

PROVIDING FOR THE CONSIDERATION OF H.R. 1215, THE
CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995

APRIL 4, 1995.—Referred to the House Calendar and ordered to be printed

Mr. SOLOMON, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 128]

The Committee on Rules, having had under consideration House Resolution 128, by a record vote of 9 to 4, report the same to the House with the recommendation that the resolution be adopted.

BRIEF SUMMARY AND EXPLANATION OF PROVISIONS OF RESOLUTION

The resolution provides for the consideration of H.R. 1215, the "Contract With America Tax Relief Act of 1995" under a modified closed rule.

The rule waives all points of order against the bill (see next paragraph for an explanation of known waivers needed). The rule provides four hours of general debate, with two-hours allocated to the Ways and Means Committee, and one-hour each to the Budget and Commerce committees. The rule makes in order the text of H.R. 1327, as modified by the amendment printed in the Committee report, as the base bill for amendment purposes. All points of order against the amendment are waived. The rule makes in order one amendment in the nature of a substitute by Representative Gephardt of Missouri which is non-amendable but subject to one hour of debate. All points of order are waived against the Gephardt amendment. Finally, the rule provides one motion to recommit, with or without instructions.

Two Budget Act points of order lie against the bill: section 303(a) for revenue changes preempting the coming budget resolution for fiscal year 1996; and section 311(a) for breaching the five-year revenue floor. Those points of order would also lie against the amendment in the nature of a substitute made in order as base text as well as the Gephardt substitute. In addition, both substitutes re-

quire a waiver of clause 7 of rule XVI, germaneness, since they contain matters from unrelated bills to offset the revenue losses; and the base text and Gephardt substitutes require a waiver of clause 5(a) of rule XXI, prohibiting appropriations in a legislative bill, because of its disposition of the U.S. Uranium Enrichment Corporation appropriations. Because all three vehicles may have other vulnerabilities, the Committee waived all points of order out of caution.

EXPLANATION OF MODIFICATION TO H.R. 1327

The modification to H.R. 1327 (which is made base text for amendment purposes by the rule) does two things:

First, it takes out a tax provision contained in the Commerce Committee's title III relating to the Privatization of the Uranium Enrichment Corporation. This is being done at the request of Chairman Archer of the Ways and Means Committee, with the agreement of the Commerce Committee. The tax provision in question was not referred to or reported by his committee.

Second, the modification contains a revised version of the Upton-Castle-Martini amendment tying the tax provisions to deficit reduction and a balanced budget. The revised amendment makes the effectiveness of the tax provisions contingent upon the adoption of a fiscal 1996 budget resolution that will project a balanced budget by the year 2002; and on a confirmation in the reconciliation conference report that it meets the required deficit reduction targets. Thereafter, the amendment calls for annual monitoring of the deficit reduction targets and congressional action if necessary to bring the deficit back within the projected levels to achieve a balanced budget by 2002.

Note.—No explanation or summary of the Gephardt amendment in the nature of a substitute was provided at the time the revised version was filed with the Committee at noon on Tuesday, April 4th.

COMMITTEE VOTES

Pursuant to clause 2(l)(B) of House rule XI the results of each rollcall vote on an amendment or motion to report, together with the names of those voting for and against, are printed below. The amendment numbers by the names of Members are the numbers assigned to amendments in the order they were filed with the Rules Committee. A summary of each amendment filed is included following the rollcall votes for reference purposes:

RULES COMMITTEE ROLLCALL NO. 121

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Ms. Pryce.

Summary of Motion: Make in order amendment No. 24 by Rep. Ganske.

Results: Rejected, 6 to 7.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Yea; Diaz-Balart—Nay; McInnis—Nay;

Waldholtz—Yea; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 122

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Moakley.

Summary of Motion: Allow a division of the question and a separate vote on titles II and V (H.R. 1215), the senior citizen equity provisions.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Yea; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 123

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 1 by Rep. Frost.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 124

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 19 by Rep. Browder.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 125

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 36 by Rep. Harman.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;

Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 126

Date: April 4, 1995.

