

108TH CONGRESS  
2D SESSION

# H. R. 4840

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IN THE SENATE OF THE UNITED STATES

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Read twice and referred to the Committee on Finance

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## AN ACT

To amend the Internal Revenue Code of 1986 to simplify  
the taxation of businesses.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Tax Simplification for  
3 America’s Job Creators Act of 2004”.

4 **SEC. 2. 2-YEAR EXTENSION OF INCREASED EXPENSING FOR**  
5 **SMALL BUSINESS.**

6 Subsections (b), (c), and (d) of section 179 of the  
7 Internal Revenue Code of 1986 are each amended by  
8 striking “2006” each place it appears and inserting  
9 “2008”.

10 **SEC. 3. INDEXING OF GROSS RECEIPTS TEST FOR CASH**  
11 **METHOD OF ACCOUNTING.**

12 (a) IN GENERAL.—Section 448(c) of the Internal  
13 Revenue Code of 1986 is amended by adding at the end  
14 the following new paragraph:

15 “(4) INFLATION ADJUSTMENT OF GROSS RE-  
16 CEIPTS TEST.—In the case of any taxable year be-  
17 ginning in a calendar year after 2003, the  
18 \$5,000,000 dollar amount in paragraph (1) shall be  
19 increased by an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-  
22 mined under section 1(f)(3) for such calendar  
23 year by substituting ‘calendar year 2002’ for  
24 ‘calendar year 1992’ in subparagraph (B)  
25 thereof.

1 If any amount as adjusted under the preceding sentence  
2 is not a multiple of \$100,000, such amount shall be round-  
3 ed to the nearest multiple of \$100,000.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 448(b)(3) of such Code is amended  
6 by striking “\$5,000,000” both places it appears in  
7 the heading and text.

8 (2) Section 448(c) of such Code is amended by  
9 striking “\$5,000,000” in the heading and the first  
10 place it appears in paragraph (1) thereof.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2003.

14 **SEC. 4. SIMPLIFICATION THROUGH ELIMINATION OF INOP-**  
15 **ERATIVE PROVISIONS.**

16 (a) IN GENERAL.—

17 (1) GENERAL BUSINESS CREDITS.—Subsection  
18 (d) of section 38 of the Internal Revenue Code of  
19 1986 is amended by striking paragraph (3).

20 (2) CARRYBACK AND CARRYFORWARD OF UN-  
21 USED CREDITS.—Subsection (d) of section 39 of  
22 such Code is amended by striking paragraphs (1)  
23 through (8) and by redesignating paragraphs (9)  
24 and (10) as paragraphs (1) and (2), respectively.

1           (3) ADJUSTMENTS BASED ON ADJUSTED CUR-  
2           RENT EARNINGS.—Clause (ii) of section 56(g)(4)(F)  
3           of such Code is amended by striking “In the case of  
4           any taxable year beginning after December 31,  
5           1992, clause” and inserting “Clause”.

6           (4) ITEMS OF TAX PREFERENCE; DEPLETION.—  
7           Paragraph (1) of section 57(a) of such Code is  
8           amended by striking “Effective with respect to tax-  
9           able years beginning after December 31, 1992, this”  
10          and inserting “This”.

11          (5) INTANGIBLE DRILLING COSTS.—

12           (A) Clause (i) of section 57(a)(2)(E) of  
13           such Code is amended by striking “In the case  
14           of any taxable year beginning after December  
15           31, 1992, this” and inserting “This”.

16           (B) Clause (ii) of section 57(a)(2)(E) of  
17           such Code is amended by striking “(30 percent  
18           in the case of taxable years beginning in  
19           1993)”.

20          (6) GREAT PLAINS CONSERVATION PROGRAM.—  
21          Section 126(a) of such Code is amended by striking  
22          paragraph (6) and by redesignating paragraphs (7),  
23          (8), (9), and (10) as paragraphs (6), (7), (8), and  
24          (9), respectively.

