, respectively; and

23 (3) by inserting after subpart B the following
24 new subpart:

1 **“Subpart C—Nonrecognition of Gain on Rollover of**
2 **Empowerment Zone Investments**

“Sec. 1397B. Nonrecognition of Gain on Rollover of Empowerment Zone Investments.

3 **“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF**
4 **EMPOWERMENT ZONE INVESTMENTS.**

5 “(a) NONRECOGNITION OF GAIN.—In the case of any
6 sale of a qualified empowerment zone asset held by the
7 taxpayer for more than 1 year and with respect to which
8 such taxpayer elects the application of this section, gain
9 from such sale shall be recognized only to the extent that
10 the amount realized on such sale exceeds—

11 “(1) the cost of any qualified empowerment
12 zone asset (with respect to the same zone as the
13 asset sold) purchased by the taxpayer during the 60-
14 day period beginning on the date of such sale, re-
15 duced by

16 “(2) any portion of such cost previously taken
17 into account under this section.

18 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
19 poses of this section—

20 “(1) QUALIFIED EMPOWERMENT ZONE
21 ASSET.—

22 “(A) IN GENERAL.—The term ‘qualified
23 empowerment zone asset’ means any property

1 which would be a qualified community asset (as
2 defined in section 1400F) if in section 1400F—

3 “(i) references to empowerment zones
4 were substituted for references to renewal
5 communities,

6 “(ii) references to enterprise zone
7 businesses (as defined in section 1397C)
8 were substituted for references to renewal
9 community businesses, and

10 “(iii) the date of the enactment of this
11 paragraph were substituted for ‘December
12 31, 2001’ each place it appears.

13 “(B) TREATMENT OF DC ZONE.—The Dis-
14 trict of Columbia Enterprise Zone shall not be
15 treated as an empowerment zone for purposes
16 of this section.

17 “(2) CERTAIN GAIN NOT ELIGIBLE FOR ROLL-
18 OVER.—This section shall not apply to—

19 “(A) any gain which is treated as ordinary
20 income for purposes of this subtitle, and

21 “(B) any gain which is attributable to real
22 property, or an intangible asset, which is not an
23 integral part of an enterprise zone business.

24 “(3) PURCHASE.—A taxpayer shall be treated
25 as having purchased any property if, but for para-

1 graph (4), the unadjusted basis of such property in
2 the hands of the taxpayer would be its cost (within
3 the meaning of section 1012).

4 “(4) BASIS ADJUSTMENTS.—If gain from any
5 sale is not recognized by reason of subsection (a),
6 such gain shall be applied to reduce (in the order ac-
7 quired) the basis for determining gain or loss of any
8 qualified empowerment zone asset which is pur-
9 chased by the taxpayer during the 60-day period de-
10 scribed in subsection (a). This paragraph shall not
11 apply for purposes of section 1202.

12 “(5) HOLDING PERIOD.—For purposes of deter-
13 mining whether the nonrecognition of gain under
14 subsection (a) applies to any qualified empowerment
15 zone asset which is sold—

16 “(A) the taxpayer’s holding period for such
17 asset and the asset referred to in subsection
18 (a)(1) shall be determined without regard to
19 section 1223, and

20 “(B) only the first year of the taxpayer’s
21 holding period for the asset referred to in sub-
22 section (a)(1) shall be taken into account for
23 purposes of paragraphs (2)(A)(iii), (3)(C), and
24 (4)(A)(iii) of section 1400F(b).”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (23) of section 1016(a) is
2 amended—

3 (A) by striking “or 1045” and inserting
4 “1045, or 1397B”, and

5 (B) by striking “or 1045(b)(4)” and in-
6 serting “1045(b)(4), or 1397B(b)(4)”.

7 (2) Paragraph (15) of section 1223 is amended
8 to read as follows:

9 “(15) Except for purposes of sections
10 1202(a)(2), 1202(c)(2)(A), 1400B(b), and
11 1400F(b), in determining the period for which the
12 taxpayer has held property the acquisition of which
13 resulted under section 1045 or 1397B in the non-
14 recognition of any part of the gain realized on the
15 sale of other property, there shall be included the pe-
16 riod for which such other property has been held as
17 of the date of such sale.”.

18 (3) Paragraph (2) of section 1394(b) is
19 amended—

20 (A) by striking “section 1397C” and in-
21 serting “section 1397D”, and

22 (B) by striking “section 1397C(a)(2)” and
23 inserting “section 1397D(a)(2)”.

24 (4) Paragraph (3) of section 1394(b) is
25 amended—

1 (A) by striking “section 1397B” each place
2 it appears and inserting “section 1397C”, and

3 (B) by striking “section 1397B(d)” and in-
4 serting “section 1397C(d)”.

5 (5) Sections 1400(e) and 1400B(c) are each
6 amended by striking “section 1397B” each place it
7 appears and inserting “section 1397C”.

8 (6) The table of subparts for part III of sub-
9 chapter U of chapter 1 is amended by striking the
10 last item and inserting the following new items:

“Subpart C. Nonrecognition of gain on rollover of empowerment
zone investments.

“Subpart D. General provisions.”.

11 (7) The table of sections for subpart D of such
12 part III is amended to read as follows:

“Sec. 1397C. Enterprise zone business defined.

“Sec. 1397D. Qualified zone property defined.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to qualified empowerment zone as-
15 sets acquired after the date of the enactment of this Act.

16 **SEC. 617. INCREASED EXCLUSION OF GAIN ON SALE OF EM-**
17 **POWERMENT ZONE STOCK.**

18 (a) IN GENERAL.—Subsection (a) of section 1202 is
19 amended to read as follows:

20 “(a) EXCLUSION.—

21 “(1) IN GENERAL.—In the case of a taxpayer
22 other than a corporation, gross income shall not in-

1 clude 50 percent of any gain from the sale or ex-
2 change of qualified small business stock held for
3 more than 5 years.

4 “(2) EMPOWERMENT ZONE BUSINESSES.—

5 “(A) IN GENERAL.—In the case of quali-
6 fied small business stock acquired after the date
7 of the enactment of this paragraph in a cor-
8 poration which is a qualified business entity (as
9 defined in section 1397C(b)) during substan-
10 tially all of the taxpayer’s holding period for
11 such stock, paragraph (1) shall be applied by
12 substituting ‘60 percent’ for ‘50 percent’.

13 “(B) CERTAIN RULES TO APPLY.—Rules
14 similar to the rules of paragraphs (5) and (7)
15 of section 1400B(b) shall apply for purposes of
16 this paragraph.

17 “(C) GAIN AFTER 2014 NOT QUALIFIED.—
18 Subparagraph (A) shall not apply to gain at-
19 tributable to periods after December 31, 2014.

20 “(D) TREATMENT OF DC ZONE.—The Dis-
21 trict of Columbia Enterprise Zone shall not be
22 treated as an empowerment zone for purposes
23 of this paragraph.”.

1 (b) CONFORMING AMENDMENT.—Paragraph (8) of
2 section 1(h) is amended by striking “means” and all that
3 follows and inserting “means the excess of—

4 “(A) the gain which would be excluded
5 from gross income under section 1202 but for
6 the percentage limitation in section 1202(a),
7 over

8 “(B) the gain excluded from gross income
9 under section 1202.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to stock acquired after the date
12 of the enactment of this Act.

13 **Subtitle C—New Markets Tax** 14 **Credit**

15 **SEC. 621. NEW MARKETS TAX CREDIT.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-
17 chapter A of chapter 1 (relating to business-related cred-
18 its) is amended by adding at the end the following new
19 section:

20 **“SEC. 45D. NEW MARKETS TAX CREDIT.**

21 “(a) ALLOWANCE OF CREDIT.—

22 “(1) IN GENERAL.—For purposes of section 38,
23 in the case of a taxpayer who holds a qualified eq-
24 uity investment on a credit allowance date of such
25 investment which occurs during the taxable year, the

1 new markets tax credit determined under this sec-
2 tion for such taxable year is an amount equal to the
3 applicable percentage of the amount paid to the
4 qualified community development entity for such in-
5 vestment at its original issue.

6 “(2) APPLICABLE PERCENTAGE.—For purposes
7 of paragraph (1), the applicable percentage is—

8 “(A) 5 percent with respect to the first 3
9 credit allowance dates, and

10 “(B) 6 percent with respect to the remain-
11 der of the credit allowance dates.

12 “(3) CREDIT ALLOWANCE DATE.—For purposes
13 of paragraph (1), the term ‘credit allowance date’
14 means, with respect to any qualified equity
15 investment—

16 “(A) the date on which such investment is
17 initially made, and

18 “(B) each of the 6 anniversary dates of
19 such date thereafter.

20 “(b) QUALIFIED EQUITY INVESTMENT.—For pur-
21 poses of this section—

22 “(1) IN GENERAL.—The term ‘qualified equity
23 investment’ means any equity investment in a quali-
24 fied community development entity if—

1 “(A) such investment is acquired by the
2 taxpayer at its original issue (directly or
3 through an underwriter) solely in exchange for
4 cash,

5 “(B) substantially all of such cash is used
6 by the qualified community development entity
7 to make qualified low-income community invest-
8 ments, and

9 “(C) such investment is designated for
10 purposes of this section by the qualified com-
11 munity development entity.

12 Such term shall not include any equity investment
13 issued by a qualified community development entity
14 more than 5 years after the date that such entity re-
15 ceives an allocation under subsection (f). Any alloca-
16 tion not used within such 5-year period may be re-
17 allocated by the Secretary under subsection (f).

18 “(2) LIMITATION.—The maximum amount of
19 equity investments issued by a qualified community
20 development entity which may be designated under
21 paragraph (1)(C) by such entity shall not exceed the
22 portion of the limitation amount allocated under
23 subsection (f) to such entity.

24 “(3) SAFE HARBOR FOR DETERMINING USE OF
25 CASH.—The requirement of paragraph (1)(B) shall

1 be treated as met if at least 85 percent of the aggre-
2 gate gross assets of the qualified community devel-
3 opment entity are invested in qualified low-income
4 community investments.

5 “(4) TREATMENT OF SUBSEQUENT PUR-
6 CHASERS.—The term ‘qualified equity investment’
7 includes any equity investment which would (but for
8 paragraph (1)(A)) be a qualified equity investment
9 in the hands of the taxpayer if such investment was
10 a qualified equity investment in the hands of a prior
11 holder.

12 “(5) REDEMPTIONS.—A rule similar to the rule
13 of section 1202(e)(3) shall apply for purposes of this
14 subsection.

15 “(6) EQUITY INVESTMENT.—The term ‘equity
16 investment’ means—

17 “(A) any stock (other than nonqualified
18 preferred stock as defined in section 351(g)(2))
19 in an entity which is a corporation, and

20 “(B) any capital interest in an entity
21 which is a partnership.

22 “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTI-
23 TY.—For purposes of this section—

1 “(1) IN GENERAL.—The term ‘qualified com-
2 munity development entity’ means any domestic cor-
3 poration or partnership if—

4 “(A) the primary mission of the entity is
5 serving, or providing investment capital for,
6 low-income communities or low-income persons,

7 “(B) the entity maintains accountability to
8 residents of low-income communities through
9 their representation on any governing board of
10 the entity or on any advisory board to the enti-
11 ty, and

12 “(C) the entity is certified by the Secretary
13 for purposes of this section as being a qualified
14 community development entity.

15 “(2) SPECIAL RULES FOR CERTAIN ORGANIZA-
16 TIONS.—The requirements of paragraph (1) shall be
17 treated as met by—

18 “(A) any specialized small business invest-
19 ment company (as defined in section
20 1044(c)(3)), and

21 “(B) any community development financial
22 institution (as defined in section 103 of the
23 Community Development Banking and Finan-
24 cial Institutions Act of 1994 (12 U.S.C. 4702)).

1 “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-
2 MENTS.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualified low-in-
4 come community investment’ means—

5 “(A) any equity investment in, or loan to,
6 any qualified active low-income community busi-
7 ness,

8 “(B) the purchase from another commu-
9 nity development entity of any loan made by
10 such entity which is a qualified low-income com-
11 munity investment,

12 “(C) financial counseling and other serv-
13 ices specified in regulations prescribed by the
14 Secretary to businesses located in, and resi-
15 dents of, low-income communities, and

16 “(D) any equity investment in, or loan to,
17 any qualified community development entity.

18 “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-
19 NITY BUSINESS.—

20 “(A) IN GENERAL.—For purposes of para-
21 graph (1), the term ‘qualified active low-income
22 community business’ means, with respect to any
23 taxable year, any corporation (including a non-
24 profit corporation) or partnership if for such
25 year—

1 “(i) at least 50 percent of the total
2 gross income of such entity is derived from
3 the active conduct of a qualified business
4 within any low-income community,

5 “(ii) a substantial portion of the use
6 of the tangible property of such entity
7 (whether owned or leased) is within any
8 low-income community,

9 “(iii) a substantial portion of the serv-
10 ices performed for such entity by its em-
11 ployees are performed in any low-income
12 community,

13 “(iv) less than 5 percent of the aver-
14 age of the aggregate unadjusted bases of
15 the property of such entity is attributable
16 to collectibles (as defined in section
17 408(m)(2)) other than collectibles that are
18 held primarily for sale to customers in the
19 ordinary course of such business, and

20 “(v) less than 5 percent of the aver-
21 age of the aggregate unadjusted bases of
22 the property of such entity is attributable
23 to nonqualified financial property (as de-
24 fined in section 1397C(e)).

1 “(B) PROPRIETORSHIP.—Such term shall
2 include any business carried on by an individual
3 as a proprietor if such business would meet the
4 requirements of subparagraph (A) were it incor-
5 porated.

6 “(C) PORTIONS OF BUSINESS MAY BE
7 QUALIFIED ACTIVE LOW-INCOME COMMUNITY
8 BUSINESS.—The term ‘qualified active low-in-
9 come community business’ includes any trades
10 or businesses which would qualify as a qualified
11 active low-income community business if such
12 trades or businesses were separately incor-
13 porated.

14 “(3) QUALIFIED BUSINESS.—For purposes of
15 this subsection, the term ‘qualified business’ has the
16 meaning given to such term by section 1397C(d); ex-
17 cept that—

18 “(A) in lieu of applying paragraph (2)(B)
19 thereof, the rental to others of real property lo-
20 cated in any low-income community shall be
21 treated as a qualified business if there are sub-
22 stantial improvements located on such property,
23 and

24 “(B) paragraph (3) thereof shall not apply.

1 “(e) LOW-INCOME COMMUNITY.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘low-income com-
4 munity’ means any population census tract if—

5 “(A) the poverty rate for such tract is at
6 least 20 percent, or

7 “(B)(i) in the case of a tract not located
8 within a metropolitan area, the median family
9 income for such tract does not exceed 80 per-
10 cent of statewide median family income, or

11 “(ii) in the case of a tract located within
12 a metropolitan area, the median family income
13 for such tract does not exceed 80 percent of the
14 greater of statewide median family income or
15 the metropolitan area median family income.

16 “(2) TARGETED AREAS.—The Secretary may
17 designate any area within any census tract as a low-
18 income community if—

19 “(A) the boundary of such area is contin-
20 uous,

21 “(B) the area would satisfy the require-
22 ments of paragraph (1) if it were a census
23 tract, and

24 “(C) an inadequate access to investment
25 capital exists in such area.

1 “(3) AREAS NOT WITHIN CENSUS TRACTS.—In
2 the case of an area which is not tracted for popu-
3 lation census tracts, the equivalent county divisions
4 (as defined by the Bureau of the Census for pur-
5 poses of defining poverty areas) shall be used for
6 purposes of determining poverty rates and median
7 family income.

8 “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-
9 MENTS DESIGNATED.—

10 “(1) IN GENERAL.—There is a new markets tax
11 credit limitation for each calendar year. Such limita-
12 tion is—

13 “(A) \$1,000,000,000 for 2001,

14 “(B) \$1,500,000,000 for 2002 and 2003,

15 “(C) \$2,000,000,000 for 2004 and 2005,

16 and

17 “(D) \$3,500,000,000 for 2006 and 2007.

18 “(2) ALLOCATION OF LIMITATION.—The limita-
19 tion under paragraph (1) shall be allocated by the
20 Secretary among qualified community development
21 entities selected by the Secretary. In making alloca-
22 tions under the preceding sentence, the Secretary
23 shall give priority to any entity—

1 “(A) with a record of having successfully
2 provided capital or technical assistance to dis-
3 advantaged businesses or communities, or

4 “(B) which intends to satisfy the require-
5 ment under subsection (b)(1)(B) by making
6 qualified low-income community investments in
7 1 or more businesses in which persons unre-
8 lated to such entity (within the meaning of sec-
9 tion 267(b) or 707(b)(1)) hold the majority eq-
10 uity interest.

11 “(3) CARRYOVER OF UNUSED LIMITATION.—If
12 the new markets tax credit limitation for any cal-
13 endar year exceeds the aggregate amount allocated
14 under paragraph (2) for such year, such limitation
15 for the succeeding calendar year shall be increased
16 by the amount of such excess. No amount may be
17 carried under the preceding sentence to any calendar
18 year after 2014.

19 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

20 “(1) IN GENERAL.—If, at any time during the
21 7-year period beginning on the date of the original
22 issue of a qualified equity investment in a qualified
23 community development entity, there is a recapture
24 event with respect to such investment, then the tax
25 imposed by this chapter for the taxable year in

1 which such event occurs shall be increased by the
2 credit recapture amount.

3 “(2) CREDIT RECAPTURE AMOUNT.—For pur-
4 poses of paragraph (1), the credit recapture amount
5 is an amount equal to the sum of—

6 “(A) the aggregate decrease in the credits
7 allowed to the taxpayer under section 38 for all
8 prior taxable years which would have resulted if
9 no credit had been determined under this sec-
10 tion with respect to such investment, plus

11 “(B) interest at the underpayment rate es-
12 tablished under section 6621 on the amount de-
13 termined under subparagraph (A) for each
14 prior taxable year for the period beginning on
15 the due date for filing the return for the prior
16 taxable year involved.

17 No deduction shall be allowed under this chapter for
18 interest described in subparagraph (B).

19 “(3) RECAPTURE EVENT.—For purposes of
20 paragraph (1), there is a recapture event with re-
21 spect to an equity investment in a qualified commu-
22 nity development entity if—

23 “(A) such entity ceases to be a qualified
24 community development entity,

1 “(B) the proceeds of the investment cease
2 to be used as required of subsection (b)(1)(B),
3 or

4 “(C) such investment is redeemed by such
5 entity.

6 “(4) SPECIAL RULES.—

7 “(A) TAX BENEFIT RULE.—The tax for
8 the taxable year shall be increased under para-
9 graph (1) only with respect to credits allowed
10 by reason of this section which were used to re-
11 duce tax liability. In the case of credits not so
12 used to reduce tax liability, the carryforwards
13 and carrybacks under section 39 shall be appro-
14 priately adjusted.

15 “(B) NO CREDITS AGAINST TAX.—Any in-
16 crease in tax under this subsection shall not be
17 treated as a tax imposed by this chapter for
18 purposes of determining the amount of any
19 credit under this chapter or for purposes of sec-
20 tion 55.

21 “(h) BASIS REDUCTION.—The basis of any qualified
22 equity investment shall be reduced by the amount of any
23 credit determined under this section with respect to such
24 investment. This subsection shall not apply for purposes
25 of sections 1202, 1400B, and 1400F.

1 “(i) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be appropriate to carry out this
3 section, including regulations—

4 “(1) which limit the credit for investments
5 which are directly or indirectly subsidized by other
6 Federal tax benefits (including the credit under sec-
7 tion 42 and the exclusion from gross income under
8 section 103),

9 “(2) which prevent the abuse of the purposes of
10 this section,

11 “(3) which provide rules for determining wheth-
12 er the requirement of subsection (b)(1)(B) is treated
13 as met,

14 “(4) which impose appropriate reporting re-
15 quirements, and

16 “(5) which apply the provisions of this section
17 to newly formed entities.”.

18 (b) CREDIT MADE PART OF GENERAL BUSINESS
19 CREDIT.—

20 (1) IN GENERAL.—Subsection (b) of section 38
21 is amended by striking “plus” at the end of para-
22 graph (11), by striking the period at the end of
23 paragraph (12) and inserting “, plus”, and by add-
24 ing at the end the following new paragraph:

1 “(13) the new markets tax credit determined
2 under section 45D(a).”.

3 (2) LIMITATION ON CARRYBACK.—Subsection
4 (d) of section 39 is amended by adding at the end
5 the following new paragraph:

6 “(9) NO CARRYBACK OF NEW MARKETS TAX
7 CREDIT BEFORE JANUARY 1, 2001.—No portion of
8 the unused business credit for any taxable year
9 which is attributable to the credit under section 45D
10 may be carried back to a taxable year ending before
11 January 1, 2001.”.