Measure: Rule for consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Moakley.

Summary of Motion: Make in order amendment No. 23 by Reps.
Kennedy and Burton.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 127

Date: April 4, 1995.

Measure: Rule for consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Hall.

Summary of Motion: Make in order amendment No. 34 by Rep.
Wolf.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 128

Date: April 4, 1995.

Measure: Rule for consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Hall.

Summary of Motion: Make in order amendment No. 22 by Rep.
Pryce.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 129

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Moakley.

Summary of Motion: Make in order amendment No. 25 by Rep.
Kleczka.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;

Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 130

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Hall.

Summary of Motion: Make in order amendment No. 8 by Rep.
Bunning.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 131

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 3 by Rep.
Kennelly.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 132

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 30 by Rep.
Pomeroy.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;
Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 133

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With
America Tax Relief Act.

Motion By: Mr. Beilenson.

Summary of Motion: Make in order amendment No. 21 by Rep.
Wyden.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay;
Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay;

Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea;
Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 134

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Beilenson.

Summary of Motion: Make in order amendment No. 41 by Rep. Kleczka.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 135

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Frost.

Summary of Motion: Make in order amendment No. 33 by Rep. Evans.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 136

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Beilenson.

Summary of Motion: Make in order amendments: No. 35 by Rep. Stupak, No. 18 by Rep. Schiff, and No. 9 by Reps. Nadler and Lowey.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 137

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Beilenson.

Summary of Motion: Make in order amendments: No. 6 by Rep. Traficant, No. 7 by Rep. Meehan, No. 16 and No. 17 by Rep. Schiff, and No. 32 by Rep. Abercrombie.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 138

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Hall.

Summary of Motion: Make in order amendments: No. 4 by Rep. Sanders, and No. 39 by Rep. Orton.

Results: Rejected, 4 to 9.

Vote by Member: Quillen—Nay; Dreier—Nay; Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; McInnis—Nay; Waldholtz—Nay; Moakley—Yea; Beilenson—Yea; Frost—Yea; Hall—Yea; Solomon—Nay.

RULES COMMITTEE ROLLCALL NO. 139

Date: April 4, 1995.

Measure: Rule for the consideration of H.R. 1215, Contract With America Tax Relief Act.

Motion By: Mr. Quillen.

Summary of Motion: Report rule favorably to the House.

Results: Adopted, 9 to 4.

Vote by Member: Quillen—Yea; Dreier—Yea; Goss—Yea; Linder—Yea; Pryce—Yea; Diaz-Balart—Yea; McInnis—Yea; Waldholtz—Yea; Moakley—Nay; Beilenson—Nay; Frost—Nay; Hall—Nay; Solomon—Yea.

AMENDMENTS SUBMITTED TO THE RULES COMMITTEE ON H.R. 1215

APRIL 3 (3:00 P.M.)

1. Frost (TX)—Prohibit the enactment of the tax provisions until the OMB Director certifies that the federal budget has been balanced for one fiscal year.

2. Bass (NH)—Delays effective date of H.R. 1215 until which time Congress adopts a budget resolution which projects a balanced federal budget by fiscal year 2002.

3. Kennelly—Increase the Social Security retirement test for the blind from the current law \$11,280 annually by \$2,000 a year through 1999 when it would be \$19,280 and then all the way to \$30,000 in 2000.

4. Sanders—Amends IRA provisions of H.R. 1215: increases levels of tax deductible IRA contributions, increases the income thresholds that set eligibility for deductibility of IRA contributions, authorizes additional IRA contributions for nonworking spouses, allows penalty-free withdrawals for middle-class taxpayers. Finances tax changes by establishment of a minimum tax on the income of foreign-owned companies.

5. Traficant—Establishes a 10% domestic investment tax credit for purchased goods comprised of parts and services of which more than 50% are American-made.

6. Traficant—Reduces the capital gains tax to 10% with the proceeds used to purchase public debt obligations. Proceeds of the sale must be invested in government securities.

7. Meehan—Reduces the capital gains tax rate to 23.5 percent for productive assets held for 3 years or longer; to 19 percent for assets held 6 years or longer; indexes rates for inflation.