1           (7) TREBLE DAMAGE PAYMENTS UNDER THE  
2           ANTITRUST LAW.—Section 162(g) of such Code is  
3           amended by striking the last sentence.

4           (8) CHARITABLE, ETC., CONTRIBUTIONS AND  
5           GIFTS.—Section 170 of such Code is amended by  
6           striking subsection (k).

7           (9) NET OPERATING LOSS CARRYBACKS AND  
8           CARRYOVERS.—

9           (A) Section 172 of such Code is amend-  
10          ed—

11           (i) by striking subparagraph (D) of  
12           subsection (b)(1) and by redesignating  
13           subparagraphs (E), (F), (G), and (H) as  
14           subparagraphs (D), (E), (F), and (G), re-  
15           spectively,

16           (ii) by striking “ending after August  
17           2, 1989” in subsection (b)(1)(D)(i)(II) (as  
18           redesignated by clause (i)),

19           (iii) by striking “subparagraph (F)”  
20           in subsection (b)(1)(G) (as redesignated by  
21           clause (i)) and inserting “subparagraph  
22           (E)”,

23           (iv) by striking subsection (g), and

24           (v) by striking subparagraph (F) of  
25           subsection (h)(2).

1           (B) Section 172(h)(4) of such Code is  
2 amended by striking “subsection (b)(1)(E)”  
3 each place it appears and inserting “subsection  
4 (b)(1)(D)”.

5           (C) Section 172(i)(3) of such Code is  
6 amended by striking “subsection (b)(1)(G)”  
7 each place it appears and inserting “subsection  
8 (b)(1)(F)”.

9           (D) Section 172(j) of such Code is amend-  
10 ed by striking “subsection (b)(1)(H)” each  
11 place it appears and inserting “subsection  
12 (b)(1)(G)”.

13           (E) Section 172 of such Code, as amended  
14 by subparagraphs (A) through (D) of this para-  
15 graph, is amended—

16                 (i) by redesignating subsections (h),  
17                 (i), and (j) as subsections (g), (h), and (i),  
18                 respectively,

19                 (ii) by striking “subsection (h)” each  
20                 place it appears and inserting “subsection  
21                 (g)”, and

22                 (iii) by striking “subsection (i)” each  
23                 place it appears and inserting “subsection  
24                 (h)”.

1           (10) RESEARCH AND EXPERIMENTAL EXPENDI-  
2           TURES.—Subparagraph (A) of section 174(a)(2) of  
3           such Code is amended to read as follows:

4           “(A) WITHOUT CONSENT.—A taxpayer  
5           may, without the consent of the Secretary,  
6           adopt the method provided in this subsection  
7           for his first taxable year for which expenditures  
8           described in paragraph (1) are paid or in-  
9           curred.”.

10          (11) AMORTIZATION OF CERTAIN RESEARCH  
11          AND EXPERIMENTAL EXPENDITURES.—Paragraph  
12          (2) of section 174(b) of such Code is amended by  
13          striking “beginning after December 31, 1953”.

14          (12) SOIL AND WATER CONSERVATION EXPEND-  
15          ITURES.—Paragraph (1) of section 175(d) of such  
16          Code is amended to read as follows:

17          “(1) WITHOUT CONSENT.—A taxpayer may,  
18          without the consent of the Secretary, adopt the  
19          method provided in this section for the taxpayer’s  
20          first taxable year for which expenditures described in  
21          subsection (a) are paid or incurred.”.

22          (13) ACTIVITIES NOT ENGAGED IN FOR PROF-  
23          IT.—Section 183(e)(1) of such Code is amended by  
24          striking the last sentence.