12 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection
13 (c) of section 196 is amended by striking “and” at the
14 end of paragraph (7), by striking the period at the end
15 of paragraph (8) and inserting “, and”, and by adding
16 at the end the following new paragraph:

17 “(9) the new markets tax credit determined
18 under section 45D(a).”.

19 (d) CLERICAL AMENDMENT.—The table of sections
20 for subpart D of part IV of subchapter A of chapter 1
21 is amended by adding at the end the following new item:

 “Sec. 45D. New markets tax credit.”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to investments made after Decem-
24 ber 31, 2000.

1 (f) GUIDANCE ON ALLOCATION OF NATIONAL LIM-
2 TATION.—Not later than 120 days after the date of the
3 enactment of this Act, the Secretary of the Treasury or
4 the Secretary’s delegate shall issue guidance which
5 specifies—

6 (1) how entities shall apply for an allocation
7 under section 45D(f)(2) of the Internal Revenue
8 Code of 1986, as added by this section;

9 (2) the competitive procedure through which
10 such allocations are made; and

11 (3) the actions that such Secretary or delegate
12 shall take to ensure that such allocations are prop-
13 erly made to appropriate entities.

14 (g) AUDIT AND REPORT.—Not later than January 31
15 of 2004, 2007, and 2010, the Comptroller General of the
16 United States shall, pursuant to an audit of the new mar-
17 kets tax credit program established under section 45D of
18 the Internal Revenue Code of 1986 (as added by sub-
19 section (a)), report to Congress on such program, includ-
20 ing all qualified community development entities that re-
21 ceive an allocation under the new markets credit under
22 such section.

1 **Subtitle D—Improvements in Low-**
 2 **Income Housing Credit**

3 **SEC. 631. MODIFICATION OF STATE CEILING ON LOW-IN-**
 4 **COME HOUSING CREDIT.**

5 (a) IN GENERAL.—Clauses (i) and (ii) of section
 6 42(h)(3)(C) (relating to State housing credit ceiling) are
 7 amended to read as follows:

8 “(i) the unused State housing credit
 9 ceiling (if any) of such State for the pre-
 10 ceding calendar year,

11 “(ii) the greater of—

12 “(I) \$1.75 (\$1.50 for 2001) mul-
 13 tplied by the State population, or

14 “(II) \$2,000,000.”.

15 (b) ADJUSTMENT OF STATE CEILING FOR IN-
 16 CREASES IN COST-OF-LIVING.—Paragraph (3) of section
 17 42(h) (relating to housing credit dollar amount for agen-
 18 cies) is amended by adding at the end the following new
 19 subparagraph:

20 “(H) COST-OF-LIVING ADJUSTMENT.—

21 “(i) IN GENERAL.—In the case of a
 22 calendar year after 2002, the \$2,000,000
 23 and \$1.75 amounts in subparagraph (C)
 24 shall each be increased by an amount equal
 25 to—

1 “(I) such dollar amount, multi-
2 plied by

3 “(II) the cost-of-living adjust-
4 ment determined under section 1(f)(3)
5 for such calendar year by substituting
6 ‘calendar year 2001’ for ‘calendar
7 year 1992’ in subparagraph (B) there-
8 of.

9 “(ii) ROUNDING.—

10 “(I) In the case of the
11 \$2,000,000 amount, any increase
12 under clause (i) which is not a mul-
13 tiple of \$5,000 shall be rounded to the
14 next lowest multiple of \$5,000.

15 “(II) In the case of the \$1.75
16 amount, any increase under clause (i)
17 which is not a multiple of 5 cents
18 shall be rounded to the next lowest
19 multiple of 5 cents.”.

20 (c) CONFORMING AMENDMENTS.—

21 (1) Section 42(h)(3)(C), as amended by sub-
22 section (a), is amended—

23 (A) by striking “clause (ii)” in the matter
24 following clause (iv) and inserting “clause (i)”;
25 and

1 (B) by striking “clauses (i)” in the matter
2 following clause (iv) and inserting “clauses
3 (ii)”.

4 (2) Section 42(h)(3)(D)(ii) is amended—

5 (A) by striking “subparagraph (C)(ii)” and
6 inserting “subparagraph (C)(i)”; and

7 (B) by striking “clauses (i)” in subclause
8 (II) and inserting “clauses (ii)”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to calendar years after 2000.

11 **SEC. 632. MODIFICATION OF CRITERIA FOR ALLOCATING**
12 **HOUSING CREDITS AMONG PROJECTS.**

13 (a) SELECTION CRITERIA.—Subparagraph (C) of
14 section 42(m)(1) (relating to certain selection criteria
15 must be used) is amended—

16 (1) by inserting “, including whether the project
17 includes the use of existing housing as part of a
18 community revitalization plan” before the comma at
19 the end of clause (iii); and

20 (2) by striking clauses (v), (vi), and (vii) and
21 inserting the following new clauses:

22 “(v) tenant populations with special
23 housing needs,

24 “(vi) public housing waiting lists,

1 “(vii) tenant populations of individ-
2 uals with children, and

3 “(viii) projects intended for eventual
4 tenant ownership.”.

5 (b) PREFERENCE FOR COMMUNITY REVITALIZATION
6 PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—
7 Clause (ii) of section 42(m)(1)(B) is amended by striking
8 “and” at the end of subclause (I), by adding “and” at
9 the end of subclause (II), and by inserting after subclause
10 (II) the following new subclause:

11 “(III) projects which are located
12 in qualified census tracts (as defined
13 in subsection (d)(5)(C)) and the devel-
14 opment of which contributes to a con-
15 certed community revitalization
16 plan,”.

17 **SEC. 633. ADDITIONAL RESPONSIBILITIES OF HOUSING**
18 **CREDIT AGENCIES.**

19 (a) MARKET STUDY; PUBLIC DISCLOSURE OF RA-
20 TIONALE FOR NOT FOLLOWING CREDIT ALLOCATION
21 PRIORITIES.—Subparagraph (A) of section 42(m)(1) (re-
22 lating to responsibilities of housing credit agencies) is
23 amended by striking “and” at the end of clause (i), by
24 striking the period at the end of clause (ii) and inserting

1 a comma, and by adding at the end the following new
2 clauses:

3 “(iii) a comprehensive market study
4 of the housing needs of low-income individ-
5 uals in the area to be served by the project
6 is conducted before the credit allocation is
7 made and at the developer’s expense by a
8 disinterested party who is approved by
9 such agency, and

10 “(iv) a written explanation is available
11 to the general public for any allocation of
12 a housing credit dollar amount which is
13 not made in accordance with established
14 priorities and selection criteria of the hous-
15 ing credit agency.”.

16 (b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B)
17 (relating to qualified allocation plan) is amended by insert-
18 ing before the period “and in monitoring for noncompli-
19 ance with habitability standards through regular site vis-
20 its”.

21 **SEC. 634. MODIFICATIONS TO RULES RELATING TO BASIS**
22 **OF BUILDING WHICH IS ELIGIBLE FOR CRED-**
23 **IT.**

24 (a) ADJUSTED BASIS TO INCLUDE PORTION OF CER-
25 TAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS

1 WHO ARE NOT TENANTS AND BY PROJECT EMPLOY-
2 EES.—Paragraph (4) of section 42(d) (relating to special
3 rules relating to determination of adjusted basis) is
4 amended—

5 (1) by striking “subparagraph (B)” in subpara-
6 graph (A) and inserting “subparagraphs (B) and
7 (C)”;

8 (2) by redesignating subparagraph (C) as sub-
9 paragraph (D); and

10 (3) by inserting after subparagraph (B) the fol-
11 lowing new subparagraph:

12 “(C) INCLUSION OF BASIS OF PROPERTY
13 USED TO PROVIDE SERVICES FOR CERTAIN
14 NONTENANTS.—

15 “(i) IN GENERAL.—The adjusted
16 basis of any building located in a qualified
17 census tract (as defined in paragraph
18 (5)(C)) shall be determined by taking into
19 account the adjusted basis of property (of
20 a character subject to the allowance for de-
21 preciation and not otherwise taken into ac-
22 count) used throughout the taxable year in
23 providing any community service facility.

24 “(ii) LIMITATION.—The increase in
25 the adjusted basis of any building which is

1 taken into account by reason of clause (i)
2 shall not exceed 10 percent of the eligible
3 basis of the qualified low-income housing
4 project of which it is a part. For purposes
5 of the preceding sentence, all community
6 service facilities which are part of the same
7 qualified low-income housing project shall
8 be treated as one facility.

9 “(iii) COMMUNITY SERVICE FACIL-
10 ITY.—For purposes of this subparagraph,
11 the term ‘community service facility’
12 means any facility designed to serve pri-
13 marily individuals whose income is 60 per-
14 cent or less of area median income (within
15 the meaning of subsection (g)(1)(B)).”.

16 (b) CERTAIN NATIVE AMERICAN HOUSING ASSIST-
17 ANCE DISREGARDED IN DETERMINING WHETHER BUILD-
18 ING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE
19 LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of
20 section 42(i)(2) (relating to determination of whether
21 building is federally subsidized) is amended—

22 (1) in clause (i), by inserting “or the Native
23 American Housing Assistance and Self-Determina-
24 tion Act of 1996 (25 U.S.C. 4101 et seq.) (as in ef-

1 fect on October 1, 1997)” after “this subpara-
2 graph)”]; and

3 (2) in the subparagraph heading, by inserting
4 “OR NATIVE AMERICAN HOUSING ASSISTANCE” after
5 “HOME ASSISTANCE”.

6 **SEC. 635. OTHER MODIFICATIONS.**

7 (a) ALLOCATION OF CREDIT LIMIT TO CERTAIN
8 BUILDINGS.—

9 (1) The first sentence of section 42(h)(1)(E)(ii)
10 is amended by striking “(as of” the first place it ap-
11 pears and inserting “(as of the later of the date
12 which is 6 months after the date that the allocation
13 was made or”.

14 (2) The last sentence of section 42(h)(3)(C) is
15 amended by striking “project which” and inserting
16 “project which fails to meet the 10 percent test
17 under paragraph (1)(E)(ii) on a date after the close
18 of the calendar year in which the allocation was
19 made or which”.

20 (b) DETERMINATION OF WHETHER BUILDINGS ARE
21 LOCATED IN HIGH COST AREAS.—The first sentence of
22 section 42(d)(5)(C)(ii)(I) is amended—

23 (1) by inserting “either” before “in which 50
24 percent”]; and

1 any building by reason of paragraph (4) thereof, but
2 only with respect to bonds issued after such date.

3 **Subtitle E—Other Community Re-**
4 **newal and New Markets Assist-**
5 **ance**

6 **SEC. 641. TRANSFER OF UNOCCUPIED AND SUBSTANDARD**
7 **HUD-HELD HOUSING TO LOCAL GOVERN-**
8 **MENTS AND COMMUNITY DEVELOPMENT**
9 **CORPORATIONS.**

10 Section 204 of the Departments of Veterans Affairs
11 and Housing and Urban Development, and Independent
12 Agencies Appropriations Act, 1997 (12 U.S.C. 1715z–
13 11a) is amended—

14 (1) by striking “FLEXIBLE AUTHORITY.—” and
15 inserting “DISPOSITION OF HUD-OWNED PROP-
16 erties. (a) FLEXIBLE AUTHORITY FOR MULTI-
17 family projects.—”; and

18 (2) by adding at the end the following new sub-
19 section:

20 “(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD
21 HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY
22 DEVELOPMENT CORPORATIONS.—

23 “(1) TRANSFER AUTHORITY.—Notwithstanding
24 the authority under subsection (a) and the last sen-
25 tence of section 204(g) of the National Housing Act

1 (12 U.S.C. 1710(g)), the Secretary of Housing and
2 Urban Development shall transfer ownership of any
3 qualified HUD property, subject to the requirements
4 of this section, to a unit of general local government
5 having jurisdiction for the area in which the prop-
6 erty is located or to a community development cor-
7 poration which operates within such a unit of gen-
8 eral local government in accordance with this sub-
9 section, but only to the extent that units of general
10 local government and community development cor-
11 porations consent to transfer and the Secretary de-
12 termines that such transfer is practicable.

13 “(2) QUALIFIED HUD PROPERTIES.—For pur-
14 poses of this subsection, the term ‘qualified HUD
15 property’ means any property for which, as of the
16 date that notification of the property is first made
17 under paragraph (3)(B), not less than 6 months
18 have elapsed since the later of the date that the
19 property was acquired by the Secretary or the date
20 that the property was determined to be unoccupied
21 or substandard, that is owned by the Secretary and
22 is—

23 “(A) an unoccupied multifamily housing
24 project;

1 “(B) a substandard multifamily housing
2 project; or

3 “(C) an unoccupied single family property
4 that—

5 “(i) has been determined by the Sec-
6 retary not to be an eligible asset under sec-
7 tion 204(h) of the National Housing Act
8 (12 U.S.C. 1710(h)); or

9 “(ii) is an eligible asset under such
10 section 204(h), but—

11 “(I) is not subject to a specific
12 sale agreement under such section;
13 and

14 “(II) has been determined by the
15 Secretary to be inappropriate for con-
16 tinued inclusion in the program under
17 such section 204(h) pursuant to para-
18 graph (10) of such section.

19 “(3) TIMING.—The Secretary shall establish
20 procedures that provide for—

21 “(A) time deadlines for transfers under
22 this subsection;

23 “(B) notification to units of general local
24 government and community development cor-

1 porations of qualified HUD properties in their
2 jurisdictions;

3 “(C) such units and corporations to ex-
4 press interest in the transfer under this sub-
5 section of such properties;

6 “(D) a right of first refusal for transfer of
7 qualified HUD properties to units of general
8 local government and community development
9 corporations, under which—

10 “(i) the Secretary shall establish a pe-
11 riod during which the Secretary may not
12 transfer such properties except to such
13 units and corporations;

14 “(ii) the Secretary shall offer qualified
15 HUD properties that are single family
16 properties for purchase by units of general
17 local government at a cost of \$1 for each
18 property, but only to the extent that the
19 costs to the Federal Government of dis-
20 posal at such price do not exceed the costs
21 to the Federal Government of disposing of
22 property subject to the procedures for sin-
23 gle family property established by the Sec-
24 retary pursuant to the authority under the

1 last sentence of section 204(g) of the Na-
2 tional Housing Act (12 U.S.C. 1710(g));

3 “(iii) the Secretary may accept an
4 offer to purchase a property made by a
5 community development corporation only if
6 the offer provides for purchase on a cost
7 recovery basis; and

8 “(iv) the Secretary shall accept an
9 offer to purchase such a property that is
10 made during such period by such a unit or
11 corporation and that complies with the re-
12 quirements of this paragraph;

13 “(E) a written explanation, to any unit of
14 general local government or community develop-
15 ment corporation making an offer to purchase
16 a qualified HUD property under this subsection
17 that is not accepted, of the reason that such
18 offer was not acceptable.

19 “(4) OTHER DISPOSITION.—With respect to
20 any qualified HUD property, if the Secretary does
21 not receive an acceptable offer to purchase the prop-
22 erty pursuant to the procedure established under
23 paragraph (3), the Secretary shall dispose of the
24 property to the unit of general local government in
25 which property is located or to community develop-

1 ment corporations located in such unit of general
2 local government on a negotiated, competitive bid, or
3 other basis, on such terms as the Secretary deems
4 appropriate.

5 “(5) SATISFACTION OF INDEBTEDNESS.—Be-
6 fore transferring ownership of any qualified HUD
7 property pursuant to this subsection, the Secretary
8 shall satisfy any indebtedness incurred in connection
9 with the property to be transferred, by canceling the
10 indebtedness.

11 “(6) DETERMINATION OF STATUS OF PROP-
12 ERTIES.—To ensure compliance with the require-
13 ments of this subsection, the Secretary shall take the
14 following actions:

15 “(A) UPON ENACTMENT.—Upon the enact-
16 ment of this subsection, the Secretary shall
17 promptly assess each residential property owned
18 by the Secretary to determine whether such
19 property is a qualified HUD property.

20 “(B) UPON ACQUISITION.—Upon acquiring
21 any residential property, the Secretary shall
22 promptly determine whether the property is a
23 qualified HUD property.

24 “(C) UPDATES.—The Secretary shall peri-
25 odically reassess the residential properties

1 owned by the Secretary to determine whether
2 any such properties have become qualified
3 HUD properties.

4 “(7) TENANT LEASES.—This subsection shall
5 not affect the terms or the enforceability of any con-
6 tract or lease entered into with respect to any resi-
7 dential property before the date that such property
8 becomes a qualified HUD property.

9 “(8) USE OF PROPERTY.—Property transferred
10 under this subsection shall be used only for appro-
11 priate neighborhood revitalization efforts, including
12 homeownership, rental units, commercial space, and
13 parks, consistent with local zoning regulations, local
14 building codes, and subdivision regulations and re-
15 strictions of record.

16 “(9) INAPPLICABILITY TO PROPERTIES MADE
17 AVAILABLE FOR HOMELESS.—Notwithstanding any
18 other provision of this subsection, this subsection
19 shall not apply to any properties that the Secretary
20 determines are to be made available for use by the
21 homeless pursuant to subpart E of part 291 of title
22 24, Code of Federal Regulations, during the period
23 that the properties are so available.

24 “(10) PROTECTION OF EXISTING CONTRACTS.—
25 This subsection may not be construed to alter, af-

1 fect, or annul any legally binding obligations entered
2 into with respect to a qualified HUD property before
3 the property becomes a qualified HUD property.

4 “(11) DEFINITIONS.—For purposes of this sub-
5 section, the following definitions shall apply:

6 “(A) COMMUNITY DEVELOPMENT COR-
7 PORATION.—The term ‘community development
8 corporation’ means a nonprofit organization
9 whose primary purpose is to promote commu-
10 nity development by providing housing opportu-
11 nities for low-income families.

12 “(B) COST RECOVERY BASIS.—The term
13 ‘cost recovery basis’ means, with respect to any
14 sale of a residential property by the Secretary,
15 that the purchase price paid by the purchaser
16 is equal to or greater than the sum of: (i) the
17 appraised value of the property, as determined
18 in accordance with such requirements as the
19 Secretary shall establish; and (ii) the costs in-
20 curred by the Secretary in connection with such
21 property during the period beginning on the
22 date on which the Secretary acquires title to the
23 property and ending on the date on which the
24 sale is consummated.

1 “(C) MULTIFAMILY HOUSING PROJECT.—

2 The term ‘multifamily housing project’ has the
3 meaning given the term in section 203 of the
4 Housing and Community Development Amend-
5 ments of 1978.

6 “(D) RESIDENTIAL PROPERTY.—The term
7 ‘residential property’ means a property that is
8 a multifamily housing project or a single family
9 property.

10 “(E) SECRETARY.—The term ‘Secretary’
11 means the Secretary of Housing and Urban De-
12 velopment.

13 “(F) SEVERE PHYSICAL PROBLEMS.—The
14 term ‘severe physical problems’ means, with re-
15 spect to a dwelling unit, that the unit—

16 “(i) lacks hot or cold piped water, a
17 flush toilet, or both a bathtub and a show-
18 er in the unit, for the exclusive use of that
19 unit;

20 “(ii) on not less than three separate
21 occasions during the preceding winter
22 months, was uncomfortably cold for a pe-
23 riod of more than 6 consecutive hours due
24 to a malfunction of the heating system for
25 the unit;

1 “(iii) has no functioning electrical
2 service, exposed wiring, any room in which
3 there is not a functioning electrical outlet,
4 or has experienced three or more blown
5 fuses or tripped circuit breakers during the
6 preceding 90-day period;

7 “(iv) is accessible through a public
8 hallway in which there are no working
9 light fixtures, loose or missing steps or
10 railings, and no elevator; or

11 “(v) has severe maintenance problems,
12 including water leaks involving the roof,
13 windows, doors, basement, or pipes or
14 plumbing fixtures, holes or open cracks in
15 walls or ceilings, severe paint peeling or
16 broken plaster, and signs of rodent infesta-
17 tion.

18 “(G) SINGLE FAMILY PROPERTY.—The
19 term ‘single family property’ means a 1- to 4-
20 family residence.

21 “(H) SUBSTANDARD.—The term ‘sub-
22 standard’ means, with respect to a multifamily
23 housing project, that 25 percent or more of the
24 dwelling units in the project have severe phys-
25 ical problems.

1 “(I) UNIT OF GENERAL LOCAL GOVERN-
2 MENT.—The term ‘unit of general local govern-
3 ment’ has the meaning given such term in sec-
4 tion 102(a) of the Housing and Community De-
5 velopment Act of 1974.

6 “(J) UNOCCUPIED.—The term ‘unoccu-
7 pied’ means, with respect to a residential prop-
8 erty, that the unit of general local government
9 having jurisdiction over the area in which the
10 project is located has certified in writing that
11 the property is not inhabited.

12 “(12) REGULATIONS.—

13 “(A) INTERIM.—Not later than 30 days
14 after the date of the enactment of this sub-
15 section, the Secretary shall issue such interim
16 regulations as are necessary to carry out this
17 subsection.