8. Bunning—Amends the adoption tax credit to allow an individual to carry forward the balance of the available \$5,000 in tax credit and claim it against their tax liability in any future taxable year.

9. Nadler/Lowey—Allows for the immediate repeal of the tax on Social Security; pays for this by striking the provisions eliminating the corporate minimum tax.

10. Nadler—Require that tax liability be indexed to compensate for regional differences in the cost of living.

11. Porter—Delays implementation of the tax cuts until the budget is in balance and the tax cut would not result in a budget deficit.

12. Kolbe/Knollenberg—Creates a non-refundable 100% tax credit for up to \$100 per wage earner/per year for donations to charities engaged in helping low-income Americans. Funds resulting in loss in revenue by repealing the EITC expansion enacted in OBRA '93.

13. Zeliff/Istook—Ties the implementation of tax cuts to the ability of Congress to reach established spending cut targets (which establish a glide path to a balanced budget by 2002). Tax cuts would remain in effect so long as Congress met the established spending target each year.

14. Engel—Allows individuals to withdraw funding from an American Dream Savings account to be used to start-up or expand a business. Includes a limit on this withdrawal of \$50,000.

15. Allard—Repeals section 1257 of the tax code which requires the ordinary treatment of gain on the sale of converted wetlands (land converted to farming) and highly erodible cropland. Revenue loss offset by additional reductions in the discretionary caps from 1996–2000.

16. Schiff—Eliminate the indexing for inflation, except for capital gains.

17. Schiff—Places a maximum 6 month holding requirement for all capital gains recognition.

18. Schiff—Scales back the elimination of the Alternative Minimum Tax by proposing a reduction to 18% from its current rate of 20%.

19. Browder—Establishes annual deficit targets. Tax cuts would only be in effect for years where Congress met the established annual deficit targets.

20. Kim—Establishes a clear, objective test under which an individual can qualify for independent contractor status; requires independent contractors to list 1099 income on their tax returns; increases penalty on businesses for not issuing 1099's from \$50 to \$75 per offense and from \$100 to \$125 for doing so intentionally.

21. Wyden/Morella/Regula/Kennedy (MA)—Attaches long term care insurance standards to the tax incentives.

22. Pryce—Provides a tax credit equal to 50% of the expense incurred by an employer to provide licensed, on-site or site-adjacent dependent child care.

23. Kennedy (MA)/Burton—Enhances the adoption incentives in H.R. 1215.

24. Ganske—Lowers the child tax credit “cap” from \$200,000 to \$95,000 and shortens the phase out from \$50,000 to \$25,000.

25. Kleczka—Requires that the use of federal offices for regular lodging purposes by Members of Congress be treated as a taxable employer benefit as in the private sector.

26. Doolittle—Eliminates the \$200,000 income eligibility ceiling on the child tax credit.

27. MacIntosh—*Second degree amendment* to any amendment lowering the income limit for the \$500 per-child tax credit. Directs the savings from such an amendment to increase the value of the marriage penalty tax credit from \$145 to \$310.

28. Salmon/Tate/Burr—Gives taxpayers the choice of taking the \$500 family tax credit, or having it reduce the public debt.

29. Goodling—Lowers child tax credit limit from \$200,000 to \$95,000 (phasing out at \$120,000).

30. Pomeroy—Amendment to raise the deduction of health insurance premiums for self-employed individuals from 25- to 80-percent and allow employees who are ineligible to participate in employer-subsidized health plans to deduct 80 percent of their health insurance premiums. This would be paid for by lowering the income eligibility for the \$500 child tax credit from \$200,000 to \$55,000.

31. Foglietta—Establishes an independent commission, similar to the Base Closure Commission, to develop recommendations for reducing corporate and farm subsidies for the purposes of deficit reduction.

32. Abercrombie—Modifies the one-time capital gains exclusion for homeowners over 55 years of age by increasing the excluded amount, increasing the minimum ownership period, and increasing the minimum principal residence period.