1           (14) DIVIDENDS RECEIVED ON CERTAIN PRE-  
2           FERRED STOCK; AND DIVIDENDS PAID ON CERTAIN  
3           PREFERRED STOCK OF PUBLIC UTILITIES.—

4           (A) Sections 244 and 247 of such Code are  
5           hereby repealed, and the table of sections for  
6           part VIII of subchapter B of chapter 1 of such  
7           Code is amended by striking the items relating  
8           to sections 244 and 247.

9           (B) Paragraph (5) of section 172(d) of  
10          such Code is amended to read as follows:

11          “(5) COMPUTATION OF DEDUCTION FOR DIVI-  
12          DENDS RECEIVED.—The deductions allowed by sec-  
13          tion 243 (relating to dividends received by corpora-  
14          tions) and 245 (relating to dividends received from  
15          certain foreign corporations) shall be computed with-  
16          out regard to section 246(b) (relating to limitation  
17          on aggregate amount of deductions).”.

18          (C) Paragraph (1) of section 243(c) of  
19          such Code is amended to read as follows:

20          “(1) IN GENERAL.—In the case of any dividend  
21          received from a 20-percent owned corporation, sub-  
22          section (a)(1) shall be applied by substituting ‘80  
23          percent’ for ‘70 percent’.”.

24          (D) Section 243(d) of such Code is amend-  
25          ed by striking paragraph (4).

1 (E) Section 246 of such Code is amend-  
2 ed—

3 (i) by striking “, 244,” in subsection  
4 (a)(1),

5 (ii) in subsection (b)(1)—

6 (I) by striking “sections  
7 243(a)(1), and 244(a),” the first  
8 place it appears and inserting “section  
9 243(a)(1)”,

10 (II) by striking “244(a),” the  
11 second place it appears, and

12 (III) by striking “subsection (a)  
13 or (b) of section 245, and 247,” and  
14 inserting “and subsection (a) or (b) of  
15 section 245,” and

16 (iii) by striking “, 244,” in subsection  
17 (c)(1).

18 (F) Section 246A of such Code is amended  
19 by striking “, 244,” both places it appears in  
20 subsections (a) and (e).

21 (G) Sections 263(g)(2)(B)(iii), 277(a),  
22 301(e)(2), 469(e)(4), 512(a)(3)(A), subpara-  
23 graphs (A), (C), and (D) of section 805(a)(4),  
24 805(b)(5), 812(e)(2)(A), 815(c)(2)(A)(iii),  
25 832(b)(5), 833(b)(3)(E), and 1059(b)(2)(B) of

1           such Code are each amended by striking “,  
2           244,” each place it appears.

3           (H) Section 1244(c)(2)(C) of such Code is  
4           amended by striking “244.”

5           (I) Section 805(a)(4)(B) of such Code is  
6           amended by striking “, 244(a),” each place it  
7           appears.

8           (J) Section 810(c)(2)(B) of such Code is  
9           amended by striking “244 (relating to dividends  
10          on certain preferred stock of public utilities),”.

11          (15) ORGANIZATION EXPENSES.—Section  
12          248(c) of such Code is amended by striking “begin-  
13          ning after December 31, 1953,” and by striking the  
14          last sentence.

15          (16) AMOUNT OF GAIN WHERE LOSS PRE-  
16          VIOUSLY DISALLOWED.—Section 267(d) of such  
17          Code is amended by striking “(or by reason of sec-  
18          tion 24(b) of the Internal Revenue Code of 1939)”  
19          in paragraph (1), by striking “after December 31,  
20          1953,” in paragraph (2), by striking the second sen-  
21          tence, and by striking “or by reason of section 118  
22          of the Internal Revenue Code of 1939” in the last  
23          sentence.

24          (17) ACQUISITIONS MADE TO EVADE OR AVOID  
25          INCOME TAX.—Paragraphs (1) and (2) of section

1 269(a) of such Code are each amended by striking  
2 “or acquired on or after October 8, 1940,”.