18 “(B) FINAL.—Not later than 60 days after
19 the date of the enactment of this subsection,
20 the Secretary shall issue such final regulations
21 as are necessary to carry out this subsection.”.

22 **SEC. 642. TRANSFER OF HUD ASSETS IN REVITALIZATION**
23 **AREAS.**

24 In carrying out the program under section 204(h) of
25 the National Housing Act (12 U.S.C. 1710(h)), upon the

1 request of the chief executive officer of a county or the
2 government of appropriate jurisdiction and not later than
3 60 days after such request is made, the Secretary of Hous-
4 ing and Urban Development shall designate as a revital-
5 ization area all portions of such county that meet the cri-
6 teria for such designation under paragraph (3) of such
7 section.

8 **SEC. 643. RISK-SHARING DEMONSTRATION.**

9 Section 249 of the National Housing Act (12 U.S.C.
10 1715z-14) is amended—

11 (1) by striking the section heading and insert-
12 ing the following:

13 “RISK-SHARING DEMONSTRATION”;

14 (2) by striking “reinsurance” each place such
15 term appears and insert “risk-sharing”;

16 (3) in subsection (a)—

17 (A) in the first sentence, by inserting “and
18 with insured community development financial
19 institutions” after “private mortgage insurers”;

20 (B) in the second sentence—

21 (i) by striking “two” and inserting
22 “four”; and

23 (ii) by striking “March 15, 1988” and
24 inserting “the expiration of the 5-year pe-
25 riod beginning on the date of the enact-

1 ment of the Taxpayer Relief Act of 2000”;

2 and

3 (C) in the third sentence—

4 (i) by striking “insured” and inserting

5 “for which risk of nonpayment is shared”;

6 and

7 (ii) by striking “10 percent” and in-

8 serting “20 percent”;

9 (4) in subsection (b)—

10 (A) in the first sentence—

11 (i) by striking “to provide” and in-

12 serting “, in providing”;

13 (ii) by striking “through” and insert-

14 ing “, to enter into”; and

15 (iii) by inserting “and with insured

16 community development financial institu-

17 tions” before the period at the end;

18 (B) in the second sentence, by inserting

19 “and insured community development financial

20 institutions” after “private mortgage insurance

21 companies”;

22 (C) by striking paragraph (1) and insert-

23 ing the following new paragraph:

24 “(1) assume a secondary percentage of loss on

25 any mortgage insured pursuant to section 203(b),

1 234, or 245 covering a one- to four-family dwelling,
2 which percentage of loss shall be set forth in the
3 risk-sharing contract, with the first percentage of
4 loss to be borne by the Secretary;” and

5 (D) in paragraph (2)—

6 (i) by striking “carry out (under ap-
7 propriate delegation) such” and inserting
8 “perform or delegate underwriting;”;

9 (ii) by striking “function as the Sec-
10 retary pursuant to regulations,” and in-
11 sserting “functions as the Secretary”; and

12 (iii) by inserting before the period at
13 the end the following: “and shall set forth
14 in the risk-sharing contract”;

15 (5) in subsection (c)—

16 (A) in the first sentence—

17 (i) by striking “of” the first place it
18 appears and inserting “for”;

19 (ii) by inserting “received by the Sec-
20 retary with a private mortgage insurer or
21 insured community development financial
22 institution” after “sharing of premiums”

23 (iii) by striking “insurance reserves”
24 and inserting “loss reserves”;

1 (iv) by striking “such insurance” and
2 inserting “such risk-sharing contract”; and

3 (v) by striking “right” and inserting
4 “rights”; and

5 (B) in the second sentence—

6 (i) by inserting “or insured commu-
7 nity development financial institution”
8 after “private mortgage insurance com-
9 pany”; and

10 (ii) by striking “for insurance” and
11 inserting “for risk-sharing”;

12 (6) in subsection (d), by inserting “or insured
13 community development financial institution” after
14 “private mortgage insurance company”; and

15 (7) by adding at the end the following new sub-
16 section:

17 “(e) INSURED COMMUNITY DEVELOPMENT FINAN-
18 CIAL INSTITUTION.—For purposes of this section, the
19 term ‘insured community development financial institu-
20 tion’ means a community development financial institu-
21 tion, as such term is defined in section 103 of Reigle Com-
22 munity Development and Regulatory Improvement Act of
23 1994 (12 U.S.C. 4702) that is an insured depository insti-
24 tution (as such term is defined in section 3 of the Federal
25 Deposit Insurance Act (12 U.S.C. 1813)) or an insured

1 credit union (as such term is defined in section 101 of
2 the Federal Credit Union Act (12 U.S.C. 1752)).”.

3 **SEC. 644. PREVENTION AND TREATMENT OF SUBSTANCE**
4 **ABUSE; SERVICES PROVIDED THROUGH RELI-**
5 **GIOUS ORGANIZATIONS.**

6 Title V of the Public Health Service Act (42 U.S.C.
7 290aa et seq.) is amended by adding at the end the fol-
8 lowing part:

9 “PART G—SERVICES PROVIDED THROUGH RELIGIOUS
10 ORGANIZATIONS

11 **“SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.**

12 “(a) DESIGNATED PROGRAMS.—Subject to sub-
13 section (b), this part applies to discretionary and formula
14 grant programs administered by the Substance Abuse and
15 Mental Health Services Administration that make awards
16 of financial assistance to public or private entities for the
17 purpose of carrying out activities to prevent or treat sub-
18 stance abuse (in this part referred to as a ‘designated pro-
19 gram’). Designated programs include the program under
20 subpart II of part B of title XIX (relating to formula
21 grants to the States).

22 “(b) LIMITATION.—This part does not apply to any
23 award of financial assistance under a designated program
24 for a purpose other than the purpose specified in sub-
25 section (a).

1 “(c) DEFINITIONS.—For purposes of this part (and
2 subject to subsection (b)):

3 “(1) The term ‘designated program’ has the
4 meaning given such term in subsection (a).

5 “(2) The term ‘financial assistance’ means a
6 grant, cooperative agreement, or contract.

7 “(3) The term ‘program beneficiary’ means an
8 individual who receives program services.

9 “(4) The term ‘program participant’ means a
10 public or private entity that has received financial
11 assistance under a designated program.

12 “(5) The term ‘program services’ means treat-
13 ment for substance abuse, or preventive services re-
14 garding such abuse, provided pursuant to an award
15 of financial assistance under a designated program.

16 “(6) The term ‘religious organization’ means a
17 nonprofit religious organization.

18 **“SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PAR-**
19 **TICIPANTS.**

20 “(a) IN GENERAL.—Notwithstanding any other pro-
21 vision of law, a religious organization, on the same basis
22 as any other nonprofit private provider—

23 “(1) may receive financial assistance under a
24 designated program; and

1 “(2) may be a provider of services under a des-
2 ignated program.

3 “(b) RELIGIOUS ORGANIZATIONS.—The purpose of
4 this section is to allow religious organizations to be pro-
5 gram participants on the same basis as any other non-
6 profit private provider without impairing the religious
7 character of such organizations, and without diminishing
8 the religious freedom of program beneficiaries.

9 “(c) NONDISCRIMINATION AGAINST RELIGIOUS OR-
10 ORGANIZATIONS.—

11 “(1) ELIGIBILITY AS PROGRAM PARTICI-
12 PANTS.—Religious organizations are eligible to be
13 program participants on the same basis as any other
14 nonprofit private organization as long as the pro-
15 grams are implemented consistent with the Estab-
16 lishment Clause and Free Exercise Clause of the
17 First Amendment to the United States Constitution.
18 Nothing in this Act shall be construed to restrict the
19 ability of the Federal Government, or a State or
20 local government receiving funds under such pro-
21 grams, to apply to religious organizations the same
22 eligibility conditions in designated programs as are
23 applied to any other nonprofit private organization.

24 “(2) NONDISCRIMINATION.—Neither the Fed-
25 eral Government nor a State or local government re-

1 ceiving funds under designated programs shall dis-
2 criminate against an organization that is or applies
3 to be a program participant on the basis that the or-
4 ganization has a religious character.

5 “(d) RELIGIOUS CHARACTER AND FREEDOM.—

6 “(1) RELIGIOUS ORGANIZATIONS.—Except as
7 provided in this section, any religious organization
8 that is a program participant shall retain its inde-
9 pendence from Federal, State, and local government,
10 including such organization’s control over the defini-
11 tion, development, practice, and expression of its re-
12 ligious beliefs.

13 “(2) ADDITIONAL SAFEGUARDS.—Neither the
14 Federal Government nor a State shall require a reli-
15 gious organization to—

16 “(A) alter its form of internal governance;

17 or

18 “(B) remove religious art, icons, scripture,

19 or other symbols,

20 in order to be a program participant.

21 “(e) EMPLOYMENT PRACTICES.—Nothing in this sec-
22 tion shall be construed to modify or affect the provisions
23 of any other Federal or State law or regulation that re-
24 lates to discrimination in employment. A religious organi-
25 zation’s exemption provided under section 702 of the Civil

1 Rights Act of 1964 regarding employment practices shall
2 not be affected by its participation in, or receipt of funds
3 from, a designated program.

4 “(f) RIGHTS OF PROGRAM BENEFICIARIES.—

5 “(1) IN GENERAL.—If an individual who is a
6 program beneficiary or a prospective program bene-
7 ficiary objects to the religious character of a pro-
8 gram participant, within a reasonable period of time
9 after the date of such objection such program partic-
10 ipant shall refer such individual to, and the appro-
11 priate Federal, State, or local government that ad-
12 ministers a designated program or is a program par-
13 ticipant shall provide to such individual (if otherwise
14 eligible for such services), program services that—

15 “(A) are from an alternative provider that
16 is accessible to, and has the capacity to provide
17 such services to, such individual; and

18 “(B) have a value that is not less than the
19 value of the services that the individual would
20 have received from the program participant to
21 which the individual had such objection.

22 Upon referring a program beneficiary to an alter-
23 native provider, the program participant shall notify
24 the appropriate Federal, State, or local government

1 agency that administers the program of such refer-
2 ral.

3 “(2) NOTICES.—Program participants, public
4 agencies that refer individuals to designated pro-
5 grams, and the appropriate Federal, State, or local
6 governments that administer designated programs or
7 are program participants shall ensure that notice is
8 provided to program beneficiaries or prospective pro-
9 gram beneficiaries of their rights under this section.

10 “(3) ADDITIONAL REQUIREMENTS.—A program
11 participant making a referral pursuant to paragraph
12 (1) shall—

13 “(A) prior to making such referral, con-
14 sider any list that the State or local government
15 makes available of entities in the geographic
16 area that provide program services; and

17 “(B) ensure that the individual makes con-
18 tact with the alternative provider to which the
19 individual is referred.

20 “(4) NONDISCRIMINATION.—A religious organi-
21 zation that is a program participant shall not in pro-
22 viding program services or engaging in outreach ac-
23 tivities under designated programs discriminate
24 against a program beneficiary or prospective pro-

1 **“SEC. 584. EDUCATIONAL REQUIREMENTS FOR PERSONNEL**
2 **IN DRUG TREATMENT PROGRAMS.**

3 “(a) FINDINGS.—The Congress finds that—

4 “(1) establishing unduly rigid or uniform edu-
5 cational qualification for counselors and other per-
6 sonnel in drug treatment programs may undermine
7 the effectiveness of such programs; and

8 “(2) such educational requirements for coun-
9 selors and other personnel may hinder or prevent the
10 provision of needed drug treatment services.

11 “(b) NONDISCRIMINATION.—In determining whether
12 personnel of a program participant that has a record of
13 successful drug treatment for the preceding three years
14 have satisfied State or local requirements for education
15 and training, a State or local government shall not dis-
16 criminate against education and training provided to such
17 personnel by a religious organization, so long as such edu-
18 cation and training includes basic content substantially
19 equivalent to the content provided by nonreligious organi-
20 zations that the State or local government would credit
21 for purposes of determining whether the relevant require-
22 ments have been satisfied.”.

1 **Subtitle F—Other Provisions**

2 **SEC. 651. ACCELERATION OF PHASE-IN OF INCREASE IN**
3 **VOLUME CAP ON PRIVATE ACTIVITY BONDS.**

4 (a) IN GENERAL.—Paragraphs (1) and (2) of section
5 146(d) (relating to State ceiling) are amended to read as
6 follows:

7 “(1) IN GENERAL.—The State ceiling applicable
8 to any State for any calendar year shall be the
9 greater of—

10 “(A) an amount equal to \$75 (\$62.50 in
11 the case of calendar year 2001) multiplied by
12 the State population, or

13 “(B) \$225,000,000 (\$187,500,000 in the
14 case of calendar year 2001).

15 “(2) COST-OF-LIVING ADJUSTMENT.—In the
16 case of a calendar year after 2002, each of the dollar
17 amounts contained in paragraph (1) shall be in-
18 creased by an amount equal to—

19 “(A) such dollar amount, multiplied by

20 “(B) the cost-of-living adjustment deter-
21 mined under section 1(f)(3) for such calendar
22 year by substituting ‘calendar year 2001’ for
23 ‘calendar year 1992’ in subparagraph (B)
24 thereof.

1 If any increase determined under the preceding sen-
2 tence is not a multiple of \$5 (\$5,000 in the case of
3 the dollar amount in paragraph (1)(B)), such in-
4 crease shall be rounded to the nearest multiple
5 thereof.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to calendar years after 2000.

8 **SEC. 652. MODIFICATIONS TO EXPENSING OF ENVIRON-**
9 **MENTAL REMEDIATION COSTS.**

10 (a) EXPENSING NOT LIMITED TO SITES IN TAR-
11 GETED AREAS.—Subsection (c) of section 198 is amended
12 to read as follows:

13 “(c) QUALIFIED CONTAMINATED SITE.—For pur-
14 poses of this section—

15 “(1) IN GENERAL.—The term ‘qualified con-
16 taminated site’ means any area—

17 “(A) which is held by the taxpayer for use
18 in a trade or business or for the production of
19 income, or which is property described in sec-
20 tion 1221(a)(1) in the hands of the taxpayer,
21 and

22 “(B) at or on which there has been a re-
23 lease (or threat of release) or disposal of any
24 hazardous substance.

1 “(2) NATIONAL PRIORITIES LISTED SITES NOT
2 INCLUDED.—Such term shall not include any site
3 which is on, or proposed for, the national priorities
4 list under section 105(a)(8)(B) of the Comprehen-
5 sive Environmental Response, Compensation, and
6 Liability Act of 1980 (as in effect on the date of the
7 enactment of this section).

8 “(3) TAXPAYER MUST RECEIVE STATEMENT
9 FROM STATE ENVIRONMENTAL AGENCY.—An area
10 shall be treated as a qualified contaminated site with
11 respect to expenditures paid or incurred during any
12 taxable year only if the taxpayer receives a state-
13 ment from the appropriate agency of the State in
14 which such area is located that such area meets the
15 requirement of paragraph (1)(B).

16 “(4) APPROPRIATE STATE AGENCY.—For pur-
17 poses of paragraph (3), the chief executive officer of
18 each State may, in consultation with the Adminis-
19 trator of the Environmental Protection Agency, des-
20 ignate the appropriate State environmental agency
21 within 60 days of the date of the enactment of this
22 section. If the chief executive officer of a State has
23 not designated an appropriate environmental agency
24 within such 60-day period, the appropriate environ-
25 mental agency for such State shall be designated by

1 the Administrator of the Environmental Protection
2 Agency.”.

3 (b) EXTENSION OF TERMINATION DATE.—Sub-
4 section (h) of section 198 is amended by striking “2001”
5 and inserting “2003”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to expenditures paid or incurred
8 after the date of the enactment of this Act.

9 **SEC. 653. EXTENSION OF DC HOMEBUYER TAX CREDIT.**

10 Section 1400C(i) (relating to application of section)
11 is amended by striking “2002” and inserting “2004”.

12 **TITLE VII—ADMINISTRATIVE,**
13 **MISCELLANEOUS, AND TECH-**
14 **NICAL PROVISIONS**

15 **Subtitle A—Administrative**
16 **Provisions**

17 **SEC. 701. EXEMPTION OF CERTAIN REPORTING REQUIRE-**
18 **MENTS.**

19 Section 3003(a)(1) of the Federal Reports Elimini-
20 nation and Sunset Act of 1995 (31 U.S.C. 1113 note)
21 shall not apply to any report required to be submitted
22 under any of the following provisions of law:

23 (1) Section 13031(f) of the Consolidated Omni-
24 bus Budget Reconciliation Act of 1985 (19 U.S.C.
25 58c(f)).

1 (2) Section 16(c) of the Foreign Trade Zones
2 Act (19 U.S.C. 81p(e)).

3 (3) The following provisions of the Tariff Act of
4 1930:

5 (A) Section 330(c)(1) (19 U.S.C.
6 1330(c)(1)).

7 (B) Section 607(e) (19 U.S.C. 1607(c)).

8 (4) Section 5 of the International Coffee Agree-
9 ment Act of 1980 (19 U.S.C. 1356n).

10 (5) Section 351(a)(2) of the Trade Expansion
11 Act of 1962 (19 U.S.C. 1981(a)(2)).

12 (6) Section 502 of the Automotive Products
13 Trade Act of 1965 (19 U.S.C. 2032).

14 (7) Section 3131 of the Customs Enforcement
15 Act of 1986 (19 U.S.C. 2081).

16 (8) The following provisions of the Trade Act of
17 1974 (19 U.S.C. 2101 et seq.):

18 (A) Section 102(b)(4)(A)(ii)(I) (19 U.S.C.
19 2112(b)(4)(A)(ii)(I)).

20 (B) Section 102(e)(1) (19 U.S.C.
21 2112(e)(1)).

22 (C) Section 102(e)(2) (19 U.S.C.
23 2112(e)(2)).

24 (D) Section 104(d) (19 U.S.C. 2114(d)).

25 (E) Section 125(e) (19 U.S.C. 2135(e)).

1 (F) Section 135(e)(1) (19 U.S.C.
2 2155(e)(1)).

3 (G) Section 141(c) (19 U.S.C. 2171(c)).

4 (H) Section 162 (19 U.S.C. 2212).

5 (I) Section 163(b) (19 U.S.C. 2213(b)).

6 (J) Section 163(c) (19 U.S.C. 2213(c)).

7 (K) Section 203(b) (19 U.S.C. 2253(b)).

8 (L) Section 302(b)(2)(C) (19 U.S.C.
9 2412(b)(2)(C)).

10 (M) Section 303 (19 U.S.C. 2413).

11 (N) Section 309 (19 U.S.C. 2419).

12 (O) Section 407(a) (19 U.S.C. 2437(a)).

13 (P) Section 502(f) (19 U.S.C. 2462(f)).

14 (Q) Section 504 (19 U.S.C. 2464).

15 (9) The following provisions of the Trade
16 Agreements Act of 1979 (19 U.S.C. 2501 et seq.):

17 (A) Section 2(b) (19 U.S.C. 2503(b)).

18 (B) Section 3(c) (19 U.S.C. 2504(c)).

19 (C) Section 305(c) (19 U.S.C. 2515(c)).

20 (10) Section 303(g)(1) of the Convention on
21 Cultural Property Implementation Act (19 U.S.C.
22 2602(g)(1)).

23 (11) The following provisions of the Caribbean
24 Basin Economic Recovery Act (19 U.S.C. 2701 et
25 seq.):

1 (A) Section 212(a)(1)(A) (19 U.S.C.
2 2702(a)(1)(A)).

3 (B) Section 212(a)(2) (19 U.S.C.
4 2702(a)(2)).

5 (12) The following provisions of the Omnibus
6 Trade and Competitiveness Act of 1988 (19 U.S.C.
7 2901 et seq.):

8 (A) Section 1102 (19 U.S.C. 2902).

9 (B) Section 1103 (19 U.S.C. 2903).

10 (C) Section 1206(b) (19 U.S.C. 3006(b)).

11 (13) Section 123(a) of the Customs and Trade
12 Act of 1990 (Public Law 101–382) (19 U.S.C.
13 2083).

14 (14) Section 243(b)(2) of the Caribbean Basin
15 Economic Recovery Expansion Act of 1990 (Public
16 Law 101–382).

17 (15) The following provisions of the Internal
18 Revenue Code of 1986:

19 (A) Section 6103(p)(5).

20 (B) Section 7608.

21 (C) Section 7802(f)(3).

22 (D) Section 8022(3).

23 (E) Section 9602(a).

24 (16) The following provisions relating to the
25 revenue laws of the United States:

1 (A) Section 1552(c) of the Tax Reform
2 Act of 1986 (100 Stat. 2753).

3 (B) Section 231 of the Deficit Reduction
4 Act of 1984 (26 U.S.C. 801 note).

5 (C) Section 208 of the Tax Treatment Ex-
6 tension Act of 1977 (26 U.S.C. 911 note).

7 (D) Section 7105 of the Technical and
8 Miscellaneous Revenue Act of 1988 (45 U.S.C.
9 369).