33. Evans—Amendment to reduce corporate tax loopholes and apply savings to deficit reduction.

34. Wolf—Strikes the sections that change the employee contributions to the Civil Service Retirement System and Federal Employee Retirement System.

35. Stupak—Strikes subtitle C which calls for a phaseout of the alternative minimum tax for corporations.

36. Harman—Provides that savings cut from discretionary spending be put in a “lockbox” for deficit reduction.

37. Gephardt—*Democrat amendment in the nature of a substitute* entitled “The School Act.” It includes provisions to: (a) let middle-income families deduct up to \$10,000 in educational expenses every year, (b) let students deduct interest payments on their student loans, and (c) add Browder amendment stating that no tax cut can become law unless there is a plan to balance the budget and pay for the tax cuts. Cost would be offset by lowering discretionary caps to a freeze at 1995 levels. Additional cuts may be necessary to fully offset costs of proposal.

38. Hilliard—Amendment to declare the exclusion from gross income interest on certain waterway facility bonds issued before July 1, 1989 by the Marengo County Port Authority.

39. Orton—Expands the current IRA statute to allow individuals to borrow or lend (to their children) money for a first time home purchase of a primary residence.

40. Obey—Grants the President the authority to unilaterally reduce the lowest income tax rate during a period of low economic growth. Allows the President to regain the lost revenue when the economy is growing again by placing a surtax on higher income tax brackets.

41. Kleczka—Requires that in order to qualify as a long term insurance contract, the contract must meet the relevant standards established in the National Association of Insurance Commissioners' Long Term Care Model Act and Regulations.

42. Hansen—Amends the provisions relating to federal employees by making them only applicable to new employees starting employment after December 31, 1995.

PART 1

The amendment in the nature of a substitute to be considered as an original text pursuant to the rule consists of the text of H.R. 1327 modified by the following amendment:

Page 25, strike lines 11 through 24; and

At the end of title VI of the bill insert the following new subtitle:

Subtitle G—Tax Reduction Contingent on Deficit Reduction

SEC. 6701. TAX REDUCTION CONTINGENT ON DEFICIT REDUCTION.

Notwithstanding any other provision of this title and any amendment made by this title, no provision of this title shall take effect unless—

(1) the concurrent resolution on the budget for fiscal year 1996, as agreed to, provides that the budget of the United States will be in balance by fiscal year 2002, and

(2) the conference report, as agreed to, on the reconciliation bill for that resolution—

(A) achieves the aggregate amount of deficit reduction to effectuate the reconciliation instructions required for the years covered by that resolution necessary to so balance the budget, and

(B) contains a statement, based on estimates made by the Director of the Congressional Budget Office, that such conference report does so comply.

SEC. 6702. MONITORING.

The Committees on the Budget of the House of Representatives and the Senate shall each monitor progress on achieving a balanced budget consistent with the most recently agreed to concurrent resolution on the budget for fiscal year 1996 or any subsequent fiscal year (and the reconciliation Act for that resolution) or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002 (and the reconciliation Act for that resolution). After consultation with the Director of the Congressional Budget Office, each such committee

shall submit a report of its findings to its House and the President on or before December 15, 1995, and annually thereafter. Each such report shall contain the following:

(1) Estimates of the deficit levels (based on legislation enacted through the date of the report) for each fiscal year through fiscal year 2002.

(2) An analysis of the variance (if any) between those estimated deficit levels and the levels set forth in the concurrent resolution on the budget for fiscal year 1996 or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002.

(3) Policy options to achieve the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

SEC. 6703. CONGRESSIONAL ACTION.

Each House of Congress shall incorporate the policy options included in the report of its Committee on the Budget under section 6702(a)(3) (or other policy options) in developing a concurrent resolution on the budget for any fiscal year that achieves the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

SEC. 6704. PRESIDENTIAL ACTION.

If the President submits a budget under section 1105(a) of title 31, United States Code, that does not provide for a balanced budget for the United States by fiscal year 2002, then the President shall include with that submission a complete budget that balances the budget by that fiscal year.