3 (18) INTEREST ON INDEBTEDNESS INCURRED  
4 BY CORPORATIONS TO ACQUIRE STOCK OR ASSETS  
5 OF ANOTHER CORPORATION.—Section 279 of such  
6 Code is amended—

7 (A) by striking “after December 31,  
8 1967,” in subsection (a)(2),

9 (B) by striking “after October 9, 1969,” in  
10 subsection (b), and

11 (C) by striking “after October 9, 1969,  
12 and” in subsection (d)(5).

13 (19) SPECIAL RULES RELATING TO CORPORATE  
14 PREFERENCE ITEMS.—Paragraph (4) of section  
15 291(a) of such Code is amended by striking “In the  
16 case of taxable years beginning after December 31,  
17 1984, section” and inserting “Section”.

18 (20) TAX CREDIT EMPLOYEE STOCK OWNER-  
19 SHIP PLANS.—Section 409 of such Code is amended  
20 by striking subsection (q).

21 (21) FUNDING STANDARDS.—Section  
22 412(m)(4) of such Code is amended—

23 (A) by striking “the applicable percentage”  
24 in subparagraph (A) and inserting “25 per-  
25 cent”, and

1 (B) by striking subparagraph (C) and by  
2 redesignating subparagraph (D) as subpara-  
3 graph (C).

4 (22) RETIREE HEALTH ACCOUNTS.—Section  
5 420 of such Code is amended—

6 (A) by striking paragraph (4) of subsection  
7 (b) and by redesignating paragraph (5) as para-  
8 graph (4), and

9 (B) by amending paragraph (2) of sub-  
10 section (c) to read as follows:

11 “(2) REQUIREMENTS RELATING TO PENSION  
12 BENEFITS ACCRUING BEFORE TRANSFER.—The re-  
13 quirements of this paragraph are met if the plan  
14 provides that the accrued pension benefits of any  
15 participant or beneficiary under the plan become  
16 nonforfeitable in the same manner which would be  
17 required if the plan had terminated immediately be-  
18 fore the qualified transfer (or in the case of a partic-  
19 ipant who separated during the 1-year period ending  
20 on the date of the transfer, immediately before such  
21 separation).”.

22 (23) EMPLOYEE STOCK PURCHASE PLANS.—  
23 Section 423(a) of such Code is amended by striking  
24 “after December 31, 1963,”.

1           (24) LIMITATION ON DEDUCTIONS FOR CER-  
2 TAIN FARMING.—

3           (A) Section 464 of such Code is amended  
4 by striking “any farming syndicate (as defined  
5 in subsection (c))” both places it appears in  
6 subsections (a) and (b) and inserting “any tax-  
7 payer to whom subsection (d) applies”.

8           (B)(i) Subsection (c) of section 464 of  
9 such Code is hereby moved to the end of section  
10 461 and redesignated as subsection (j).

11          (ii) Such subsection (j) of such Code is  
12 amended—

13           (I) by striking “For purposes of this  
14 section” in paragraph (1) and inserting  
15 “For purposes of subsection (i)(4)”, and

16           (II) by adding at the end the fol-  
17 lowing new paragraphs:

18          “(3) FARMING.—For purposes of this sub-  
19 section, the term ‘farming’ has the meaning given to  
20 such term by section 464(e).

21          “(4) LIMITED ENTREPRENEUR.—For purposes  
22 of this subsection, the term ‘limited entrepreneur’  
23 means a person who—

24           “(A) has an interest in an enterprise other  
25 than as a limited partner, and

1           “(B) does not actively participate in the  
2 management of such enterprise.”.

3           (iii) Paragraph (4) of section 461(i) of  
4 such Code is amended by striking “section  
5 464(c)” and inserting “subsection (j)”.