10 (17) Section 4008 of the Employee Retirement
11 Income Security Act of 1974 (29 U.S.C. 1308).

12 (18) Section 426 of the Black Lung Benefits
13 Act (30 U.S.C. 936(b)).

14 (19) Section 7502(g) of title 31, United States
15 Code.

16 (20) The following provisions of the Social Se-
17 curity Act:

18 (A) Section 215(i)(2)(C)(i) (42 U.S.C.
19 415(i)(2)(C)(i)).

20 (B) Section 221(i)(2) (42 U.S.C.
21 421(i)(2)).

22 (C) Section 221(i)(3) (42 U.S.C.
23 421(i)(3)).

24 (D) Section 233(e)(1) (42 U.S.C.
25 433(e)(1)).

1 (E) Section 452(a)(10) (42 U.S.C.
2 652(a)(10)).

3 (F) Section 452(g)(3)(B) (42 U.S.C.
4 652(g)(3)(B)).

5 (G) Section 506(a)(1) (42 U.S.C. 706(a)).

6 (H) Section 908 (42 U.S.C. 1108).

7 (I) Section 1114(f) (42 U.S.C. 1314(f)).

8 (J) Section 1120 (42 U.S.C. 1320).

9 (K) Section 1161 (42 U.S.C. 1320e-10).

10 (L) Section 1875(b) (42 U.S.C. 1395ll(b)).

11 (M) Section 1881 (42 U.S.C. 1395rr).

12 (N) Section 1882 (42 U.S.C.
13 1395ss(f)(2)).

14 (21) Section 104(b) of the Social Security Inde-
15 pendence and Program Improvements Act of 1994
16 (42 USC 904 note).

17 (22) Section 10 of the Railroad Retirement Act
18 of 1937 (45 U.S.C. 231f).

19 (23) The following provisions of the Railroad
20 Retirement Act of 1974:

21 (A) Section 22(a)(1) (45 U.S.C.
22 231u(a)(1)).

23 (B) Section 22(b)(1) (45 U.S.C.
24 231u(b)(1)).

1 (24) Section 502 of the Railroad Retirement
2 Solvency Act of 1983 (45 U.S.C. 231f-1).

3 (25) Section 47121(c) of title 49, United States
4 Code.

5 (26) The following provisions of the Omnibus
6 Budget Reconciliation Act of 1987 (Public Law
7 100–203; 101 Stat. 1330-182):

8 (A) Section 4007(c)(4) (42 U.S.C. 1395ww
9 note).

10 (B) Section 4079 (42 U.S.C. 1395mm
11 note).

12 (C) Section 4205 (42 U.S.C. 1395i-3
13 note).

14 (D) Section 4215 (42 U.S.C. 1396r note).

15 (27) The following provisions of the Inspector
16 General Act of 1978 (Public Law 95–452):

17 (A) Section 5(b).

18 (B) Section 5(d).

19 (28) The following provisions of the Public
20 Health Service Act:

21 (A) In section 308(a) (42 U.S.C.
22 242m(a)), subparagraphs (A), (B), (C), and
23 (D) of paragraph (1).

24 (B) Section 403 (42 U.S.C. 283).

1 (29) Section 404 of the Health Services and
2 Centers Amendments of 1978 (42 U.S.C. 242p)
3 (Public Law 95–626).

4 (30) The following provisions of the Older
5 Americans Act of 1965:

6 (A) Section 206(d) (42 U.S.C. 3017(d)).

7 (B) Section 207 (42 U.S.C. 3018).

8 (31) Section 308 of the Age Discrimination Act
9 of 1975 (42 U.S.C. 6106a(b)).

10 (32) Section 509(e)(3) of the Americans with
11 Disabilities Act of 1990 (42 U.S.C. 12209(e)(3)).

12 (33) Section 4207(f) of the Omnibus Budget
13 Reconciliation Act of 1990 (42 U.S.C. 1395b–1
14 note).

15 **SEC. 702. EXTENSION OF DEADLINES FOR IRS COMPLIANCE**

16 **WITH CERTAIN NOTICE REQUIREMENTS.**

17 (a) ANNUAL INSTALLMENT AGREEMENT NOTICE.—
18 Section 3506 of the Internal Revenue Service Restruc-
19 turing and Reform Act of 1998 is amended by striking
20 “July 1, 2000” and inserting “September 1, 2001”.

21 (b) NOTICE REQUIREMENTS RELATING TO COM-
22 PUTATION OF PENALTY.—Subsection (c) of section 3306
23 of the Internal Revenue Service Restructuring and Reform
24 Act of 1998 is amended—

1 (1) by striking “December 31, 2000” and in-
2 serting “June 30, 2001”, and

3 (2) by adding at the end the following: “In the
4 case of any notice of penalty issued after June 30,
5 2001, and before July 1, 2003, the requirements of
6 section 6751(a) of the Internal Revenue Code of
7 1986 shall be treated as met if such notice contains
8 a telephone number at which the taxpayer can re-
9 quest a copy of the taxpayer’s assessment and pay-
10 ment history with respect to such penalty.”.

11 (c) NOTICE REQUIREMENTS RELATING TO INTEREST
12 IMPOSED.—Subsection (c) of section 3308 of the Internal
13 Revenue Service Restructuring and Reform Act of 1998
14 is amended—

15 (1) by striking “December 31, 2000” and in-
16 serting “June 30, 2001”, and

17 (2) by adding at the end the following: “In the
18 case of any notice issued after June 30, 2001, and
19 before July 1, 2003, to which section 6631 of the
20 Internal Revenue Code of 1986 applies, the require-
21 ments of section 6631 of such Code shall be treated
22 as met if such notice contains a telephone number
23 at which the taxpayer can request a copy of the tax-
24 payer’s payment history relating to interest amounts
25 included in such notice.”.

1 **SEC. 703. EXTENSION OF AUTHORITY FOR UNDERCOVER**
2 **OPERATIONS.**

3 Paragraph (6), and the last sentence, of section
4 7608(c) are each amended by striking “January 1, 2001”
5 and inserting “January 1, 2006”.

6 **SEC. 704. CONFIDENTIALITY OF CERTAIN DOCUMENTS RE-**
7 **LATING TO CLOSING AND SIMILAR AGREEE-**
8 **MENTS AND TO AGREEMENTS WITH FOREIGN**
9 **GOVERNMENTS.**

10 (a) CLOSING AND SIMILAR AGREEMENTS TREATED
11 AS RETURN INFORMATION.—Paragraph (2) of section
12 6103(b) (defining return information) is amended by
13 striking “and” at the end of subparagraph (B), by insert-
14 ing “and” at the end of subparagraph (C), and by insert-
15 ing after subparagraph (C) the following new subpara-
16 graph:

17 “(D) any agreement under section 7121,
18 and any similar agreement, and any back-
19 ground information related to such an agree-
20 ment or request for such an agreement,”.

21 (b) AGREEMENTS WITH FOREIGN GOVERNMENTS.—

22 (1) IN GENERAL.—Subchapter B of chapter 61
23 (relating to miscellaneous provisions) is amended by
24 inserting after section 6104 the following new sec-
25 tion:

1 **“SEC. 6105. CONFIDENTIALITY OF INFORMATION ARISING**
2 **UNDER TREATY OBLIGATIONS.**

3 “(a) IN GENERAL.—Tax convention information shall
4 not be disclosed.

5 “(b) EXCEPTIONS.—Subsection (a) shall not apply—

6 “(1) to the disclosure of tax convention infor-
7 mation to persons or authorities (including courts
8 and administrative bodies) which are entitled to such
9 disclosure pursuant to a tax convention,

10 “(2) to any generally applicable procedural
11 rules regarding applications for relief under a tax
12 convention, or

13 “(3) in any case not described in paragraphs
14 (1) or (2), to the disclosure of any tax convention
15 information not relating to a particular taxpayer if
16 the Secretary determines, after consultation with
17 each other party to the tax convention, that such
18 disclosure would not impair tax administration.

19 “(c) DEFINITIONS.—For purposes of this section—

20 “(1) TAX CONVENTION INFORMATION.—The
21 term ‘tax convention information’ means any—

22 “(A) agreement entered into with the com-
23 petent authority of one or more foreign govern-
24 ments pursuant to a tax convention,

25 “(B) application for relief under a tax con-
26 vention,

1 “(C) any background information related
2 to such agreement or application,

3 “(D) document implementing such agree-
4 ment, and

5 “(E) any other information exchanged pur-
6 suant to a tax convention which is treated as
7 confidential or secret under the tax convention.

8 “(2) TAX CONVENTION.—The term ‘tax conven-
9 tion’ means—

10 “(A) any income tax or gift and estate tax
11 convention, or

12 “(B) any other convention or bilateral
13 agreement (including multilateral conventions
14 and agreements and any agreement with a pos-
15 session of the United States) providing for the
16 avoidance of double taxation, the prevention of
17 fiscal evasion, nondiscrimination with respect to
18 taxes, the exchange of tax relevant information
19 with the United States, or mutual assistance in
20 tax matters.

21 “(d) CROSS REFERENCES.—

**“For penalties for the unauthorized disclosure of
tax convention information which is return or re-
turn information, see sections 7213, 7213A, and
7431.”.**

22 “(2) CLERICAL AMENDMENT.—The table of sec-
23 tions for subchapter B of chapter 61 is amended by

1 inserting after the item relating to section 6104 the
2 following new item:

“Sec. 6105. Confidentiality of information arising under treaty obligations.”.

3 (c) EXCEPTION FROM PUBLIC INSPECTION AS WRIT-
4 TEN DETERMINATION.—

5 (1) CLOSING AND SIMILAR AGREEMENTS.—

6 Paragraph (1) of section 6110(b) is amended to
7 read as follows:

8 “(1) WRITTEN DETERMINATION.—

9 “(A) IN GENERAL.—The term ‘written de-
10 termination’ means a ruling, determination let-
11 ter, technical advice memorandum, or Chief
12 Counsel advice.

13 “(B) EXCEPTIONS.—Such term shall not
14 include any matter referred to in subparagraph
15 (C) or (D) of section 6103(b)(2).”.

16 (2) AGREEMENTS WITH FOREIGN GOVERN-
17 MENTS.—Paragraph (1) of section 6110(l) is amend-
18 ed by inserting “or 6105” after “6104”.

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

1 **SEC. 705. INCREASE IN THRESHOLD FOR JOINT COM-**
2 **MITTEE REPORTS ON REFUNDS AND CRED-**
3 **ITS.**

4 (a) **GENERAL RULE.**—Subsections (a) and (b) of sec-
5 tion 6405 are each amended by striking “\$1,000,000” and
6 inserting “\$2,000,000”.

7 (b) **EFFECTIVE DATE.**—The amendment made by
8 subsection (a) shall take effect on the date of the enact-
9 ment of this Act, except that such amendment shall not
10 apply with respect to any refund or credit with respect
11 to a report that has been made before such date of the
12 enactment under section 6405 of the Internal Revenue
13 Code of 1986.

14 **SEC. 706. TREATMENT OF MISSING CHILDREN WITH RE-**
15 **SPECT TO CERTAIN TAX BENEFITS.**

16 (a) **IN GENERAL.**—Subsection (c) of section 151 (re-
17 lating to additional exemption for dependents) is amended
18 by adding at the end the following new paragraph:

19 “(6) **TREATMENT OF MISSING CHILDREN.**—

20 “(A) **IN GENERAL.**—Solely for the pur-
21 poses referred to in subparagraph (B), a child
22 of the taxpayer—

23 “(i) who is presumed by law enforce-
24 ment authorities to have been kidnapped
25 by someone who is not a member of the
26 family of such child or the taxpayer, and

1 “(ii) who was (without regard to this
2 paragraph) the dependent of the taxpayer
3 for the portion of the taxable year before
4 the date of the kidnapping,
5 shall be treated as a dependent of the taxpayer
6 for all taxable years ending during the period
7 that the child is kidnapped.

8 “(B) PURPOSES.—Subparagraph (A) shall
9 apply solely for purposes of determining—

10 “(i) the deduction under this section,

11 “(ii) the credit under section 24 (re-
12 lating to child tax credit), and

13 “(iii) whether an individual is a sur-
14 viving spouse or a head of a household
15 (such terms are defined in section 2).

16 “(C) COMPARABLE TREATMENT FOR
17 EARNED INCOME CREDIT.—For purposes of sec-
18 tion 32, an individual—

19 “(i) who is presumed by law enforce-
20 ment authorities to have been kidnapped
21 by someone who is not a member of the
22 family of such individual or the taxpayer,
23 and

24 “(ii) who had, for the taxable year in
25 which the kidnapping occurred, the same

1 principal place of abode as the taxpayer for
2 more than one-half of the portion of such
3 year before the date of the kidnapping,
4 shall be treated as meeting the requirement of
5 section 32(c)(3)(A)(ii) with respect to a tax-
6 payer for all taxable years ending during the
7 period that the individual is kidnapped.

8 “(D) TERMINATION OF TREATMENT.—
9 Subparagraphs (A) and (C) shall cease to apply
10 as of the first taxable year of the taxpayer be-
11 ginning after the calendar year in which there
12 is a determination that the child is dead (or, if
13 earlier, in which the child would have attained
14 age 18).”

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

18 **SEC. 707. AMENDMENTS TO STATUTES REFERENCING**
19 **YIELD ON 52-WEEK TREASURY BILLS.**

20 (a) AMENDMENT TO THE ACT OF FEBRUARY 26,
21 1931.—Section 6 of the Act of February 26, 1931 (40
22 U.S.C. 258e-1) (relating to the interest rate on compensa-
23 tion owed for takings of property) is amended—

24 (1) in paragraph (1), by striking “the coupon
25 issue yield equivalent (as determined by the Sec-

1 retary of the Treasury) of the average accepted auc-
2 tion price for the last auction of 52 week United
3 States Treasury bills settled immediately before”
4 and inserting “the weekly average 1-year constant
5 maturity Treasury yield, as published by the Board
6 of Governors of the Federal Reserve System, for the
7 calendar week preceding”; and

8 (2) in paragraph (2), by striking “the coupon
9 issue yield equivalent (as determined by the Sec-
10 retary of the Treasury) of the average accepted auc-
11 tion price for the last auction of 52 week United
12 States Treasury bills settled immediately before”
13 and inserting “the weekly average 1-year constant
14 maturity Treasury yield, as published by the Board
15 of Governors of the Federal Reserve System, for the
16 calendar week preceding”.

17 (b) AMENDMENT TO TITLE 18, UNITED STATES
18 CODE.—Section 3612(f)(2)(B) of title 18, United States
19 Code (relating to the interest rate on unpaid criminal fines
20 and penalties of more than \$2,500) is amended by striking
21 “the coupon issue yield equivalent (as determined by the
22 Secretary of the Treasury) of the average accepted auction
23 price for the last auction of fifty-two week United States
24 Treasury bills settled before” and inserting “the weekly av-
25 erage 1-year constant maturity Treasury yield, as pub-

1 lished by the Board of Governors of the Federal Reserve
2 System, for the calendar week preceding.”.

3 (c) AMENDMENT TO THE INTERNAL REVENUE
4 CODE.—Section 995(f)(4) (relating to the interest rate on
5 tax-deferred liability of shareholders of domestic inter-
6 national sales corporations) is amended by striking “the
7 average investment yield of United States Treasury bills
8 with maturities of 52 weeks which were auctioned during
9 the 1-year period” and inserting “the average of the 1-
10 year constant maturity Treasury yields, as published by
11 the Board of Governors of the Federal Reserve System,
12 for the 1-year period”.

13 (d) AMENDMENTS TO TITLE 28, UNITED STATES
14 CODE.—

15 (1) AMENDMENT TO SECTION 1961.—Section
16 1961(a) of title 28, United States Code (relating to
17 the interest rate on money judgments in civil cases
18 recovered in Federal district court) is amended by
19 striking “the coupon issue yield equivalent (as deter-
20 mined by the Secretary of the Treasury) of the aver-
21 age accepted auction price for the last auction of
22 fifty-two week United States Treasury bills settled
23 immediately prior to” and inserting “the weekly av-
24 erage 1-year constant maturity Treasury yield, as

1 published by the Board of Governors of the Federal
2 Reserve System, for the calendar week preceding.”.

3 (2) AMENDMENT TO SECTION 2516.—Section
4 2516(b) of title 28, United States Code (relating to
5 the interest rate on a judgment against the United
6 States affirmed by the Supreme Court after review
7 on petition of the United States) is amended by
8 striking “the coupon issue yield equivalent (as deter-
9 mined by the Secretary of the Treasury) of the aver-
10 age accepted auction price for the last auction of
11 fifty-two week United States Treasury bills settled
12 immediately before” and inserting “the weekly aver-
13 age 1-year constant maturity Treasury yield, as pub-
14 lished by the Board of Governors of the Federal Re-
15 serve System, for the calendar week preceding”.

16 **SEC. 708. ADJUSTMENTS FOR CONSUMER PRICE INDEX**

17 **ERROR.**

18 (a) DETERMINATIONS BY OMB.—As soon as prac-
19 ticable after the date of the enactment of this Act, the
20 Director of the Office of Management and Budget shall
21 determine with respect to each applicable Federal benefit
22 program whether the CPI computation error for 1999 has
23 or will result in a shortfall in payments to beneficiaries
24 under such program (as compared to payments that would
25 have been made if the error had not occurred). As soon

1 as practicable after the date of the enactment of this Act,
2 but not later than 60 days after such date, the Director
3 shall direct the head of the Federal agency which admin-
4 isters such program to make a payment or payments that,
5 insofar as the Director finds practicable and feasible—

6 (1) are targeted to the amount of the shortfall
7 experienced by individual beneficiaries, and

8 (2) compensate for the shortfall.

9 (b) COORDINATION WITH FEDERAL AGENCIES.—As
10 soon as practicable after the date of the enactment of this
11 Act, each Federal agency that administers an applicable
12 Federal benefit program shall, in accordance with such
13 guidelines as are issued by the Director pursuant to this
14 section, make an initial determination of whether, and the
15 extent to which, the CPI computation error for 1999 has
16 or will result in a shortfall in payments to beneficiaries
17 of an applicable Federal benefit program administered by
18 such agency. Not later than 30 days after such date, the
19 head of such agency shall submit a report to the Director
20 and to each House of the Congress of such determination,
21 together with a complete description of the nature of the
22 shortfall.

23 (c) IMPLEMENTATION PURSUANT TO AGENCY RE-
24 PORTS.—Upon receipt of the report submitted by a Fed-
25 eral agency pursuant to subsection (b), the Director shall

1 review the initial determination of the agency, the agency's
2 description of the nature of the shortfall, and the com-
3 pensation payments proposed by the agency. Prior to di-
4 recting payment of such payments pursuant to subsection
5 (a), the Director shall make appropriate adjustments (if
6 any) in the compensation payments proposed by the agen-
7 cy that the Director determines are necessary to comply
8 with the requirements of subsection (a) and transmit to
9 the agency a summary report of the review, indicating any
10 adjustments made by the Director. The agency shall make
11 the compensation payments as directed by the Director
12 pursuant to subsection (a) in accordance with the Direc-
13 tor's summary report.

14 (d) INCOME DISREGARD UNDER FEDERAL MEANS-
15 TESTED BENEFIT PROGRAMS.—A payment made under
16 this section to compensate for a shortfall in benefits shall,
17 in accordance with guidelines issued by the Director pur-
18 suant to this section, be disregarded in determining in-
19 come under title VIII of the Social Security Act or any
20 applicable Federal benefit program that is means-tested.

21 (e) FUNDING.—Funds otherwise available under each
22 applicable Federal benefit program for making benefit
23 payments under such program are hereby made available
24 for making compensation payments under this section in
25 connection with such program.

1 (f) NO JUDICIAL REVIEW.—No action taken pursu-
2 ant to this section shall be subject to judicial review.

3 (g) DIRECTOR'S REPORT.—Not later than April 1,
4 2001, the Director shall submit to each House of the Con-
5 gress a report on the activities performed by the Director
6 pursuant to this section.

7 (h) DEFINITIONS.—For purposes of this section:

8 (1) APPLICABLE FEDERAL BENEFIT PRO-
9 GRAM.—The term “applicable Federal benefit pro-
10 gram” means any program of the Government of the
11 United States providing for regular or periodic pay-
12 ments or cash assistance paid directly to individual
13 beneficiaries, as determined by the Director of the
14 Office of Management and Budget.

15 (2) FEDERAL AGENCY.—The term “Federal
16 agency” means a department, agency, or instrumen-
17 tality of the Government of the United States.

18 (3) CPI COMPUTATION ERROR FOR 1999.—The
19 term “CPI computation error for 1999” means the
20 error in the computation of the Consumer Price
21 Index announced by the Bureau of Labor Statistics
22 on September 28, 2000.