PART 2

The amendment in the nature of a substitute to be offered by Representative Gephardt of Missouri or his designee is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “School Act of 1995”.

(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

TITLE I—INCENTIVES FOR INVESTMENT IN HIGHER EDUCATION

Sec. 101. Deduction for higher education expenses.

Sec. 102. Deduction for interest on loans for higher education.

Sec. 103. Expansion of education saving bond program.

Sec. 104. Deduction for IRA contributions available to all middle-income taxpayers.

Sec. 105. Distributions from individual retirement plans may be used without penalty to pay higher education expenses.

Sec. 106. Spousal IRA computed on basis of compensation of both spouses.

TITLE II—NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS

Sec. 201. Establishment of nondeductible tax-free individual retirement accounts.

TITLE III—TAX BENEFITS CONTINGENT ON FEDERAL BUDGET

Sec. 301. Effective dates of tax benefits delayed until Federal budget projected to be in balance.

Sec. 302. Termination of tax benefits if Federal budget deficit reduction targets are not met.

TITLE IV—REVISIONS TO DISCRETIONARY SPENDING LIMITS AND BUDGET PROCESS

Sec. 401. Short title.

Sec. 402. Discretionary spending limits.

Sec. 403. General statement and definitions.

Sec. 404. Enforcing discretionary spending limits.

Sec. 405. Enforcing pay-as-you-go.

- Sec. 406. Reports and orders.
 Sec. 407. Technical correction.
 Sec. 408. Effective date.
 Sec. 409. Savings from provisions of this title reducing discretionary spending to be added to pay-as-you-go scorecard.
 Sec. 410. Clarification of order in which adjustments to discretionary spending limits are to be made.

TITLE V—PROVISIONS RELATING TO INTERNATIONAL TAXATION

- Sec. 501. Revision of tax rules on expatriation.
 Sec. 502. Improved information reporting on foreign trusts.
 Sec. 503. Modification of rules relating to foreign trusts having one or more United States beneficiaries.
 Sec. 504. Foreign persons not to be treated as owners under grantor trust rules.
 Sec. 505. Gratuitous transfers by partnerships and foreign corporations.
 Sec. 506. Information reporting regarding large foreign gifts.
 Sec. 507. Modification of rules relating to foreign trusts which are not grantor trusts.
 Sec. 508. Residence of estates and trusts.

TITLE VI—EXTENSION OF AUTHORITY OF FEDERAL COMMUNICATIONS COMMISSION TO USE COMPETITIVE BIDDING

- Sec. 601. Extension of authority.

TITLE VII—PRIVATIZATION OF THE UNITED STATES ENRICHMENT CORPORATION

- Sec. 701. Short title and reference.
 Sec. 702. Production facility.
 Sec. 703. Definitions.
 Sec. 704. Employees of the corporation.
 Sec. 705. Marketing and contracting authority.
 Sec. 706. Privatization of the corporation.
 Sec. 707. Periodic certification of compliance.
 Sec. 708. Licensing of other technologies.
 Sec. 709. Conforming amendments.

TITLE I—INCENTIVES FOR INVESTMENT IN HIGHER EDUCATION

SEC. 101. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.— Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by redesignating section 220 as section 221 and by inserting after section 219 the following new section:

“SEC. 220. HIGHER EDUCATION TUITION AND FEES.

“(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction the amount of qualified higher education expenses paid by the taxpayer during the taxable year.

“(b) LIMITATIONS.—

“(1) DOLLAR LIMITATION.—

“(A) IN GENERAL.—The amount allowed as a deduction under subsection (a) for any taxable year shall not exceed \$10,000.

“(B) PHASE-IN.—In the case of taxable years beginning in 1996, 1997, or 1998, ‘\$5,000’ shall be substituted for ‘\$10,000’ in subparagraph (A).

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be taken into account under paragraph (1) shall be reduced (but not below zero) by the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCTION.—The amount determined under this subparagraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

“(i) the excess of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) \$50,000 (\$75,000 in the case of a joint return), bears to

“(ii) \$10,000.

“(C) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(i) without regard to this section and sections 911, 931, and 933, and

“(ii) after the application of sections 86, 135, 219 and 469.