6           (C) Section 464 of such Code is amend-  
7 ed—

8                   (i) by striking subsections (e) and (g)  
9 and redesignating subsections (d) and (f)  
10 as subsections (c) and (d), respectively,  
11 and

12                   (ii) by adding at the end the following  
13 new subsection:

14           “(e) FARMING.—For purposes of this section, the  
15 term ‘farming’ means the cultivation of land or the raising  
16 or harvesting of any agricultural or horticultural com-  
17 modity including the raising, shearing, feeding, caring for,  
18 training, and management of animals. For purposes of the  
19 preceding sentence, trees (other than trees bearing fruit  
20 or nuts) shall not be treated as an agricultural or horti-  
21 cultural commodity.”.

22           (D) Subsection (d) of section 464 of such  
23 Code, as redesignated by subparagraph (C), is  
24 amended—

1 (i) by striking paragraph (1) and re-  
2 designating paragraphs (2), (3), and (4) as  
3 paragraphs (1), (2), and (3), respectively,  
4 and

5 (ii) by striking “SUBSECTIONS (a)  
6 AND (b) TO APPLY TO” in the subsection  
7 heading.

8 (E) Subparagraph (A) of section 58(a)(2)  
9 of such Code is amended by striking “section  
10 464(c)” and inserting “section 461(j)”.

11 (25) DEDUCTIONS LIMITED TO AMOUNT AT  
12 RISK.—Paragraph (3) of section 465(c) of such  
13 Code is amended by striking “In the case of taxable  
14 years beginning after December 31, 1978, this” and  
15 inserting “This”.

16 (26) NUCLEAR DECOMMISSIONING COSTS.—Sec-  
17 tion 468A(e)(2) of such Code is amended—

18 (A) by striking “at the rate set forth in  
19 subparagraph (B)” in subparagraph (A) and in-  
20 serting “at the rate of 20 percent”, and

21 (B) by striking subparagraph (B) and by  
22 redesignating subparagraphs (C) and (D) as  
23 subparagraphs (B) and (C), respectively.

24 (27) PASSIVE ACTIVITY LOSSES AND CREDITS  
25 LIMITED.—

1 (A) Section 469 of such Code is amended  
2 by striking subsection (m).

3 (B) Subsection (b) of section 58 of such  
4 Code is amended by adding “and” at the end  
5 of paragraph (1), by striking paragraph (2), and  
6 by redesignating paragraph (3) as paragraph  
7 (2).

8 (28) ADJUSTMENTS REQUIRED BY CHANGES IN  
9 METHOD OF ACCOUNTING.—Section 481(b)(3) of  
10 such Code is amended by striking subparagraph (C).

11 (29) EXEMPTION FROM TAX ON CORPORATIONS,  
12 CERTAIN TRUSTS, ETC.—Section 501 of such Code  
13 is amended by striking subsection (q).

14 (30) REQUIREMENTS FOR EXEMPTION.—

15 (A) Section 503(a)(1) of such Code is  
16 amended to read as follows:

17 “(1) GENERAL RULE.—An organization de-  
18 scribed in paragraph (17) or (18) of section 501(c)  
19 or described in section 401(a) and referred to in sec-  
20 tion 4975(g)(2) or (3) shall not be exempt from tax-  
21 ation under section 501(a) if it has engaged in a  
22 prohibited transaction.”.

23 (B) Paragraph (2) of section 503(a) of  
24 such Code is amended by striking “described in  
25 section 501(c)(17) or (18) or paragraph

1 (a)(1)(B)” and inserting “described in para-  
2 graph (1)”.

3 (C) Subsection (c) of section 503 of such  
4 Code is amended by striking “described in sec-  
5 tion 501(c)(17) or (18) or subsection  
6 (a)(1)(B)” and inserting “described in sub-  
7 section (a)(1)”.

8 (31) INSURANCE COMPANY TAXABLE INCOME.—

9 (A) Section 832(e) of such Code is amend-  
10 ed by striking “of taxable years beginning after  
11 December 31, 1966,”.

12 (B) Section 832(e)(6) of such Code is  
13 amended by striking “In the case of any taxable  
14 year beginning after December 31, 1970, the”  
15 and inserting “The”.