23 (i) TAX PROVISIONS.—If any Consumer Price Index
24 (as defined in section 1(f)(5) of the Internal Revenue Code
25 of 1986) reflects the CPI computation error for 1999—

1 (1) the correct amount of such Index shall (in
2 such manner and to such extent as the Secretary of
3 the Treasury determines to be appropriate) be taken
4 into account for purposes of such Code, and

5 (2) tables prescribed under section 1(f) of such
6 Code to reflect such correct amount shall apply in
7 lieu of any tables that were prescribed based on the
8 erroneous amount.

9 **SEC. 709. PREVENTION OF DUPLICATION OF LOSS**
10 **THROUGH ASSUMPTION OF LIABILITIES GIV-**
11 **ING RISE TO A DEDUCTION.**

12 (a) IN GENERAL.—Section 358 (relating to basis to
13 distributees) is amended by adding at the end the fol-
14 lowing new subsection:

15 “(h) SPECIAL RULES FOR ASSUMPTION OF LIABIL-
16 ITIES TO WHICH SUBSECTION (d) DOES NOT APPLY.—

17 “(1) IN GENERAL.—If, after application of the
18 other provisions of this section to an exchange or se-
19 ries of exchanges, the basis of property to which
20 subsection (a)(1) applies exceeds the fair market
21 value of such property, then such basis shall be re-
22 duced (but not below such fair market value) by the
23 amount (determined as of the date of the exchange)
24 of any liability—

1 “(A) which is assumed in exchange for
2 such property, and

3 “(B) with respect to which subsection
4 (d)(1) does not apply to the assumption.

5 “(2) EXCEPTIONS.—Except as provided by the
6 Secretary, paragraph (1) shall not apply to any li-
7 ability if—

8 “(A) the trade or business with which the
9 liability is associated is transferred to the per-
10 son assuming the liability as part of the ex-
11 change, or

12 “(B) substantially all of the assets with
13 which the liability is associated are transferred
14 to the person assuming the liability as part of
15 the exchange.

16 “(3) LIABILITY.—For purposes of this sub-
17 section, the term ‘liability’ shall include any fixed or
18 contingent obligation to make payment, without re-
19 gard to whether the obligation is otherwise taken
20 into account for purposes of this title.”

21 (b) DETERMINATION OF AMOUNT OF LIABILITY AS-
22 SUMED.—Section 357(d)(1) is amended by inserting “sec-
23 tion 358(h),” after “section 358(d),”.

1 (c) APPLICATION OF COMPARABLE RULES TO PART-
2 NERSHIPS AND S CORPORATIONS.—The Secretary of the
3 Treasury or his delegate—

4 (1) shall prescribe rules which provide appro-
5 priate adjustments under subchapter K of chapter 1
6 of the Internal Revenue Code of 1986 to prevent the
7 acceleration or duplication of losses through the as-
8 sumption of (or transfer of assets subject to) liabil-
9 ities described in section 358(h)(3) of such Code (as
10 added by subsection (a)) in transactions involving
11 partnerships, and

12 (2) may prescribe rules which provide appro-
13 priate adjustments under subchapter S of chapter 1
14 of such Code in transactions described in paragraph
15 (1) involving S corporations rather than partner-
16 ships.

17 (d) EFFECTIVE DATES.—

18 (1) IN GENERAL.—The amendments made by
19 this section shall apply to assumptions of liability
20 after October 18, 1999.

21 (2) RULES.—The rules prescribed under sub-
22 section (c) shall apply to assumptions of liability
23 after October 18, 1999, or such later date as may
24 be prescribed in such rules.

1 **Subtitle B—Miscellaneous**
2 **Provisions**

3 **SEC. 710. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES**
4 **ON RAILROADS AND INLAND WATERWAY**
5 **TRANSPORTATION WHICH REMAIN IN GEN-**
6 **ERAL FUND.**

7 (a) TAXES ON TRAINS.—

8 (1) IN GENERAL.—Subparagraph (A) of section
9 4041(a)(1) is amended by striking “or a diesel-pow-
10 ered train” each place it appears and by striking “or
11 train”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) Subparagraph (C) of section
14 4041(a)(1) is amended by striking clause (ii)
15 and by redesignating clause (iii) as clause (ii).

16 (B) Subparagraph (C) of section
17 4041(b)(1) is amended by striking all that fol-
18 lows “section 6421(e)(2)” and inserting a pe-
19 riod.

20 (C) Subsection (d) of section 4041 is
21 amended by redesignating paragraph (3) as
22 paragraph (4) and by inserting after paragraph
23 (2) the following new paragraph:

24 “(3) DIESEL FUEL USED IN TRAINS.—There is
25 hereby imposed a tax of 0.1 cent per gallon on any

1 liquid other than gasoline (as defined in section
2 4083)—

3 “(A) sold by any person to an owner, les-
4 see, or other operator of a diesel-powered train
5 for use as a fuel in such train, or

6 “(B) used by any person as a fuel in a die-
7 sel-powered train unless there was a taxable
8 sale of such fuel under subparagraph (A).

9 No tax shall be imposed by this paragraph on the
10 sale or use of any liquid if tax was imposed on such
11 liquid under section 4081.”

12 (D) Subsection (e) of section 4082 is
13 amended by striking “section 4041(a)(1)” and
14 inserting “subsections (d)(3) and (a)(1) of sec-
15 tion 4041, respectively”.

16 (E) Paragraph (3) of section 4083(a) is
17 amended by striking “or a diesel-powered
18 train”.

19 (F) Paragraph (3) of section 6421(f) is
20 amended to read as follows:

21 “(3) GASOLINE USED IN TRAINS.—In the case
22 of gasoline used as a fuel in a train, this section
23 shall not apply with respect to the Leaking Under-
24 ground Storage Tank Trust Fund financing rate
25 under section 4081.”

1 (G) Paragraph (3) of section 6427(l) is
2 amended to read as follows:

3 “(3) REFUND OF CERTAIN TAXES ON FUEL
4 USED IN DIESEL-POWERED TRAINS.—For purposes
5 of this subsection, the term ‘nontaxable use’ includes
6 fuel used in a diesel-powered train. The preceding
7 sentence shall not apply to the tax imposed by sec-
8 tion 4041(d) and the Leaking Underground Storage
9 Tank Trust Fund financing rate under section 4081
10 except with respect to fuel sold for exclusive use by
11 a State or any political subdivision thereof.”

12 (b) FUEL USED ON INLAND WATERWAYS.—

13 (1) IN GENERAL.—Paragraph (1) of section
14 4042(b) is amended by adding “and” at the end of
15 subparagraph (A), by striking “, and” at the end of
16 subparagraph (B) and inserting a period, and by
17 striking subparagraph (C).

18 (2) CONFORMING AMENDMENT.—Paragraph (2)
19 of section 4042(b) is amended by striking subpara-
20 graph (C).

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect on January 1, 2001.

1 **SEC. 711. REPEAL OF REDUCTION OF DEDUCTIONS FOR**
2 **MUTUAL LIFE INSURANCE COMPANIES.**

3 (a) IN GENERAL.—Section 809 (relating to reduc-
4 tions in certain deductions of mutual life insurance compa-
5 nies) is hereby repealed.

6 (b) CONFORMING AMENDMENTS RELATED TO RE-
7 PEAL OF SECTION 809.—

8 (1) Subsections (a)(2)(B) and (b)(1)(B) of sec-
9 tion 807 are each amended by striking “the sum of
10 (i)” and by striking “plus (ii) any excess described
11 in section 809(a)(2) for the taxable year,”.

12 (2)(A) The last sentence of section 807(d)(1) is
13 amended by striking “(as defined in section
14 809(b)(4)(B))”.

15 (B) Subsection (d) of section 807 is amended
16 by adding at the end the following new paragraph:

17 “(6) STATUTORY RESERVES.—For purposes of
18 this subsection, the term ‘statutory reserves’ means
19 the aggregate amount set forth in the annual state-
20 ment with respect to items described in subsection
21 (c). Such term shall not include any reserve attrib-
22 utable to a deferred and uncollected premium if the
23 establishment of such reserve is not permitted under
24 section 811(c).”

25 (3) Subsection (c) of section 808 is amended to
26 read as follows:

1 “(c) AMOUNT OF DEDUCTION.—The deduction for
2 policyholder dividends for any taxable year shall be an
3 amount equal to the policyholder dividends paid or accrued
4 during the taxable year.”

5 (4) Subparagraph (A) of section 812(b)(3) is
6 amended by striking “sections 808 and 809” and in-
7 serting “section 808”.

8 (5) Subsection (c) of section 817 is amended by
9 striking “(other than section 809)”.

10 (6) Subsection (c) of section 842 is amended by
11 striking paragraph (3) and by redesignating para-
12 graph (4) as paragraph (3).

13 (7) The table of sections for subpart C of part
14 I of subchapter L of chapter 1 is amended by strik-
15 ing the item relating to section 809.

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

19 **SEC. 712. REPEAL OF POLICYHOLDERS SURPLUS ACCOUNT**
20 **PROVISIONS.**

21 (a) REPEAL.—Section 815 (relating to distributions
22 to shareholders from pre-1984 policyholders surplus ac-
23 counts) is hereby repealed.

24 (b) CONFORMING AMENDMENTS.—

1 section (b) with respect to credit allowance dates during
2 such year on which the taxpayer holds such bond.

3 “(b) AMOUNT OF CREDIT.—

4 “(1) IN GENERAL.—The amount of the credit
5 determined under this subsection with respect to any
6 credit allowance date for a qualified Amtrak bond is
7 25 percent of the annual credit determined with re-
8 spect to such bond.

9 “(2) ANNUAL CREDIT.—The annual credit de-
10 termined with respect to any qualified Amtrak bond
11 is the product of—

12 “(A) the applicable credit rate, multiplied
13 by

14 “(B) the outstanding face amount of the
15 bond.

16 “(3) APPLICABLE CREDIT RATE.—For purposes
17 of paragraph (2), the applicable credit rate with re-
18 spect to an issue is the rate equal to an average
19 market yield (as of the day before the date of sale
20 of the issue) on outstanding long-term corporate
21 debt obligations (determined under regulations pre-
22 scribed by the Secretary).

23 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
24 DEMPTION.—In the case of a bond which is issued
25 during the 3-month period ending on a credit allow-

1 ance date, the amount of the credit determined
2 under this subsection with respect to such credit al-
3 lowance date shall be a ratable portion of the credit
4 otherwise determined based on the portion of the 3-
5 month period during which the bond is outstanding.
6 A similar rule shall apply when the bond is re-
7 deemed.

8 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

9 “(1) IN GENERAL.—The credit allowed under
10 subsection (a) for any taxable year shall not exceed
11 the excess of—

12 “(A) the sum of the regular tax liability
13 (as defined in section 26(b)) plus the tax im-
14 posed by section 55, over

15 “(B) the sum of the credits allowable
16 under this part (other than this subpart and
17 subpart C).

18 “(2) CARRYOVER OF UNUSED CREDIT.—If the
19 credit allowable under subsection (a) exceeds the
20 limitation imposed by paragraph (1) for such taxable
21 year, such excess shall be carried to the succeeding
22 taxable year and added to the credit allowable under
23 subsection (a) for such taxable year.

24 “(d) QUALIFIED AMTRAK BOND.—For purposes of
25 this part—

1 “(1) IN GENERAL.—The term ‘qualified Amtrak
2 bond’ means any bond issued as part of an issue
3 if—

4 “(A) 95 percent or more of the proceeds of
5 such issue are to be used for any qualified
6 project,

7 “(B) the bond is issued by the National
8 Railroad Passenger Corporation,

9 “(C) the issuer—

10 “(i) designates such bond for purposes
11 of this section,

12 “(ii) certifies that it meets the State
13 contribution requirement of paragraph (3)
14 with respect to such project and that it has
15 received the required State contribution
16 payment before the issuance of such bond,
17 and

18 “(iii) certifies that it has obtained the
19 written approval of the Secretary of Trans-
20 portation for such project, including a
21 finding by the Inspector General of the De-
22 partment of Transportation that there is a
23 reasonable likelihood that the proposed
24 program will result in a positive incre-
25 mental financial contribution to the Na-

1 tional Railroad Passenger Corporation and
2 that the investment evaluation process in-
3 cludes a return on investment, leveraging
4 of funds (including State capital and oper-
5 ating contributions), cost effectiveness,
6 safety improvement, mobility improvement,
7 and feasibility,

8 “(D) the term of each bond which is part
9 of such issue does not exceed 20 years,

10 “(E) the payment of principal with respect
11 to such bond is the obligation of the National
12 Railroad Passenger Corporation (regardless of
13 the establishment of the trust account under
14 subsection (j)), and

15 “(F) the issue meets the requirements of
16 subsection (h).

17 “(2) TREATMENT OF CHANGES IN USE.—For
18 purposes of paragraph (1)(A), the proceeds of an
19 issue shall not be treated as used for a qualified
20 project to the extent that the issuer takes any action
21 within its control which causes such proceeds not to
22 be used for a qualified project. The Secretary shall
23 prescribe regulations specifying remedial actions that
24 may be taken (including conditions to taking such
25 remedial actions) to prevent an action described in

1 the preceding sentence from causing a bond to fail
2 to be a qualified Amtrak bond.

3 “(3) STATE CONTRIBUTION REQUIREMENT.—

4 “(A) IN GENERAL.—For purposes of para-
5 graph (1)(C)(ii), the State contribution require-
6 ment of this paragraph is met with respect to
7 any qualified project if the National Railroad
8 Passenger Corporation has a written binding
9 commitment from 1 or more States to make
10 matching contributions not later than the date
11 of issuance of the issue of not less than 20 per-
12 cent of the cost of the qualified project.

13 “(B) USE OF STATE MATCHING CONTRIBU-
14 TIONS.—The matching contributions described
15 in subparagraph (A) with respect to each quali-
16 fied project shall be used—

17 “(i) as necessary to redeem bonds
18 which are a part of the issue with respect
19 to such project, and

20 “(ii) in the case of any remaining
21 amount, at the election of the National
22 Railroad Passenger Corporation and the
23 contributing State—

24 “(I) to fund a qualified project,

1 “(II) to redeem other qualified
2 Amtrak bonds, or

3 “(III) for the purposes of sub-
4 clauses (I) and (II).

5 “(C) STATE MATCHING CONTRIBUTIONS
6 MAY NOT INCLUDE FEDERAL FUNDS.—For pur-
7 poses of this paragraph, State matching con-
8 tributions shall not be derived, directly or indi-
9 rectly, from Federal funds, including any trans-
10 fers from the Highway Trust Fund under sec-
11 tion 9503.

12 “(D) NO STATE CONTRIBUTION REQUIRE-
13 MENT FOR CERTAIN QUALIFIED PROJECTS.—
14 With respect to any qualified project described
15 in paragraph (2)(B) or (4) of subsection (e),
16 the State contribution requirement of this para-
17 graph is zero.

18 “(4) QUALIFIED PROJECT.—

19 “(A) IN GENERAL.—The term ‘qualified
20 project’ means—

21 “(i) the acquisition, financing, or refi-
22 nancing of equipment, rolling stock, and
23 other capital improvements for the north-
24 east rail corridor between Washington,
25 D.C. and Boston, Massachusetts (including

1 the project described in subsection
2 (e)(2)(B)),

3 “(ii) the acquisition, financing, or re-fi-
4 nancing of equipment, rolling stock, and
5 other capital improvements for the im-
6 provement of train speeds or safety (or
7 both) on the high-speed rail corridors des-
8 ignated under section 104(d)(2) of title 23,
9 United States Code, and

10 “(iii) the acquisition, financing, or re-
11 financing of equipment, rolling stock, and
12 other capital improvements for other inter-
13 city passenger rail corridors, including sta-
14 tion rehabilitation or construction, track or
15 signal improvements, or the elimination of
16 grade crossings.

17 “(B) REFINANCING RULES.—For purposes
18 of subparagraph (A), a refinancing shall con-
19 stitute a qualified project only if the indebted-
20 ness being refinanced (including any obligation
21 directly or indirectly refinanced by such indebt-
22 edness) was originally incurred by the National
23 Railroad Passenger Corporation—

24 “(i) after the date of the enactment of
25 this section,

1 “(ii) for a term of not more than 3
2 years,

3 “(iii) to finance or acquire capital im-
4 provements described in subparagraph (A),
5 and

6 “(iv) in anticipation of being reffi-
7 nanced with proceeds of a qualified Am-
8 trak bond.

9 “(e) LIMITATIONS ON AMOUNT OF BONDS DES-
10 IGNATED.—

11 “(1) IN GENERAL.—There is a qualified Am-
12 trak bond limitation for each fiscal year. Such limi-
13 tation is—

14 “(A) \$1,000,000,000 for each of the fiscal
15 years 2001 through 2010, and

16 “(B) except as provided in paragraph (5),
17 zero after fiscal year 2010.

18 “(2) BONDS FOR RAIL CORRIDORS.—

19 “(A) IN GENERAL.—Not more than
20 \$3,000,000,000 of the limitation under para-
21 graph (1) may be designated for any 1 rail cor-
22 ridor described in clause (i) or (ii) of subsection
23 (d)(4)(A).

24 “(B) SPECIFIC QUALIFIED PROJECT ALLO-
25 CATION.—Of the amount described in subpara-

1 graph (A), the Secretary of Transportation
2 shall allocate \$92,000,000 for the acquisition
3 and installation of platform facilities, perform-
4 ance of railroad force account work necessary to
5 complete improvements below street grade, and
6 any other necessary improvements related to
7 construction at the railroad station at the
8 James A. Farley Post Office Building in New
9 York City, New York.

10 “(3) BONDS FOR OTHER PROJECTS.—Not more
11 than 10 percent of the limitation under paragraph
12 (1) for any fiscal year may be allocated to qualified
13 projects described in subsection (d)(4)(A)(iii).

14 “(4) BONDS FOR ALASKA RAILROAD.—The Sec-
15 retary of Transportation may allocate to the Alaska
16 Railroad a portion of the qualified Amtrak limitation
17 for any fiscal year in order to allow the Alaska Rail-
18 road to issue bonds which meet the requirements of
19 this section for use in financing any project de-
20 scribed in subsection (d)(4)(A)(iii). For purposes of
21 this section, the Alaska Railroad shall be treated in
22 the same manner as the National Railroad Pas-
23 senger Corporation.

24 “(5) CARRYOVER OF UNUSED LIMITATION.—If
25 for any fiscal year—

1 “(A) the limitation amount under para-
2 graph (1), exceeds

3 “(B) the amount of bonds issued during
4 such year which are designated under sub-
5 section (d)(1)(C)(i),

6 the limitation amount under paragraph (1) for the
7 following fiscal year (through fiscal year 2014) shall
8 be increased by the amount of such excess.

9 “(6) PREFERENCE FOR GREATER STATE PAR-
10 TICIPATION.—In selecting qualified projects for allo-
11 cation of the qualified Amtrak bond limitation under
12 this subsection, the Secretary of Transportation
13 shall give preference to any project with a State
14 matching contribution rate exceeding 20 percent.

15 “(f) OTHER DEFINITIONS.—For purposes of this
16 subpart—

17 “(1) BOND.—The term ‘bond’ includes any ob-
18 ligation.

19 “(2) CREDIT ALLOWANCE DATE.—The term
20 ‘credit allowance date’ means—

21 “(A) March 15,

22 “(B) June 15,

23 “(C) September 15, and

24 “(D) December 15.

1 Such term includes the last day on which the bond
2 is outstanding.

3 “(3) STATE.—The term ‘State’ means the sev-
4 eral States and the District of Columbia, and any
5 subdivision thereof.

6 “(4) PROGRAM.—The term ‘program’ means 1
7 or more projects implemented over 1 or more years
8 to support the development of intercity passenger
9 rail corridors.

10 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
11 income includes the amount of the credit allowed to the
12 taxpayer under this section (determined without regard to
13 subsection (c)) and the amount so included shall be treat-
14 ed as interest income.

15 “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

16 “(1) IN GENERAL.—Subject to paragraph (2),
17 an issue shall be treated as meeting the require-
18 ments of this subsection if as of the date of
19 issuance, the issuer reasonably expects—

20 “(A) to spend at least 95 percent of the
21 proceeds of the issue for 1 or more qualified
22 projects within the 3-year period beginning on
23 such date,

24 “(B) to incur a binding commitment with
25 a third party to spend at least 10 percent of the

1 proceeds of the issue, or to commence construc-
2 tion, with respect to such projects within the 6-
3 month period beginning on such date, and

4 “(C) to proceed with due diligence to com-
5 plete such projects and to spend the proceeds of
6 the issue.

7 “(2) RULES REGARDING CONTINUING COMPLI-
8 ANCE AFTER 3-YEAR DETERMINATION.—If at least
9 95 percent of the proceeds of the issue is not ex-
10 pended for 1 or more qualified projects within the 3-
11 year period beginning on the date of issuance, an
12 issue shall be treated as continuing to meet the re-
13 quirements of this subsection if either—

14 “(A) the issuer uses all unspent proceeds
15 of the issue to redeem bonds of the issue within
16 90 days after the end of such 3-year period, or

17 “(B) the following requirements are met:

18 “(i) The issuer spends at least 75 per-
19 cent of the proceeds of the issue for 1 or
20 more qualified projects within the 3-year
21 period beginning on the date of issuance.