For purposes of sections 86, 135, 219, and 469, adjusted gross income shall be determined without regard to the deduction allowed under this section.

“(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

“(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified higher education expenses’ means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse, or

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, as an eligible student at an institution of higher education.

“(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such expenses—

“(i) are part of a degree program, or

“(ii) are deductible under this chapter without regard to this section.

“(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student’s academic course of instruction.

“(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term ‘eligible student’ means a student who—

“(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

“(ii) (I) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education, or

“(II) is enrolled in a course which enables the student to improve the student’s job skills or to acquire new job skills.

“(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

“(2) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ means an institution which—

“(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

“(B) is eligible to participate in programs under title IV of such Act.

“(d) SPECIAL RULES.—

“(1) NO DOUBLE BENEFIT.—

“(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for qualified higher education expenses with respect to which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expenses under such other provision.

“(B) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins.

“(C) SAVINGS BOND EXCLUSION.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 for the taxable year.

“(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

“(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for any taxable year only to the extent the qualified higher education expenses are in connection with enrollment at an institution of higher education during the taxable year.

“(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the 1st 3 months of the next taxable year.

“(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

“(A) a qualified scholarship which under section 117 is not includable in gross income,

“(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

“(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

“(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year. The preceding sentence shall not apply if the taxpayer lives apart from his spouse at all times during the taxable year.

“(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

“(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.”

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (15) the following new paragraph:

“(16) HIGHER EDUCATION TUITION AND FEES.—The deduction allowed by section 220.”

(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by striking the item relating to section 220 and inserting:

“Sec. 220. Higher education tuition and fees.
“Sec. 221. Cross reference.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after December 31, 1995.

SEC. 102. DEDUCTION FOR INTEREST ON LOANS FOR HIGHER EDUCATION.

(a) IN GENERAL.—Paragraph (2) of section 163(h) of the Internal Revenue Code of 1986 (defining personal interest) is amended by striking “and” at the end of subparagraph (D), by redesignating subparagraph (E) as subparagraph (F), and by inserting after subparagraph (D) the following new subparagraph:

“(E) any interest on a qualified higher education loan, and”.

(b) QUALIFIED HIGHER EDUCATION LOAN DEFINED.—Paragraph (5) of section 163(h) of such Code (relating to phase-in of limitations) is amended to read as follows:

“(5) QUALIFIED HIGHER EDUCATION LOAN.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified higher education loan’ means any loan incurred by the taxpayer under a State or Federal student loan program to pay qualified higher education expenses (as defined in section 220(c))—

“(i) which are paid or incurred within a reasonable period of time before or after the indebtedness is incurred, and

“(ii) which are attributable to education furnished during a period during which the recipient was an eligible student (as defined in such section).

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified higher education loan.

“(B) REDUCTION OF BENEFIT FOR HIGHER INCOME TAXPAYERS.—

“(i) IN GENERAL.—The amount of interest which would (but for this subparagraph) be taken into account under paragraph (2)(E) for the taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the amount of such interest as—

“(I) the excess of the taxpayer’s modified adjusted gross income for such taxable year over \$50,000 (\$75,000 in the case of a joint return), bears to

“(II) \$10,000.

“(ii) MODIFIED ADJUSTED GROSS INCOME.—For purposes of clause (i), the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(I) without regard to paragraph (2)(E) and sections 911, 931, and 933, and

“(II) after the application of sections 86, 135, 219, 220, and 469. For purposes of sections 86, 135, 219, 220, and 469, adjusted gross income shall be determined without regard to the deduction allowed by reason of paragraph (2)(E).

“(C) COORDINATION WITH LIMITATION ON HOME EQUITY INDEBTEDNESS.—Any qualified higher education loan shall not be taken into account for purposes of applying the limitation of paragraph (3)(C)(ii).

“(D) COORDINATION WITH SAVINGS BOND EXCLUSION.—The amount of qualified higher education expenses for any taxable year otherwise taken into account under subparagraph (A) shall be reduced by any amount excludable from gross income under section 135 for such taxable year.