16 (32) PROPERTY ON WHICH LESSEE HAS MADE  
17 IMPROVEMENTS.—Section 1019 of such Code is  
18 amended by striking the last sentence.

19 (33) INVOLUNTARY CONVERSION.—Section  
20 1033 of such Code is amended by striking sub-  
21 section (j) and by redesignating subsection (k) as  
22 subsection (j).

23 (34) PROPERTY ACQUIRED DURING AFFILI-  
24 ATION.—Section 1051 of such Code is hereby re-  
25 pealed, and the table of sections for part IV of sub-

1 chapter O of chapter 1 is amended by striking the  
2 item relating to section 1051.

3 (35) HOLDING PERIOD OF PROPERTY.—

4 (A) Paragraph (5) of section 1223 of such  
5 Code is amended by striking “(or under so  
6 much of section 1052(c) as refers to section  
7 113(a)(23) of the Internal Revenue Code of  
8 1939)”.

9 (B) Paragraph (7) of section 1223 of such  
10 Code is amended by striking the last sentence.

11 (C) Paragraph (9) of section 1223 of such  
12 Code is repealed.

13 (36) PROPERTY USED IN THE TRADE OR BUSI-  
14 NESS AND INVOLUNTARY CONVERSIONS.—Subpara-  
15 graph (A) of section 1231(c)(2) of such Code is  
16 amended by striking “beginning after December 31,  
17 1981”.

18 (37) SALE OR EXCHANGE OF PATENTS.—Sec-  
19 tion 1235 of such Code is amended—

20 (A) by striking subsection (e) and by re-  
21 designating subsections (d) and (e) as sub-  
22 sections (e) and (d), respectively, and

23 (B) by striking “subsection (d)” in sub-  
24 section (b) and inserting “subsection (e)”.

1           (38) DEALERS IN SECURITIES.—Subsection (b)  
2 of section 1236 of such Code is amended by striking  
3 “after November 19, 1951,”.

4           (39) SALE OF PATENTS.—Subsection (a) of sec-  
5 tion 1249 of such Code is amended by striking  
6 “after December 31, 1962,”.

7           (40) GAIN FROM DISPOSITION OF FARM  
8 LAND.—Paragraph (1) of section 1252(a) of such  
9 Code is amended by striking “after December 31,  
10 1969,” both places it appears.

11           (41) TREATMENT OF AMOUNTS RECEIVED ON  
12 RETIREMENT OR SALE OR EXCHANGE OF DEBT IN-  
13 STRUMENTS.—Subsection (c) of section 1271 of  
14 such Code is amended to read as follows:

15           “(c) SPECIAL RULE FOR CERTAIN OBLIGATIONS  
16 WITH RESPECT TO WHICH ORIGINAL ISSUE DISCOUNT  
17 NOT CURRENTLY INCLUDIBLE.—

18           “(1) IN GENERAL.—On the sale or exchange of  
19 debt instruments issued by a government or political  
20 subdivision thereof after December 31, 1954, and  
21 before July 2, 1982, or by a corporation after De-  
22 cember 31, 1954, and on or before May 27, 1969,  
23 any gain realized which does not exceed—

24           “(A) an amount equal to the original issue  
25 discount, or

1           “(B) if at the time of original issue there  
2           was no intention to call the debt instrument be-  
3           fore maturity, an amount which bears the same  
4           ratio to the original issue discount as the num-  
5           ber of complete months that the debt instru-  
6           ment was held by the taxpayer bears to the  
7           number of complete months from the date of  
8           original issue to the date of maturity,  
9           shall be considered as ordinary income.

10           “(2) SUBSECTION (a)(2)(A) NOT TO APPLY.—  
11           Subsection (a)(2)(A) shall not apply to any debt in-  
12           strument referred to in subparagraph (A) of this  
13           paragraph.