22 “(ii) The issuer has proceeded with
23 due diligence to spend the proceeds of the
24 issue within such 3-year period and con-

1 continues to proceed with due diligence to
2 spend such proceeds.

3 “(iii) The issuer pays to the Federal
4 Government any earnings on the proceeds
5 of the issue that accrue after the end of
6 such 3-year period.

7 “(iv) Either—

8 “(I) at least 95 percent of the
9 proceeds of the issue is expended for
10 1 or more qualified projects within the
11 4-year period beginning on the date of
12 issuance, or

13 “(II) the issuer uses all unspent
14 proceeds of the issue to redeem bonds
15 of the issue within 90 days after the
16 end of such 4-year period.

17 “(i) RECAPTURE OF PORTION OF CREDIT WHERE
18 CESSATION OF COMPLIANCE.—

19 “(1) IN GENERAL.—If any bond which when
20 issued purported to be a qualified Amtrak bond
21 ceases to be a qualified Amtrak bond, the issuer
22 shall pay to the United States (at the time required
23 by the Secretary) an amount equal to the sum of—

24 “(A) the aggregate of the credits allowable
25 under this section with respect to such bond

1 (determined without regard to subsection (e))
2 for taxable years ending during the calendar
3 year in which such cessation occurs and the 2
4 preceding calendar years, and

5 “(B) interest at the underpayment rate
6 under section 6621 on the amount determined
7 under subparagraph (A) for each calendar year
8 for the period beginning on the first day of
9 such calendar year.

10 “(2) FAILURE TO PAY.—If the issuer fails to
11 timely pay the amount required by paragraph (1)
12 with respect to such bond, the tax imposed by this
13 chapter on each holder of any such bond which is
14 part of such issue shall be increased (for the taxable
15 year of the holder in which such cessation occurs) by
16 the aggregate decrease in the credits allowed under
17 this section to such holder for taxable years begin-
18 ning in such 3 calendar years which would have re-
19 sulted solely from denying any credit under this sec-
20 tion with respect to such issue for such taxable
21 years.

22 “(3) SPECIAL RULES.—

23 “(A) TAX BENEFIT RULE.—The tax for
24 the taxable year shall be increased under para-
25 graph (2) only with respect to credits allowed

1 by reason of this section which were used to re-
2 duce tax liability. In the case of credits not so
3 used to reduce tax liability, the carryforwards
4 and carrybacks under section 39 shall be appro-
5 priately adjusted.

6 “(B) NO CREDITS AGAINST TAX.—Any in-
7 crease in tax under paragraph (2) shall not be
8 treated as a tax imposed by this chapter for
9 purposes of determining —

10 “(i) the amount of any credit allow-
11 able under this part, or

12 “(ii) the amount of the tax imposed
13 by section 55.

14 “(j) USE OF TRUST ACCOUNT.—

15 “(1) IN GENERAL.—The amount of any match-
16 ing contribution with respect to a qualified project
17 described in subsection (d)(3)(B)(i) or
18 (d)(3)(B)(ii)(II) and the temporary period invest-
19 ment earnings on proceeds of the issue with respect
20 to such project, and any earnings thereon, shall be
21 held in a trust account by a trustee independent of
22 the National Railroad Passenger Corporation to be
23 used to the extent necessary to redeem bonds which
24 are part of such issue.

1 “(2) USE OF REMAINING FUNDS IN TRUST AC-
2 COUNT.—Upon the repayment of the principal of all
3 qualified Amtrak bonds issued under this section,
4 any remaining funds in the trust account described
5 in paragraph (1) shall be available—

6 “(A) to the trustee described in paragraph
7 (1), to meet any remaining obligations under
8 any guaranteed investment contract used to se-
9 cure earnings sufficient to repay the principal
10 of such bonds, and

11 “(B) to the issuer, for any qualified
12 project.

13 “(k) OTHER SPECIAL RULES.—

14 “(1) PARTNERSHIP; S CORPORATION; AND
15 OTHER PASS-THRU ENTITIES.—Under regulations
16 prescribed by the Secretary, in the case of a partner-
17 ship, trust, S corporation, or other pass-thru entity,
18 rules similar to the rules of section 41(g) shall apply
19 with respect to the credit allowable under subsection
20 (a).

21 “(2) BONDS HELD BY REGULATED INVEST-
22 MENT COMPANIES.—If any qualified Amtrak bond is
23 held by a regulated investment company, the credit
24 determined under subsection (a) shall be allowed to

1 shareholders of such company under procedures pre-
2 scribed by the Secretary.

3 “(3) CREDITS MAY BE STRIPPED.—Under regu-
4 lations prescribed by the Secretary—

5 “(A) IN GENERAL.—There may be a sepa-
6 ration (including at issuance) of the ownership
7 of a qualified Amtrak bond and the entitlement
8 to the credit under this section with respect to
9 such bond. In case of any such separation, the
10 credit under this section shall be allowed to the
11 person who on the credit allowance date holds
12 the instrument evidencing the entitlement to
13 the credit and not to the holder of the bond.

14 “(B) CERTAIN RULES TO APPLY.—In the
15 case of a separation described in subparagraph
16 (A), the rules of section 1286 shall apply to the
17 qualified Amtrak bond as if it were a stripped
18 bond and to the credit under this section as if
19 it were a stripped coupon.

20 “(4) TREATMENT FOR ESTIMATED TAX PUR-
21 POSES.—Solely for purposes of sections 6654 and
22 6655, the credit allowed by this section to a tax-
23 payer by reason of holding a qualified Amtrak bond
24 on a credit allowance date shall be treated as if it

1 were a payment of estimated tax made by the tax-
2 payer on such date.

3 “(5) CREDIT MAY BE TRANSFERRED.—Nothing
4 in any law or rule of law shall be construed to limit
5 the transferability of the credit allowed by this sec-
6 tion through sale and repurchase agreements.

7 “(6) REPORTING.—Issuers of qualified Amtrak
8 bonds shall submit reports similar to the reports re-
9 quired under section 149(e).”.

10 (b) REPORTING.—Subsection (d) of section 6049 (re-
11 lating to returns regarding payments of interest), as
12 amended by section 505(d), is amended by adding at the
13 end the following new paragraph:

14 “(9) REPORTING OF CREDIT ON QUALIFIED AM-
15 TRAK BONDS.—

16 “(A) IN GENERAL.—For purposes of sub-
17 section (a), the term ‘interest’ includes amounts
18 includible in gross income under section 54(g)
19 and such amounts shall be treated as paid on
20 the credit allowance date (as defined in section
21 54(f)(2)).

22 “(B) REPORTING TO CORPORATIONS,
23 ETC.—Except as otherwise provided in regula-
24 tions, in the case of any interest described in
25 subparagraph (A) of this paragraph, subsection

1 (b)(4) of this section shall be applied without
2 regard to subparagraphs (A), (H), (I), (J), (K),
3 and (L)(i).

4 “(C) REGULATORY AUTHORITY.—The Sec-
5 retary may prescribe such regulations as are
6 necessary or appropriate to carry out the pur-
7 poses of this paragraph, including regulations
8 which require more frequent or more detailed
9 reporting.”.

10 (c) CLERICAL AMENDMENTS.—

11 (1) The table of subparts for part IV of sub-
12 chapter A of chapter 1 is amended by adding at the
13 end the following new item:

“Subpart H. Nonrefundable Credit for Holders of Qualified Am-
trak Bonds.”.

14 (2) Section 6401(b)(1) is amended by striking
15 “and G” and inserting “G, and H”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to obligations issued after Sep-
18 tember 30, 2000.

19 (e) MULTI-YEAR CAPITAL SPENDING PLAN AND
20 OVERSIGHT.—

21 (1) AMTRAK CAPITAL SPENDING PLAN.—

22 (A) IN GENERAL.—The National Railroad
23 Passenger Corporation shall annually submit to
24 the President and Congress a multi-year capital

1 spending plan, as approved by the Board of Di-
2 rectors of the Corporation.

3 (B) CONTENTS OF PLAN.—Such plan shall
4 identify the capital investment needs of the
5 Corporation over a period of not less than 5
6 years and the funding sources available to fi-
7 nance such needs and shall prioritize such
8 needs according to corporate goals and strate-
9 gies.

10 (C) INITIAL SUBMISSION DATE.—The first
11 plan shall be submitted before the issuance of
12 any qualified Amtrak bonds by the National
13 Railroad Passenger Corporation pursuant to
14 section 54 of the Internal Revenue Code of
15 1986 (as added by this section).

16 (2) OVERSIGHT OF AMTRAK TRUST ACCOUNT
17 AND QUALIFIED PROJECTS.—

18 (A) TRUST ACCOUNT OVERSIGHT.—The
19 Secretary of the Treasury shall annually report
20 to Congress as to whether the amount deposited
21 in the trust account established by the National
22 Railroad Passenger Corporation under section
23 54(i) of such Code (as so added) is sufficient to
24 fully repay at maturity the principal of any out-
25 standing qualified Amtrak bonds issued pursu-

1 ant to section 54 of such Code (as so added),
2 together with amounts expected to be deposited
3 into such account, as certified by the National
4 Railroad Passenger Corporation in accordance
5 with procedures prescribed by the Secretary of
6 the Treasury.

7 (B) PROJECT OVERSIGHT.—The National
8 Railroad Passenger Corporation shall contract
9 for an annual independent assessment of the
10 costs and benefits of the qualified projects fi-
11 nanced by such qualified Amtrak bonds, includ-
12 ing an assessment of the investment evaluation
13 process of the Corporation. The annual assess-
14 ment shall be included in the plan submitted
15 under paragraph (1).

16 (C) OVERSIGHT FUNDING.—Not more than
17 0.5 percent of the amounts made available
18 through the issuance of qualified Amtrak bonds
19 by the National Railroad Passenger Corpora-
20 tion pursuant to section 54 of such Code (as so
21 added) may be used by the National Railroad
22 Passenger Corporation for assessments de-
23 scribed in subparagraph (B).

24 (f) PROTECTION OF HIGHWAY TRUST FUND.—

1 (1) CERTIFICATION BY THE SECRETARY OF
2 THE TREASURY.—The issuance of any qualified Am-
3 trak bonds by the National Railroad Passenger Cor-
4 poration or the Alaska Railroad pursuant to section
5 54 of the Internal Revenue Code of 1986 (as added
6 by this section) is conditioned on certification by the
7 Secretary of the Treasury, after consultation with
8 the Secretary of Transportation, within 30 days of
9 a request by the issuer, that with respect to funds
10 of the Highway Trust Fund described under para-
11 graph (2), the issuer either—

12 (A) has not received such funds during fis-
13 cal years commencing with fiscal year 2001 and
14 ending before the fiscal year the bonds are
15 issued, or

16 (B) has repaid to the Highway Trust Fund
17 any such funds which were received during such
18 fiscal years.

19 (2) APPLICABILITY.—This subsection shall
20 apply to funds received directly, or indirectly from a
21 State or local transit authority, from the Highway
22 Trust Fund established under section 9503 of the
23 Internal Revenue Code of 1986, except for funds au-
24 thorized to be expended under section 9503(c) of

1 such Code, as in effect on the date of the enactment
2 of this Act.

3 (3) NO RETROACTIVE EFFECT.—Nothing in
4 this subsection shall adversely affect the entitlement
5 of the holders of qualified Amtrak bonds to the tax
6 credit allowed pursuant to section 54 of the Internal
7 Revenue Code of 1986 (as so added) or to repay-
8 ment of principal upon maturity.

9 **SEC. 714. FARM, FISHING, AND RANCH RISK MANAGEMENT**
10 **ACCOUNTS.**

11 (a) IN GENERAL.—Subpart C of part II of sub-
12 chapter E of chapter 1 (relating to taxable year for which
13 deductions taken) is amended by inserting after section
14 468B the following new section:

15 **“SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGE-**
16 **MENT ACCOUNTS.**

17 “(a) DEDUCTION ALLOWED.—In the case of an indi-
18 vidual engaged in an eligible farming business or commer-
19 cial fishing, there shall be allowed as a deduction for any
20 taxable year the amount paid in cash by the taxpayer dur-
21 ing the taxable year to a Farm, Fishing, and Ranch Risk
22 Management Account (hereinafter referred to as the
23 ‘FFARRM Account’).

24 “(b) LIMITATION.—

1 “(1) CONTRIBUTIONS.—The amount which a
2 taxpayer may pay into the FFARRM Account for
3 any taxable year shall not exceed 20 percent of so
4 much of the taxable income of the taxpayer (deter-
5 mined without regard to this section) which is at-
6 tributable (determined in the manner applicable
7 under section 1301) to any eligible farming business
8 or commercial fishing.

9 “(2) DISTRIBUTIONS.—Distributions from a
10 FFARRM Account may not be used to purchase,
11 lease, or finance any new fishing vessel, add capacity
12 to any fishery, or otherwise contribute to the over-
13 capitalization of any fishery. The Secretary of Com-
14 merce shall implement regulations to enforce this
15 paragraph.

16 “(c) ELIGIBLE BUSINESSES.—For purposes of this
17 section—

18 “(1) ELIGIBLE FARMING BUSINESS.—The term
19 ‘eligible farming business’ means any farming busi-
20 ness (as defined in section 263A(e)(4)) which is not
21 a passive activity (within the meaning of section
22 469(c)) of the taxpayer.

23 “(2) COMMERCIAL FISHING.—The term ‘com-
24 mercial fishing’ has the meaning given such term by
25 section (3) of the Magnuson-Stevens Fishery Con-

1 servation and Management Act (16 U.S.C. 1802)
2 but only if such fishing is not a passive activity
3 (within the meaning of section 469(c)) of the tax-
4 payer.

5 “(d) FFARRM ACCOUNT.—For purposes of this
6 section—

7 “(1) IN GENERAL.—The term ‘FFARRM Ac-
8 count’ means a trust created or organized in the
9 United States for the exclusive benefit of the tax-
10 payer, but only if the written governing instrument
11 creating the trust meets the following requirements:

12 “(A) No contribution will be accepted for
13 any taxable year in excess of the amount al-
14 lowed as a deduction under subsection (a) for
15 such year.

16 “(B) The trustee is a bank (as defined in
17 section 408(n)) or another person who dem-
18 onstrates to the satisfaction of the Secretary
19 that the manner in which such person will ad-
20 minister the trust will be consistent with the re-
21 quirements of this section.

22 “(C) The assets of the trust consist en-
23 tirely of cash or of obligations which have ade-
24 quate stated interest (as defined in section

1 1274(c)(2)) and which pay such interest not
2 less often than annually.

3 “(D) All income of the trust is distributed
4 currently to the grantor.

5 “(E) The assets of the trust will not be
6 commingled with other property except in a
7 common trust fund or common investment
8 fund.

9 “(2) ACCOUNT TAXED AS GRANTOR TRUST.—
10 The grantor of a FFARRM Account shall be treated
11 for purposes of this title as the owner of such Ac-
12 count and shall be subject to tax thereon in accord-
13 ance with subpart E of part I of subchapter J of
14 this chapter (relating to grantors and others treated
15 as substantial owners).

16 “(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

17 “(1) IN GENERAL.—Except as provided in para-
18 graph (2), there shall be includible in the gross in-
19 come of the taxpayer for any taxable year—

20 “(A) any amount distributed from a
21 FFARRM Account of the taxpayer during such
22 taxable year, and

23 “(B) any deemed distribution under—

24 “(i) subsection (f)(1) (relating to de-
25 posits not distributed within 5 years),

1 “(ii) subsection (f)(2) (relating to ces-
2 sation in eligible farming business), and

3 “(iii) subparagraph (B) or (C) of sub-
4 section (f)(3) (relating to prohibited trans-
5 actions and pledging account as security).

6 “(2) EXCEPTIONS.—Paragraph (1)(A) shall not
7 apply to—

8 “(A) any distribution to the extent attrib-
9 utable to income of the Account, and

10 “(B) the distribution of any contribution
11 paid during a taxable year to a FFARRM Ac-
12 count to the extent that such contribution ex-
13 ceeds the limitation applicable under subsection
14 (b) if requirements similar to the requirements
15 of section 408(d)(4) are met.

16 For purposes of subparagraph (A), distributions
17 shall be treated as first attributable to income and
18 then to other amounts.

19 “(f) SPECIAL RULES.—

20 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH
21 ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

22 “(A) IN GENERAL.—If, at the close of any
23 taxable year, there is a nonqualified balance in
24 any FFARRM Account—

1 “(i) there shall be deemed distributed
2 from such Account during such taxable
3 year an amount equal to such balance, and

4 “(ii) the taxpayer’s tax imposed by
5 this chapter for such taxable year shall be
6 increased by 10 percent of such deemed
7 distribution.

8 The preceding sentence shall not apply if an
9 amount equal to such nonqualified balance is
10 distributed from such Account to the taxpayer
11 before the due date (including extensions) for
12 filing the return of tax imposed by this chapter
13 for such year (or, if earlier, the date the tax-
14 payer files such return for such year).

15 “(B) NONQUALIFIED BALANCE.—For pur-
16 poses of subparagraph (A), the term ‘non-
17 qualified balance’ means any balance in the Ac-
18 count on the last day of the taxable year which
19 is attributable to amounts deposited in such Ac-
20 count before the 4th preceding taxable year.

21 “(C) ORDERING RULE.—For purposes of
22 this paragraph, distributions from a FFARRM
23 Account (other than distributions of current in-
24 come) shall be treated as made from deposits in

1 the order in which such deposits were made, be-
2 ginning with the earliest deposits.

3 “(2) CESSATION IN ELIGIBLE BUSINESS.—At
4 the close of the first disqualification period after a
5 period for which the taxpayer was engaged in an eli-
6 gible farming business or commercial fishing, there
7 shall be deemed distributed from the FFARRM Ac-
8 count of the taxpayer an amount equal to the bal-
9 ance in such Account (if any) at the close of such
10 disqualification period. For purposes of the pre-
11 ceding sentence, the term ‘disqualification period’
12 means any period of 2 consecutive taxable years for
13 which the taxpayer is not engaged in an eligible
14 farming business or commercial fishing.

15 “(3) CERTAIN RULES TO APPLY.—Rules similar
16 to the following rules shall apply for purposes of this
17 section:

18 “(A) Section 220(f)(8) (relating to treat-
19 ment on death).

20 “(B) Section 408(e)(2) (relating to loss of
21 exemption of account where individual engages
22 in prohibited transaction).

23 “(C) Section 408(e)(4) (relating to effect
24 of pledging account as security).

1 “(D) Section 408(g) (relating to commu-
2 nity property laws).

3 “(E) Section 408(h) (relating to custodial
4 accounts).

5 “(4) TIME WHEN PAYMENTS DEEMED MADE.—
6 For purposes of this section, a taxpayer shall be
7 deemed to have made a payment to a FFARRM Ac-
8 count on the last day of a taxable year if such pay-
9 ment is made on account of such taxable year and
10 is made on or before the due date (without regard
11 to extensions) for filing the return of tax for such
12 taxable year.

13 “(5) INDIVIDUAL.—For purposes of this sec-
14 tion, the term ‘individual’ shall not include an estate
15 or trust.

16 “(6) DEDUCTION NOT ALLOWED FOR SELF-EM-
17 PLOYMENT TAX.—The deduction allowable by reason
18 of subsection (a) shall not be taken into account in
19 determining an individual’s net earnings from self-
20 employment (within the meaning of section 1402(a))
21 for purposes of chapter 2.

22 “(g) REPORTS.—The trustee of a FFARRM Account
23 shall make such reports regarding such Account to the
24 Secretary and to the person for whose benefit the Account
25 is maintained with respect to contributions, distributions,

1 and such other matters as the Secretary may require
2 under regulations. The reports required by this subsection
3 shall be filed at such time and in such manner and fur-
4 nished to such persons at such time and in such manner
5 as may be required by such regulations.”.

6 (b) TAX ON EXCESS CONTRIBUTIONS.—

7 (1) Subsection (a) of section 4973 (relating to
8 tax on excess contributions to certain tax-favored ac-
9 counts and annuities) is amended by striking “or”
10 at the end of paragraph (3), by redesignating para-
11 graph (4) as paragraph (5), and by inserting after
12 paragraph (3) the following new paragraph:

13 “(4) a FFARRM Account (within the meaning
14 of section 468C(d)), or”.

15 (2) Section 4973 is amended by adding at the
16 end the following new subsection:

17 “(g) EXCESS CONTRIBUTIONS TO FFARRM AC-
18 COUNTS.—For purposes of this section, in the case of a
19 FFARRM Account (within the meaning of section
20 468C(d)), the term ‘excess contributions’ means the
21 amount by which the amount contributed for the taxable
22 year to the Account exceeds the amount which may be con-
23 tributed to the Account under section 468C(b) for such
24 taxable year. For purposes of this subsection, any con-
25 tribution which is distributed out of the FFARRM Ac-

1 count in a distribution to which section 468C(e)(2)(B) ap-
2 plies shall be treated as an amount not contributed.”.