“(E) OTHER RULES TO APPLY.—Rules similar to the rules of subparagraphs (B) and (C) of paragraph (1), and paragraphs (3), (4), and (5), of section 220(d), shall apply for purposes of this section.”

(c) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (16) the following new paragraph:

“(17) INTEREST ON LOANS FOR HIGHER EDUCATION.—The deduction allowed by section 163 to the extent attributable to any qualified higher education loan (as defined in section 163(h)(5)).”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued after December 31, 1995.

SEC. 103. EXPANSION OF EDUCATION SAVING BOND PROGRAM.

(a) HIGHER YIELD ON GUARANTEED EDUCATION PLAN BONDS.—Subsection (b) of section 3101 of title 31, United States Code, is amended by adding at the end the following new paragraph:

“(3)(A) The Secretary shall issue savings bonds which are designated as Guaranteed Education Plan Bonds.

“(B)(i) Except as provided in clause (ii) or by the Secretary, Guaranteed Education Plan Bonds shall have the same terms and conditions as other savings bonds.

“(ii) Guaranteed Education Plan Bonds, if redeemed under circumstances such that the Secretary is reasonably certain that the redemption proceeds will be used to pay the qualified higher education expenses (as defined in section 135 of the Internal Revenue Code of 1986) of the individual holding the bond, shall have an investment yield which is materially greater than the investment yield when not so used.”

(b) REDUCTION OF AGE LIMIT ON INDIVIDUAL TO WHOM BOND ISSUED.—Subparagraph (B) of section 135(b)(1) is amended by striking “age 24” and inserting “age 21”.

(c) TAXPAYER NEED NOT BE PURCHASER OF BOND.—Nothing in section 135 of the Internal Revenue Code of 1986 shall be construed to require that, in order for a savings bond to be a qualified United States savings bond under such section, the purchaser of the bond must be the individual to whom the bond is issued.

(d) LIMITATION ON INFLATION ADJUSTMENT.—Subparagraph (B) of section 135(b)(2) is amended by adding at the end the following new flush sentence:

“In no event shall be adjustment under this subparagraph increase the \$40,000 amount to more than \$50,000 or the \$60,000 amount to more than \$70,000.”

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

(2) SUBSECTION (d).—The amendment made by subsection (d) shall apply to taxable years beginning after December 31, 1995.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for the administrative expenses of the Department of the Treasury to carry out the amendment made by subsection (a)—

(1) \$650,000 for the fiscal year beginning after the date of the enactment of this Act, and

(2) \$11,900,000 for each following fiscal year.

SEC. 104. DEDUCTION FOR IRA CONTRIBUTIONS AVAILABLE TO ALL MIDDLE-INCOME TAXPAYERS.

(a) IN GENERAL.—Subparagraph (B) of section 219(g)(3) of the Internal Revenue Code of 1986 is amended—

(1) by striking “\$40,000” in clause (i) and inserting “\$75,000”, and

(2) by striking “\$25,000” in clause (ii) and inserting “\$50,000”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions for taxable years beginning after December 31, 1995.

SEC. 105. DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS MAY BE USED WITHOUT PENALTY TO PAY HIGHER EDUCATION EXPENSES.

(a) **IN GENERAL.**—Paragraph (2) of section 72(t) of the Internal Revenue Code of 1986 (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end thereof the following new subparagraph:

“(D) **DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR HIGHER EDUCATIONAL EXPENSES.**—Distributions to an individual from an individual retirement plan to the extent such distributions during the taxable year do not exceed the amount allowed as a deduction under section 220 to the taxpayer for such taxable year.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to distributions after December 31, 1995.

SEC. 106. SPOUSAL IRA COMPUTED ON BASIS OF COMPENSATION OF BOTH SPOUSES.