14           “(3) CROSS REFERENCE.—

**“For current inclusion of original issue discount,  
          see section 1272.”.**

15           (42) AMOUNT AND METHOD OF ADJUST-  
16           MENT.—Section 1314 of such Code is amended by  
17           striking subsection (d) and by redesignating sub-  
18           section (e) as subsection (d).

19           (43) ELECTION; REVOCATION; TERMINATION.—  
20           Clause (iii) of section 1362(d)(3) of such Code is  
21           amended by striking “unless” and all that follows  
22           and inserting “unless the corporation was an S cor-  
23           poration for such taxable year.”.

1           (44) AFFILIATED GROUP DEFINED.—Subpara-  
2           graph (A) of section 1504(a)(3) of such Code is  
3           amended by striking “for a taxable year which in-  
4           cludes any period after December 31, 1984” in  
5           clause (i) and by striking “in a taxable year begin-  
6           ning after December 31, 1984” in clause (ii).

7           (45) DISALLOWANCE OF THE BENEFITS OF  
8           THE GRADUATED CORPORATE RATES AND ACCUMU-  
9           LATED EARNINGS CREDIT.—

10           (A) Subsection (a) of section 1551 of such  
11           Code is amended—

12                   (i) by striking paragraph (1) and by  
13                   redesignating paragraphs (2) and (3) as  
14                   paragraphs (1) and (2), respectively, and

15                   (ii) by striking “after June 12, 1963,”  
16                   each place it appears.

17           (B) Section 1551(b) of such Code is  
18           amended—

19                   (i) by striking “or (2)” in paragraph  
20                   (1), and

21                   (ii) by striking “(a)(3)” in paragraph  
22                   (2) and inserting “(a)(2)”.

23           (46) DEFINITION OF WAGES.—

24           (A) Section 3121(b) of such Code is  
25           amended by striking paragraph (17).

1 (B) Section 210(a) of the Social Security  
2 Act is amended by striking paragraph (17).

3 (47) CREDITS AGAINST TAX.—

4 (A) Paragraph (4) of section 3302(f) of  
5 such Code is amended—

6 (i) by striking “subsection—” and all  
7 that follows through “(A) IN GENERAL.—  
8 The” and inserting “subsection, the,

9 (ii) by striking subparagraph (B),

10 (iii) by redesignating clauses (i) and  
11 (ii) as subparagraphs (A) and (B), respec-  
12 tively, and

13 (iv) by moving the text of such sub-  
14 paragraphs (as so redesignated) 2 ems to  
15 the left.

16 (B) Paragraph (5) of section 3302(f) of  
17 such Code is amended by striking subparagraph  
18 (D) and by redesignating subparagraph (E) as  
19 subparagraph (D).

20 (48) DOMESTIC SERVICE EMPLOYMENT  
21 TAXES.—Section 3510(b) of such Code is amended  
22 by striking paragraph (4).

23 (49) TAX ON FUEL USED IN COMMERCIAL  
24 TRANSPORTATION ON INLAND WATERWAYS.—Section

1 4042(b)(2)(A) of such Code is amended to read as  
2 follows:

3 “(A) The Inland Waterways Trust Fund  
4 financing rate is 20 cents per gallon.”.

5 (50) TRANSPORTATION BY AIR.—Section  
6 4261(e) of such Code is amended—

7 (A) in paragraph (1) by striking subpara-  
8 graph (C), and

9 (B) by striking paragraph (5).

10 (51) TAXES ON FAILURE TO DISTRIBUTE IN-  
11 COME.—

12 (A) Paragraph (2) of section 4942(f) of  
13 such Code is amended by striking the semicolon  
14 at the end of subparagraph (B) and inserting “,  
15 and”, by striking “; and” at the end of sub-  
16 paragraph (C) and inserting a period, and by  
17 striking subparagraph (D).