3 (3) The section heading for section 4973 is
4 amended to read as follows:

5 **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-**
6 **COUNTS, ANNUITIES, ETC.”.**

7 (4) The table of sections for chapter 43 is
8 amended by striking the item relating to section
9 4973 and inserting the following new item:

“Sec. 4973. Excess contributions to certain accounts, annuities,
etc.”.

10 (c) TAX ON PROHIBITED TRANSACTIONS.—

11 (1) Subsection (c) of section 4975 (relating to
12 tax on prohibited transactions) is amended by add-
13 ing at the end the following new paragraph:

14 “(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—
15 A person for whose benefit a FFARRM Account
16 (within the meaning of section 468C(d)) is estab-
17 lished shall be exempt from the tax imposed by this
18 section with respect to any transaction concerning
19 such account (which would otherwise be taxable
20 under this section) if, with respect to such trans-
21 action, the account ceases to be a FFARRM Ac-
22 count by reason of the application of section
23 468C(f)(3)(A) to such account.”.

1 (2) Paragraph (1) of section 4975(e) is amend-
2 ed by redesignating subparagraphs (E) and (F) as
3 subparagraphs (F) and (G), respectively, and by in-
4 serting after subparagraph (D) the following new
5 subparagraph:

6 “(E) a FFARRM Account described in
7 section 468C(d).”.

8 (d) FAILURE TO PROVIDE REPORTS ON FFARRM
9 ACCOUNTS.—Paragraph (2) of section 6693(a) (relating
10 to failure to provide reports on certain tax-favored ac-
11 counts or annuities) is amended by redesignating subpara-
12 graphs (C) and (D) as subparagraphs (D) and (E), re-
13 spectively, and by inserting after subparagraph (B) the
14 following new subparagraph:

15 “(C) section 468C(g) (relating to
16 FFARRM Accounts).”.

17 (e) CLERICAL AMENDMENT.—The table of sections
18 for subpart C of part II of subchapter E of chapter 1 is
19 amended by inserting after the item relating to section
20 468B the following new item:

 “Sec. 468C. Farm, Fishing and Ranch Risk Management Ac-
 counts.”.

21 (f) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2000.

1 **SEC. 715. EXTENSION OF ENHANCED DEDUCTION FOR COR-**
2 **PORATE DONATIONS OF COMPUTER TECH-**
3 **NOLOGY.**

4 (a) **EXPANSION OF COMPUTER TECHNOLOGY DONA-**
5 **TIONS TO PUBLIC LIBRARIES.—**

6 (1) **IN GENERAL.**—Paragraph (6) of section
7 170(e) (relating to special rule for contributions of
8 computer technology and equipment for elementary
9 or secondary school purposes) is amended by strik-
10 ing “qualified elementary or secondary educational
11 contribution” each place it occurs in the headings
12 and text and inserting “qualified computer contribu-
13 tion”.

14 (2) **EXPANSION OF ELIGIBLE DONEES.**—Clause
15 (i) of section 170(e)(6)(B) (relating to qualified ele-
16 mentary or secondary educational contribution) is
17 amended by striking “or” at the end of subclause
18 (I), by adding “or” at the end of subclause (II), and
19 by inserting after subclause (II) the following new
20 subclause:

21 “(III) a public library (within the
22 meaning of section 213(2)(A) of the
23 Library Services and Technology Act
24 (20 U.S.C. 9122(2)(A)), as in effect
25 on the date of the enactment of the
26 Community Renewal and New Mar-

1 kets Act of 2000, established and
2 maintained by an entity described in
3 subsection (c)(1),”.

4 (3) EXTENSION OF DONATION PERIOD.—Clause
5 (ii) of section 170(e)(6)(B) is amended by striking
6 “2 years” and inserting “3 years”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 170(e)(6)(B)(iv) is amended by
9 striking “in any grades of the K–12”.

10 (2) The heading of paragraph (6) of section
11 170(e) is amended by striking “ELEMENTARY OR
12 SECONDARY SCHOOL PURPOSES” and inserting
13 “EDUCATIONAL PURPOSES”.

14 (c) EXTENSION OF DEDUCTION.—Section
15 170(e)(6)(F) (relating to termination) is amended by
16 striking “December 31, 2000” and inserting “December
17 31, 2003”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to contributions made after De-
20 cember 31, 2000.

1 **SEC. 716. RELIEF FROM FEDERAL TAX LIABILITY ARISING**
2 **WITH RESPECT TO CERTAIN CLAIMS AGAINST**
3 **THE DEPARTMENT OF AGRICULTURE FOR**
4 **DISCRIMINATION IN FARM CREDIT AND BEN-**
5 **EFIT PROGRAMS.**

6 Notwithstanding any provision of the Internal Rev-
7 enue Code of 1986, in the case of a person who is certified
8 to be a member of the plaintiff class in the settlement of
9 the consolidated actions entitled “Pigford, et al. v. Glick-
10 man”, No. 97–1978 (D.D.C.) (PLF), and “Brewington et
11 al. v. Glickman”, No. 98–1693 (D.D.C.) (PLF), gross in-
12 come for purposes of subtitle A of such Code shall not
13 include—

14 (1) any cash payment received before, on, or
15 after the date of the enactment of this Act by, or
16 made on behalf of, a person under such settlement,
17 and

18 (2) any amount which (but for this section)
19 would be includible in gross income by reason of the
20 discharge of indebtedness pursuant to such settle-
21 ment.

22 **SEC. 717. EXPANSION OF CREDIT FOR ADOPTION EX-**
23 **PENSES.**

24 (a) INCREASE IN EXPENSES ALLOWABLE FOR ADOP-
25 TION.—Paragraph (1) of section 23(b) (relating to dollar
26 limitation) is amended to read as follows:

1 “(1) DOLLAR LIMITATION.—

2 “(A) IN GENERAL.—The aggregate
 3 amount of qualified adoption expenses which
 4 may be taken into account under subsection (a)
 5 for all taxable years with respect to the adop-
 6 tion of a child by the taxpayer shall not exceed
 7 the applicable amount.

8 “(B) APPLICABLE AMOUNT.—For purposes
 9 of subparagraph (A)—

10 “(i) CHILD WITH SPECIAL NEEDS.—
 11 In the case of a child with special needs,
 12 the applicable amount for a taxable year
 13 shall be the amount determined in accord-
 14 ance with the following table:

“For taxable years beginning in:	The applicable amount is:
2001	\$8,000
2002	\$10,000
2003 and thereafter	\$12,000.

15 “(ii) OTHER CHILDREN.—In the case
 16 of a child who is not a child with special
 17 needs, the applicable amount for a taxable
 18 year shall be the amount determined in ac-
 19 cordance with the following table:

“For taxable years beginning in:	The applicable amount is:
2001	\$6,000
2002	\$7,000
2003	\$8,000
2004	\$9,000
2005 and thereafter	\$10,000.”.

1 (b) INCREASE IN INCOME LIMITATION.—Clause (i) of
2 section 23(b)(2)(A) (relating to income limitation) is
3 amended by striking “\$75,000” and inserting
4 “\$150,000”.

5 (c) EXTENSION OF SUNSET.—Subparagraph (B) of
6 section 23(d)(2) (relating to eligible child) is amended by
7 striking “2001” and inserting “2005”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2000.

11 **SEC. 718. STUDY CONCERNING UNITED STATES INSURANCE**
12 **COMPANIES WITH CERTAIN OFFSHORE REIN-**
13 **SURANCE AFFILIATES.**

14 (a) STUDY.—The Secretary of the Treasury shall
15 conduct a study on the extent to which United States tax
16 on investment income of United States insurance compa-
17 nies is being avoided through the use of affiliated corpora-
18 tions in Bermuda or other offshore locations. In con-
19 ducting such study, the Secretary shall—

20 (1) address issues concerning the application of
21 current United States tax law in preventing such
22 avoidance,

23 (2) examine changes to United States tax law
24 which may be needed to prevent such avoidance, and

1 (3) make such recommendations as the Sec-
2 retary considers appropriate.

3 (b) SUBMISSION OF STUDY TO CONGRESS.—Not
4 later than December 31, 2001, the Secretary shall submit
5 the study conducted under subsection (a), together with
6 recommendations thereon, to the Committee on Ways and
7 Means of the House of Representatives and the Committee
8 on Finance of the Senate.

9 **SEC. 719. TREATMENT OF INDIAN TRIBAL GOVERNMENTS**
10 **UNDER FEDERAL UNEMPLOYMENT TAX ACT.**

11 (a) IN GENERAL.—Section 3306(c)(7) (defining em-
12 ployment) is amended—

13 (1) by inserting “or in the employ of an Indian
14 tribe,” after “service performed in the employ of a
15 State, or any political subdivision thereof,”; and

16 (2) by inserting “or Indian tribes” after “whol-
17 ly owned by one or more States or political subdivi-
18 sions”.

19 (b) PAYMENTS IN LIEU OF CONTRIBUTIONS.—Sec-
20 tion 3309 (relating to State law coverage of services per-
21 formed for nonprofit organizations or governmental enti-
22 ties) is amended—

23 (1) in subsection (a)(2) by inserting “, includ-
24 ing an Indian tribe,” after “the State law shall pro-
25 vide that a governmental entity”;

1 (2) in subsection (b)(3)(B) by inserting “, or of
2 an Indian tribe” after “of a State or political sub-
3 division thereof”;

4 (3) in subsection (b)(3)(E) by inserting “or
5 tribal” after “the State”; and

6 (4) in subsection (b)(5) by inserting “or of an
7 Indian tribe” after “an agency of a State or political
8 subdivision thereof”.

9 (c) STATE LAW COVERAGE.—Section 3309 (relating
10 to State law coverage of services performed for nonprofit
11 organizations or governmental entities) is amended by
12 adding at the end the following new subsection:

13 “(d) ELECTION BY INDIAN TRIBE.—The State law
14 shall provide that an Indian tribe may make contributions
15 for employment as if the employment is within the mean-
16 ing of section 3306 or make payments in lieu of contribu-
17 tions under this section, and shall provide that an Indian
18 tribe may make separate elections for itself and each sub-
19 division, subsidiary, or business enterprise wholly owned
20 by such Indian tribe. State law may require a tribe to post
21 a payment bond or take other reasonable measures to as-
22 sure the making of payments in lieu of contributions under
23 this section. Notwithstanding the requirements of section
24 3306(a)(6), if, within 90 days of having received a notice
25 of delinquency, a tribe fails to make contributions, pay-

1 ments in lieu of contributions, or payment of penalties or
2 interest (at amounts or rates comparable to those applied
3 to all other employers covered under the State law) as-
4 sessed with respect to such failure, or if the tribe fails
5 to post a required payment bond, then service for the tribe
6 shall not be excepted from employment under section
7 3306(c)(7) until any such failure is corrected. This sub-
8 section shall apply to an Indian tribe within the meaning
9 of section 4(e) of the Indian Self-Determination and Edu-
10 cation Assistance Act (25 U.S.C. 450b(e)).”.

11 (d) DEFINITIONS.—Section 3306 (relating to defini-
12 tions) is amended by adding at the end the following new
13 subsection:

14 “(u) INDIAN TRIBE.—For purposes of this chapter,
15 the term ‘Indian tribe’ has the meaning given to such term
16 by section 4(e) of the Indian Self-Determination and Edu-
17 cation Assistance Act (25 U.S.C. 450b(e)), and includes
18 any subdivision, subsidiary, or business enterprise wholly
19 owned by such an Indian tribe.”.

20 (e) EFFECTIVE DATE; TRANSITION RULE.—

21 (1) EFFECTIVE DATE.—The amendments made
22 by this section shall apply to service performed on
23 or after the date of the enactment of this Act.

24 (2) TRANSITION RULE.—For purposes of the
25 Federal Unemployment Tax Act, service performed

1 in the employ of an Indian tribe (as defined in sec-
2 tion 3306(u) of the Internal Revenue Code of 1986
3 (as added by this section)) shall not be treated as
4 employment (within the meaning of section 3306 of
5 such Code) if—

6 (A) it is service which is performed before
7 the date of the enactment of this Act and with
8 respect to which the tax imposed under the
9 Federal Unemployment Tax Act has not been
10 paid, and

11 (B) such Indian tribe reimburses a State
12 unemployment fund for unemployment benefits
13 paid for service attributable to such tribe for
14 such period.

15 **Subtitle C—Technical Corrections**

16 **SEC. 721. AMENDMENTS RELATED TO TICKET TO WORK**

17 **AND WORK INCENTIVES IMPROVEMENT ACT**

18 **OF 1999.**

19 (a) AMENDMENTS RELATED TO SECTION 502 OF
20 THE ACT.—

21 (1) Section 280C(e)(1) is amended by striking
22 “or credit” after “deduction” each place it appears.

23 (2) Section 30A is amended by redesignating
24 subsections (f) and (g) as subsections (g) and (h),

1 respectively, and by inserting after subsection (e) the
2 following new subsection:

3 “(f) DENIAL OF DOUBLE BENEFIT.—Any wages or
4 other expenses taken into account in determining the cred-
5 it under this section may not be taken into account in de-
6 termining the credit under section 41.”

7 (b) AMENDMENT RELATED TO SECTION 545 OF THE
8 ACT.—Clause (ii) of section 857(b)(7)(B) is amended to
9 read as follows:

10 “(ii) EXCEPTION FOR CERTAIN
11 AMOUNTS.—Clause (i) shall not apply to
12 amounts received directly or indirectly by a
13 real estate investment trust—

14 “(I) for services furnished or ren-
15 dered by a taxable REIT subsidiary
16 that are described in paragraph
17 (1)(B) of section 856(d), or

18 “(II) from a taxable REIT sub-
19 sidiary that are described in para-
20 graph (7)(C)(ii) of such section.”

21 (c) CLARIFICATION RELATED TO SECTION 538 OF
22 THE ACT.—The reference to section 332(b)(1) of the In-
23 ternal Revenue Code of 1986 in Treasury Regulation sec-
24 tion 1.1502-34 shall be deemed to include a reference to
25 section 732(f) of such Code.

1 (d) EFFECTIVE DATE.—Subsection (c) and the
2 amendments made by this section shall take effect as if
3 included in the provisions of the Ticket to Work and Work
4 Incentives Improvement Act of 1999 to which they relate.

5 **SEC. 722. AMENDMENTS RELATED TO TAX AND TRADE RE-**
6 **LIEF EXTENSION ACT OF 1998.**

7 (a) AMENDMENT RELATED TO SECTION 1004(b) OF
8 THE ACT.—Subsection (d) of section 6104 is amended by
9 adding at the end the following new paragraph:

10 “(6) APPLICATION TO NONEXEMPT CHARI-
11 TABLE TRUSTS AND NONEXEMPT PRIVATE FOUNDA-
12 TIONS.—The organizations referred to in paragraphs
13 (1) and (2) of section 6033(d) shall comply with the
14 requirements of this subsection relating to annual
15 returns filed under section 6033 in the same manner
16 as the organizations referred to in paragraph (1).”.

17 (b) AMENDMENT RELATED TO SECTION 4003 OF
18 THE ACT.—Subsection (b) of section 4003 of the Tax and
19 Trade Relief Extension Act of 1998 is amended by insert-
20 ing “(7)(A)(i)(II),” after “(5)(A)(ii)(I),”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect as if included in the provisions
23 of the Tax and Trade Relief Extension Act of 1998 to
24 which they relate.

1 **SEC. 723. AMENDMENTS RELATED TO INTERNAL REVENUE**
2 **SERVICE RESTRUCTURING AND REFORM ACT**
3 **OF 1998.**

4 (a) AMENDMENTS RELATED TO INNOCENT SPOUSE
5 RELIEF.—

6 (1) ELECTION MAY BE MADE ANY TIME AFTER
7 DEFICIENCY ASSERTED.—Subparagraph (B) of sec-
8 tion 6015(c)(3) is amended by striking “shall be
9 made” and inserting “may be made at any time
10 after a deficiency for such year is asserted but”.

11 (2) CLARIFICATION REGARDING DISALLOWANCE
12 OF REFUNDS AND CREDITS UNDER SECTION
13 6015(c).—

14 (A) IN GENERAL.—Section 6015 is amend-
15 ed by redesignating subsection (g) as subsection
16 (h) and by inserting after subsection (f) the fol-
17 lowing new subsection:

18 “(g) CREDITS AND REFUNDS.—

19 “(1) IN GENERAL.—Except as provided in para-
20 graphs (2) and (3), notwithstanding any other law
21 or rule of law (other than section 6511, 6512(b),
22 7121, or 7122), credit or refund shall be allowed or
23 made to the extent attributable to the application of
24 this section.

25 “(2) RES JUDICATA.—In the case of any elec-
26 tion under subsection (b) or (c), if a decision of a

1 court in any prior proceeding for the same taxable
2 year has become final, such decision shall be conclu-
3 sive except with respect to the qualification of the
4 individual for relief which was not an issue in such
5 proceeding. The exception contained in the preceding
6 sentence shall not apply if the court determines that
7 the individual participated meaningfully in such
8 prior proceeding.

9 “(3) CREDIT AND REFUND NOT ALLOWED
10 UNDER SUBSECTION (c).—No credit or refund shall
11 be allowed as a result of an election under sub-
12 section (c).”.

13 (B) CONFORMING AMENDMENT.—Para-
14 graph (3) of section 6015(e) is amended to read
15 as follows:

16 “(3) LIMITATION ON TAX COURT JURISDIC-
17 TION.—If a suit for refund is begun by either indi-
18 vidual filing the joint return pursuant to section
19 6532—

20 “(A) the Tax Court shall lose jurisdiction
21 of the individual’s action under this section to
22 whatever extent jurisdiction is acquired by the
23 district court or the United States Court of
24 Federal Claims over the taxable years that are
25 the subject of the suit for refund, and

1 “(B) the court acquiring jurisdiction shall
2 have jurisdiction over the petition filed under
3 this subsection.”.

4 (3) CLARIFICATIONS REGARDING REVIEW BY
5 TAX COURT.—

6 (A) Paragraph (1) of section 6015(e) is
7 amended in the matter preceding subparagraph
8 (A) by inserting after “individual” the fol-
9 lowing: “against whom a deficiency has been as-
10 serted and”.

11 (B) Subparagraph (A) of section
12 6015(e)(1) is amended to read as follows:

13 “(A) IN GENERAL.—In addition to any
14 other remedy provided by law, the individual
15 may petition the Tax Court (and the Tax Court
16 shall have jurisdiction) to determine the appro-
17 priate relief available to the individual under
18 this section if such petition is filed—

19 “(i) at any time after the earlier of—

20 “(I) the date the Secretary mails,
21 by certified or registered mail to the
22 taxpayer’s last known address, notice
23 of the Secretary’s final determination
24 of relief available to the individual, or

1 “(II) the date which is 6 months
2 after the date such election is filed
3 with the Secretary, and

4 “(ii) not later than the close of the
5 90th day after the date described in clause
6 (i)(I).”.

7 (C) Subparagraph (B)(i) of section
8 6015(e)(1) is amended—

9 (i) by striking “until the expiration of
10 the 90-day period described in subpara-
11 graph (A)” and inserting “until the close
12 of the 90th day referred to in subpara-
13 graph (A)(ii)”, and

14 (ii) by inserting “under subparagraph
15 (A)” after “filed with the Tax Court”.

16 (D)(i) Subsection (e) of section 6015 is
17 amended by adding at the end the following
18 new paragraph:

19 “(5) WAIVER.—An individual who elects the ap-
20 plication of subsection (b) or (c) (and who agrees
21 with the Secretary’s determination of relief) may
22 waive in writing at any time the restrictions in para-
23 graph (1)(B) with respect to collection of the out-
24 standing assessment (whether or not a notice of the

1 Secretary's final determination of relief has been
2 mailed).”.

3 (ii) Paragraph (2) of section 6015(e) is
4 amended to read as follows:

5 “(2) SUSPENSION OF RUNNING OF PERIOD OF
6 LIMITATIONS.—The running of the period of limita-
7 tions in section 6502 on the collection of the assess-
8 ment to which the petition under paragraph (1)(A)
9 relates shall be suspended—

10 “(A) for the period during which the Sec-
11 retary is prohibited by paragraph (1)(B) from
12 collecting by levy or a proceeding in court and
13 for 60 days thereafter, and

14 “(B) if a waiver under paragraph (5) is
15 made, from the date the claim for relief was
16 filed until 60 days after the waiver is filed with
17 the Secretary.”.

18 (b) AMENDMENTS RELATED TO PROCEDURE AND
19 ADMINISTRATION.—

20 (1) DISPUTES INVOLVING \$50,000 OR LESS.—

21 Section 7463 is amended by adding at the end the
22 following new subsection:

23 “(f) ADDITIONAL CASES IN WHICH PROCEEDINGS
24 MAY BE CONDUCTED UNDER THIS SECTION.—At the op-
25 tion of the taxpayer concurred in by the Tax Court or a

1 division thereof before the hearing of the case, proceedings
2 may be conducted under this section (in the same manner
3 as a case described in subsection (a)) in the case of—

4 “(1) a petition to the Tax Court under section
5 6015(e) in which the amount of relief sought does
6 not exceed \$50,000, and

7 “(2) an appeal under section 6330(d)(1)(A) to
8 the Tax Court of a determination in which the un-
9 paid tax does not exceed \$50,000.”.

10 (2) AUTHORITY TO ENJOIN COLLECTION AC-
11 TIONS.—

12 (A) Section 6330(e)(1) is amended by add-
13 ing at the end the following: “Notwithstanding
14 the provisions of section 7421(a), the beginning
15 of a levy or proceeding during the time the sus-
16 pension under this paragraph is in force may be
17 enjoined by a proceeding in the proper court,
18 including the Tax Court. The Tax Court shall
19 have no jurisdiction under this paragraph to en-
20 join any action or proceeding unless a timely
21 appeal has been filed under subsection (d)(1)
22 and then only in respect of the unpaid tax or
23 proposed levy to which the determination being
24 appealed relates.”.

1 (B) Section 7421(a) is amended by insert-
2 ing “6330(e)(1),” after “6246(b),”.

3 (3) CLARIFICATION.—Paragraph (3) of section
4 6331(k) is amended by striking “(3), (4), and (5)”
5 and inserting “(3) and (4)”.

6 (c) AMENDMENT RELATED TO SECTION 1103 OF
7 THE ACT.—Paragraph (6) of section 6103(k) is
8 amended—

9 (1) by inserting “and an officer or employee of
10 the Office of Treasury Inspector General for Tax
11 Administration” after “internal revenue officer or
12 employee”, and

13 (2) by striking “INTERNAL REVENUE” in the
14 heading and inserting “CERTAIN”.

15 (d) AMENDMENT RELATED TO SECTION 3401 OF
16 THE ACT.—Section 6330(d)(1)(A) is amended by striking
17 “to hear” and inserting “with respect to”.

18 (e) AMENDMENT RELATED TO SECTION 3509 OF
19 THE ACT.—Subparagraph (A) of section 6110(g)(5) is
20 amended by inserting “, any Chief Counsel advice,” after
21 “technical advice memorandum”.

22 (f) EFFECTIVE DATES.—The amendments made by
23 subsections (a) and (b) shall take effect on the date of
24 the enactment of this Act. The amendments made by sub-
25 sections (c), (d), and (e) shall take effect as if included

1 in the provisions of the Internal Revenue Service Restruc-
2 turing and Reform Act of 1998 to which they relate.

3 **SEC. 724. AMENDMENTS RELATED TO TAXPAYER RELIEF**

4 **ACT OF 1997.**

5 (a) AMENDMENT RELATED TO SECTION 101 OF THE
6 ACT.—Paragraph (4) of section 6211(b) is amended by
7 striking “sections 32 and 34” and inserting “sections
8 24(d), 32, and 34”.

9 (b) AMENDMENT RELATED TO SECTION 302 OF THE
10 ACT.—The last sentence of section 3405(e)(1)(B) is
11 amended by inserting “(other than a Roth IRA)” after
12 “individual retirement plan”.

13 (c) AMENDMENT TO SECTION 311 OF THE ACT.—
14 Paragraph (3) of section 311(e) of the Taxpayer Relief
15 Act of 1997 (relating to election to recognize gain on as-
16 sets held on January 1, 2001) is amended by adding at
17 the end the following new sentence: “Such an election shall
18 not apply to any asset which is disposed of (in a trans-
19 action in which gain or loss is recognized in whole or in
20 part) before the close of the 1-year period beginning on
21 the date that the asset would have been treated as sold
22 under such election.”

23 (d) AMENDMENT RELATED TO SECTION 402 OF THE
24 ACT.—The flush sentence at the end of clause (ii) of sec-
25 tion 56(a)(1)(A) is amended by inserting before “or to any

1 other property” the following: “(and the straight line
2 method shall be used for such 1250 property)”.

3 (e) AMENDMENTS RELATED TO SECTION 1072 OF
4 THE ACT.—

5 (1) Clause (ii) of section 415(c)(3)(D) and sub-
6 paragraph (B) of section 403(b)(3) are each amend-
7 ed by striking “section 125 or” and inserting “sec-
8 tion 125, 132(f)(4), or”.

9 (2) Paragraph (2) of section 414(s) is amended
10 by striking “section 125, 402(e)(3)” and inserting
11 “section 125, 132(f)(4), 402(e)(3)”.

12 (f) AMENDMENT RELATED TO SECTION 1454 OF THE
13 ACT.—Subsection (a) of section 7436 is amended by in-
14 serting before the period at the end of the first sentence
15 “and the proper amount of employment tax under such
16 determination”.

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

20 **SEC. 725. AMENDMENTS RELATED TO BALANCED BUDGET**
21 **ACT OF 1997.**

22 (a) AMENDMENTS RELATED TO SECTION 9302 OF
23 THE ACT.—

24 (1) Paragraph (1) of section 9302(j) of the Bal-
25 anced Budget Act of 1997 is amended by striking

1 “tobacco products and cigarette papers and tubes”
2 and inserting “cigarettes”.

3 (2)(A) Subsection (h) of section 5702 is amend-
4 ed to read as follows:

5 “(h) MANUFACTURER OF CIGARETTE PAPERS AND
6 TUBES.—‘Manufacturer of cigarette papers and tubes’
7 means any person who manufactures cigarette paper, or
8 makes up cigarette paper into tubes, except for his own
9 personal use or consumption.”

10 (B) Section 5702, as amended by subparagraph
11 (A), is amended by striking subsection (f) and by re-
12 designating subsections (g) through (p) as sub-
13 sections (f) through (o), respectively.

14 (3) Subsection (c) of section 5761 is amended
15 by adding at the end the following: “This subsection
16 and section 5754 shall not apply to any person who
17 relands or receives tobacco products in the quantity
18 allowed entry free of tax and duty under chapter 98
19 of the Harmonized Tariff Schedule of the United
20 States, and such person may voluntarily relinquish
21 to the Secretary at the time of entry any excess of
22 such quantity without incurring the penalty under
23 this subsection. No quantity of tobacco products
24 other than the quantity referred to in the preceding

1 sentence may be related or received as a personal
2 use quantity.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in section 9302
5 of the Balanced Budget Act of 1997.

6 **SEC. 726. AMENDMENTS RELATED TO SMALL BUSINESS JOB**
7 **PROTECTION ACT OF 1996.**

8 (a) AMENDMENT RELATED TO SECTION 1201 OF
9 THE ACT.—Subparagraph (B) of section 51(d)(2) is
10 amended—

11 (1) by striking “plan approved” and inserting
12 “program funded”, and

13 (2) by striking “(relating to assistance for
14 needy families with minor children)”.

15 (b) AMENDMENT RELATED TO SECTION 1302 OF
16 THE ACT.—Clause (i) of section 1361(e)(1)(A) is amended
17 by striking “or” before “(III)” and by adding at the end
18 the following: “or (IV) an organization described in section
19 170(c)(1) which holds a contingent interest in such trust
20 and is not a potential current beneficiary,”.

21 (c) AMENDMENT RELATED TO SECTION 1401 OF
22 THE ACT.—Clause (ii) of section 401(k)(10)(B) is amend-
23 ed by adding at the end the following new sentence: “Such
24 term includes a distribution of an annuity contract from—

1 “(I) a trust which forms a part
2 of a plan described in section 401(a)
3 and which is exempt from tax under
4 section 501(a), or

5 “(II) an annuity plan described
6 in section 403(a).”.

7 (d) AMENDMENT RELATED TO SECTION 1427 OF
8 THE ACT.—Clause (ii) of section 219(c)(1)(B) is amended
9 by striking “and” at the end of subclause (I), by redesignig-
10 nating subclause (II) as subclause (III), and by inserting
11 after subclause (I) the following new subclause:

12 “(II) the amount of any des-
13 ignated nondeductible contribution (as
14 defined in section 408(o)) on behalf of
15 such spouse for such taxable year,
16 and”.

17 (e) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect as if included in the provisions
19 of the Small Business Job Protection Act of 1996 to which
20 they relate.

21 **SEC. 727. AMENDMENT RELATED TO REVENUE RECONCILI-**
22 **ATION ACT OF 1990.**

23 (a) AMENDMENT RELATED TO SECTION 11511 OF
24 THE ACT.—Subparagraph (C) of section 43(c)(1) is
25 amended—

1 (1) by inserting “(as defined in section
2 193(b))” after “expenses”, and

3 (2) by striking “under section 193”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall take effect as if included in section
6 11511 of the Revenue Reconciliation Act of 1990.

7 **SEC. 728. OTHER TECHNICAL CORRECTIONS.**

8 (a) MODIFIED ENDOWMENT CONTRACTS.—

9 (1) Paragraph (2) of section 7702A(a) is
10 amended by inserting “or this paragraph” before the
11 period.

12 (2) Clause (ii) of section 7702A(c)(3)(A) is
13 amended by striking “under the contract” and in-
14 serting “under the old contract”.

15 (3) The amendments made by this subsection
16 shall take effect as if included in the amendments
17 made by section 5012 of the Technical and Miscella-
18 neous Revenue Act of 1988.

19 (b) AFFILIATED CORPORATIONS IN CONTEXT OF
20 WORTHLESS SECURITIES.—

21 (1) Subparagraph (A) of section 165(g)(3) is
22 amended to read as follows:

23 “(A) the taxpayer owns directly stock in
24 such corporation meeting the requirements of
25 section 1504(a)(2), and”.

1 (2) Paragraph (3) of section 165(g) is amended
2 by striking the last sentence.

3 (3) The amendments made by this subsection
4 shall apply to taxable years beginning after Decem-
5 ber 31, 1984.

6 (c) CERTAIN ANNUITIES ISSUED BY TAX-EXEMPT
7 ORGANIZATIONS NOT TREATED AS DEBT INSTRUMENTS
8 UNDER ORIGINAL ISSUE DISCOUNT RULES.—

9 (1) Clause (ii) of section 1275(a)(1)(B) is
10 amended by striking “subchapter L” and inserting
11 “subchapter L (or by an entity described in section
12 501(c) and exempt from tax under section 501(a)
13 which would be subject to tax under subchapter L
14 were it not so exempt)”.

15 (2) The amendment made by this subsection
16 shall take effect as if included in the amendments
17 made by section 41 of the Tax Reform Act of 1984.

18 (d) TENTATIVE CARRYBACK ADJUSTMENTS OF
19 LOSSES FROM SECTION 1256 CONTRACTS.—

20 (1) Subsection (a) of section 6411 is amended
21 by striking “section 1212(a)(1)” and inserting “sub-
22 section (a)(1) or (c) of section 1212”.

23 (2) The amendment made by paragraph (1)
24 shall take effect as if included in the amendments

1 made by section 504 of the Economic Recovery Tax
2 Act of 1981.

3 (e) CORRECTION OF CALCULATION OF AMOUNTS TO
4 BE DEPOSITED IN HIGHWAY TRUST FUND.—

5 (1) Subsection (b) of section 9503 is amended
6 by striking paragraph (5) and redesignating para-
7 graph (6) as paragraph (5).

8 (2) The amendment made by paragraph (1)
9 shall apply with respect to taxes received in the
10 Treasury after the date of the enactment of this Act.

11 (f) EXPENDITURES FROM VACCINE INJURY COM-
12 PENSATION TRUST FUND.—Section 9510(c)(1)(A) is
13 amended by striking “December 31, 1999” and inserting
14 “October 18, 2000”.

15 **SEC. 729. CLERICAL CHANGES.**

16 (1) Clause (i) of section 45(d)(7)(A) is amended
17 by striking “paragraph (3)(A)” and inserting “sub-
18 section (c)(3)(A)”.

19 (2) Subsection (f) of section 67 is amended by
20 striking “the last sentence” and inserting “the sec-
21 ond sentence”.

22 (3) The heading for paragraph (5) of section
23 408(d) is amended to read as follows:

1 “(5) DISTRIBUTIONS OF EXCESS CONTRIBU-
2 TIONS AFTER DUE DATE FOR TAXABLE YEAR AND
3 CERTAIN EXCESS ROLLOVER CONTRIBUTIONS.—”.

4 (4) Paragraph (3) of section 475(g) is amended
5 by striking “267(b) of” and inserting “267(b) or”.

6 (5) The heading for subparagraph (B) of sec-
7 tion 529(e)(3) is amended by striking “UNDER
8 GUARANTEED PLANS”.

9 (6) Clause (iii) of section 530(d)(4)(B) is
10 amended by striking “; or” at the end and inserting
11 “ , or”.

12 (7) Paragraphs (1)(C) and (2)(C) of section
13 664(d) are each amended by striking the period
14 after “subsection (g)”.

15 (8)(A) Subsection (e) of section 678 is amended
16 by striking “an electing small business corporation”
17 and inserting “an S corporation”.

18 (B) Clause (v) of section 6103(e)(1)(D) is
19 amended to read as follows:

20 “(v) if the corporation was an S cor-
21 poration, any person who was a share-
22 holder during any part of the period cov-
23 ered by such return during which an elec-
24 tion under section 1362(a) was in effect,
25 or”.

1 (9) Paragraph (7) of section 856(c) is amended
2 by striking “paragraph (4)(B)(ii)(III)” and inserting
3 “paragraph (4)(B)(iii)(III)”

4 (10) Subparagraph (A) of section 856(l)(4) is
5 amended by striking “paragraph (9)(D)(ii)” and in-
6 serting “subsection (d)(9)(D)(ii)”.

7 (11) Subparagraph (B) of section 871(f)(2) is
8 amended by striking “19 U.S.C.” and inserting “(19
9 U.S.C.”.

10 (12) Subparagraph (B) of section 995(b)(3) is
11 amended by striking “the Military Security Act of
12 1954 (22 U.S.C. 1934)” and inserting “section 38
13 of the International Security Assistance and Arms
14 Export Control Act of 1976 (22 U.S.C. 2778)”.

15 (13) Section 1391(g)(3)(C) is amended by
16 striking “paragraph (1)(B)” and inserting “para-
17 graph (1)”.

18 (14)(A) Paragraph (2) of section 2035(c) is
19 amended by striking “paragraph (1)” and inserting
20 “subsection (a)”.

21 (B) Subsection (d) of section 2035 is amended
22 by inserting “and paragraph (1) of subsection (c)”
23 after “Subsection (a)”.

1 (15) Paragraph (5) of section 3121(a) is
2 amended by striking the semicolon at the end of
3 subparagraph (G) and inserting a comma.

4 (16) Subparagraph (B) of section 4946(c)(3) is
5 amended by striking “the lowest rate of compensa-
6 tion prescribed for GS–16 of the General Schedule
7 under section 5332” and inserting “the lowest rate
8 of basic pay for the Senior Executive Service under
9 section 5382”.

10 (17) Subsection (p) of section 6103 is
11 amended—

12 (A) in paragraph (4), in the matter pre-
13 ceding subparagraph (A)—

14 (i) by striking the second comma after
15 “(13)”, and

16 (ii) by striking “(7)” and all that fol-
17 lows through “shall, as a condition” and
18 inserting “(7), (8), (9), (12), (15), or (16)
19 or any other person described in subsection
20 (l)(16) shall, as a condition”, and

21 (B) in paragraph (4)(F)(ii), by striking the
22 second comma after “(14)”.

23 (18) Paragraph (5) of section 6166(k) is
24 amended by striking “2035(d)(4)” and inserting
25 “2035(c)(2)”.

1 (19) Subsection (a) of section 6512 is amended
2 by striking “; and” at the end of paragraphs (1),
3 (2), and (5) and inserting “, and”.

4 (20) Paragraph (1) of section 6611(g) is
5 amended by striking the comma after “(b)(3)”.

6 (21) Subparagraphs (A) and (B) of section
7 6655(e)(5) are amended by striking “subsections
8 (d)(5) and (l)(3)(B)” and inserting “subsection
9 (d)(5)”.

10 (22) The subchapter heading for subchapter D
11 of chapter 67 is amended by capitalizing the first
12 letter of the second word.

13 (23)(A) Section 6724(d)(1)(B) is amended by
14 striking clauses (xiv) through (xvii) and inserting
15 the following:

16 “(xiv) subparagraph (A) or (C) of
17 subsection (c)(4) of section 4093 (relating
18 to information reporting with respect to
19 tax on diesel and aviation fuels),

20 “(xv) section 4101(d) (relating to in-
21 formation reporting with respect to fuels
22 taxes),

23 “(xvi) subparagraph (C) of section
24 338(h)(10) (relating to information re-
25 quired to be furnished to the Secretary in

1 case of elective recognition of gain or loss),
2 or
3 “(xvii) section 264(f)(5)(A)(iv) (relat-
4 ing to reporting with respect to certain life
5 insurance and annuity contracts), and”.

6 (B) Section 6010(o)(4)(C) of the Internal Rev-
7 enue Service Restructuring and Reform Act of 1998
8 is amended by striking “inserting ‘or’, and by add-
9 ing at the end” and inserting “inserting ‘, or’, and
10 by adding after subparagraph (Z)”.

11 (24) Subsection (a) of section 7421 is amended
12 by striking “6672(b)” and inserting “6672(c)”.

13 (25) Paragraph (3) of section 7430(c) is
14 amended—

15 (A) in the paragraph heading, by striking
16 “ATTORNEYS” and inserting “ATTORNEYS”,
17 and

18 (B) in subparagraph (B), by striking “at-
19 torneys fees” each place it appears and insert-
20 ing “attorneys’ fees”.

21 (26) Paragraph (2) of section 7603(b) is
22 amended by striking the semicolon at the end of
23 subparagraphs (A), (B), (C), (D), (E), (F), and (G)
24 and inserting a comma.

1 (27) Clause (ii) of section 7802(b)(2)(B) is
2 amended by striking “; and” at the end and insert-
3 ing “, and”.

4 (28) Paragraph (3) of section 7811(a) is
5 amended by striking “taxpayer assistance order”
6 and inserting “Taxpayer Assistance Order”.

7 (29) Paragraph (1) of section 7811(d) is
8 amended by striking “Ombudsman’s” and inserting
9 “National Taxpayer Advocate’s”.

10 (30) Paragraph (3) of section 7872(f) is
11 amended by striking “foregoing” and inserting “for-
12 going”.

13 **Subtitle D—Pay-Go Adjustment**

14 **SEC. 731. AVOIDANCE OF A PAY-GO SEQUESTRATION FOR** 15 **FISCAL YEAR 2001.**

16 (a) PAY-GO ADJUSTMENTS.—(1) In preparing the
17 final sequestration report required by section 254(f)(3) of
18 the Balanced Budget and Emergency Deficit Control Act
19 of 1985 for fiscal year 2001, in addition to the information
20 required by that section, the Director of the Office of Man-
21 agement and Budget shall change any balance of direct
22 spending and receipts legislation for fiscal year 2001
23 under section 252 of that Act to zero.

24 (2) Notwithstanding Rule 3 of the Budget
25 Scorekeeping Guidelines set forth in the joint explanatory

1 statement of the committee of conference accompanying
2 the conference report on the bill H.R. 2015 of the 105th
3 Congress (House Report No. 105–217, filed July 30,
4 1997), the legislation enacted in sections 504 and 505 of
5 the Department of Transportation and Related Agencies
6 Appropriations Act, 2001, section 312 of the Legislative
7 Branch Appropriations Act, 2001, and section 1003 of di-
8 vision B of H.R. 4516 (106th Congress), as enacted, that
9 would have been estimated by the Office of Management
10 and Budget as changing direct spending or receipts under
11 section 252 of the Balanced Budget and Emergency Def-
12 icit Control Act of 1985 were it included in an Act other
13 than an appropriations Act shall be treated as direct
14 spending or receipts legislation, as appropriate, under sec-
15 tion 252 of the Balanced Budget and Emergency Deficit
16 Control Act of 1985.

17 (b) EXEMPTION OF CERTAIN BUDGETARY REPORTS
18 FROM TERMINATION.—Section 3003(a)(1) of the Federal
19 Reports Elimination and Sunset Act of 1995 (31 U.S.C.
20 1113 note) does not apply to any report required to be
21 submitted under any of the following provisions of law:

22 (1) Sections 1105(a), 1106(a) and (b), and
23 1109(a) of title 31, United States Code, and any
24 other law relating to the budget of the United States
25 Government.

1 (2) The Balanced Budget and Emergency Def-
2 icit Control Act of 1985 (2 U.S.C. 900 et seq.).

3 (3) Sections 202(e)(1) and (3) of the Congres-
4 sional Budget Act of 1974 (2 U.S.C. 602(e)(1) and
5 (3)).

6 (4) Section 1014(e) of the Congressional Budg-
7 et and Impoundment Control Act of 1974 (2 U.S.C.
8 685(e)).

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