18 (B) Subsection (g) of section 4942 of such  
19 Code is amended—

20 (i) by striking “For all taxable years  
21 beginning on or after January 1, 1975,  
22 subject” in paragraph (2)(A) and inserting  
23 “Subject”, and

24 (ii) by striking paragraph (4).

1           (C) Section 4942(i)(2) of such Code is  
2           amended by striking “beginning after December  
3           31, 1969, and”.

4           (52) TAXES ON TAXABLE EXPENDITURES.—  
5           Section 4945(f) of such Code is amended by striking  
6           “(excluding therefrom any preceding taxable year  
7           which begins before January 1, 1970)”.

8           (53) RETURNS.—Subsection (a) of section  
9           6039D of such Code is amended by striking “begin-  
10          ning after December 31, 1984,”.

11          (54) INFORMATION RETURNS.—Subsection (c)  
12          of section 6060 of such Code is amended by striking  
13          “year” and all that follows and inserting “year.”.

14          (55) CANAL ZONE.—Subparagraph (A) of sec-  
15          tion 6103(b)(5) of such Code is amended by striking  
16          “the Canal Zone,”.

17          (56) ABATEMENTS.—Section 6404(f) of such  
18          Code is amended by striking paragraph (3).

19          (57) FAILURE BY CORPORATION TO PAY ESTI-  
20          MATED INCOME TAX.—Clause (i) of section  
21          6655(g)(4)(A) of such Code is amended by striking  
22          “(or the corresponding provisions of prior law)”.

23          (58) MERCHANT MARINE CAPITAL CONSTRUC-  
24          TION FUNDS.—Paragraph (4) of section 7518(g) of  
25          such Code is amended by striking “any nonqualified

1 withdrawal” and all that follows through “shall be  
2 determined” and inserting “any nonqualified with-  
3 drawal shall be determined”.

4 (59) VALUATION TABLES.—

5 (A) Subsection (c) of section 7520 of such  
6 Code is amended by striking paragraph (2) and  
7 by redesignating paragraph (3) as paragraph  
8 (2).

9 (B) Paragraph (2) of section 7520(c) of  
10 such Code, as so redesignated, is amended—

11 (i) by striking “Not later than Decem-  
12 ber 31, 1989, the” and inserting “The”,  
13 and

14 (ii) by striking “thereafter” in the last  
15 sentence thereof.

16 (60) ADMINISTRATION AND COLLECTION OF  
17 TAXES IN POSSESSIONS.—Section 7651 of such Code  
18 is amended by striking paragraph (4) and by red-  
19 ignating paragraph (5) as paragraph (4).

20 (61) DEFINITION OF EMPLOYEE.—Section  
21 7701(a)(20) of such Code is amended by striking  
22 “chapter 21” and all that follows and inserting  
23 “chapter 21.”.

24 (b) EFFECTIVE DATE.—

1           (1) GENERAL RULE.—Except as otherwise pro-  
2           vided in paragraph (2), the amendments made by  
3           subsection (a) shall take effect on the date of enact-  
4           ment of this Act.

5           (2) SAVINGS PROVISION.—If—

6           (A) any provision amended or repealed by  
7           subsection (a) applied to—

8           (i) any transaction occurring before  
9           the date of the enactment of this Act,

10          (ii) any property acquired before such  
11          date of enactment, or

12          (iii) any item of income, loss, deduc-  
13          tion, or credit taken into account before  
14          such date of enactment, and

15          (B) the treatment of such transaction,  
16          property, or item under such provision would  
17          (without regard to the amendments made by  
18          subsection (a)) affect the liability for tax for pe-  
19          riods ending after such date of enactment,  
20          nothing in the amendments made by subsection (a)  
21          shall be construed to affect the treatment of such  
22          transaction, property, or item for purposes of deter-

1 mining liability for tax for periods ending after such  
2 date of enactment.

Passed the House of Representatives July 21, 2004.

Attest: JEFF TRANDAHL,  
*Clerk.*