(a) **IN GENERAL.**—Subsection (c) of section 219 of the Internal Revenue Code of 1986 (relating to special rules for certain married individuals) is amended to read as follows:

“(c) **SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.**—

“(1) **IN GENERAL.**—In the case of an individual to whom this paragraph applies for the taxable year, the limitation of subsection (b)(1) shall be equal to the lesser of—

“(A) \$2,000, or

“(B) the sum of—

“(i) the compensation includible in such individual’s gross income for the taxable year, plus

“(ii) the compensation includible in the gross income of such individual’s spouse for the taxable year reduced by the amount allowable as a deduction under subsection (a) to such spouse for such taxable year.

“(2) **INDIVIDUALS TO WHOM PARAGRAPH (1) APPLIES.**—Paragraph (1) shall apply to any individual if—

“(A) such individual files a joint return for the taxable year, and

“(B) the amount of compensation (if any) includible in such individual’s gross income for the taxable year is less than the compensation includible in the gross income of such individual’s spouse for the taxable year.

“(3) **PHASE IN OF BENEFIT.**—The amount determined under paragraph (1)(B)(ii) for any taxable year beginning in a calendar year shall not exceed the sum of—

“(A) \$250, plus

“(B) the product of \$250 and the number of calendar years which such calendar year is after 1996.”

(b) **TECHNICAL AMENDMENT.**—Paragraph (2) of section 219(f) of such Code (relating to other definitions and special rules) is amended by striking “subsections (b) and (c)” and inserting “subsection (b)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions for taxable years beginning after December 31, 1995.

TITLE II—NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 201. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS.

(a) **IN GENERAL.**—Subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408 the following new section:

“SEC. 408A. SPECIAL INDIVIDUAL RETIREMENT ACCOUNTS.

“(a) **GENERAL RULE.**—Except as provided in this chapter, a special individual retirement account shall be treated for purposes of this title in the same manner as an individual retirement plan.

“(b) **SPECIAL INDIVIDUAL RETIREMENT ACCOUNT.**—For purposes of this title, the term ‘special individual retirement account’ means an individual retirement plan which is designated at the time of establishment of the plan as a special individual retirement account.

“(c) **TREATMENT OF CONTRIBUTIONS.**—

“(1) **NO DEDUCTION ALLOWED.**—No deduction shall be allowed under section 219 for a contribution to a special individual retirement account.

“(2) CONTRIBUTION LIMIT.—The aggregate amount of contributions for any taxable year to all special individual retirement accounts maintained for the benefit of an individual shall not exceed the excess (if any) of—

“(A) the maximum amount allowable as a deduction under section 219 with respect to such individual for such taxable year, over

“(B) the amount so allowed.

“(3) SPECIAL RULES FOR QUALIFIED TRANSFERS.—

“(A) IN GENERAL.—No rollover contribution may be made to a special individual retirement account unless it is a qualified transfer.

“(B) LIMIT NOT TO APPLY.—The limitation under paragraph (2) shall not apply to a qualified transfer to a special individual retirement account.

“(d) TAX TREATMENT OF DISTRIBUTIONS.—

“(1) IN GENERAL.—Except as provided in this subsection, any amount paid or distributed out of a special individual retirement account shall not be included in the gross income of the distributee.

“(2) EXCEPTION FOR EARNINGS ON CONTRIBUTIONS HELD LESS THAN 5 YEARS.—

“(A) IN GENERAL.—Any amount distributed out of a special individual retirement account which consists of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution shall be included in the gross income of the distributee for the taxable year in which the distribution occurs.

“(B) ORDERING RULE.—

“(i) FIRST-IN, FIRST-OUT RULE.—Distributions from a special individual retirement account shall be treated as having been made—

“(I) first from the earliest contribution (and earnings allocable thereto) remaining in the account at the time of the distribution, and

“(II) then from other contributions (and earnings allocable thereto) in the order in which made.

“(ii) ALLOCATIONS BETWEEN CONTRIBUTIONS AND EARNINGS.—Any portion of a distribution allocated to a contribution (and earnings allocable thereto) shall be treated as allocated first to the earnings and then to the contribution.

“(iii) ALLOCATION OF EARNINGS.—Earnings shall be allocated to a contribution in such manner as the Secretary may by regulations prescribe.

“(iv) CONTRIBUTIONS IN SAME YEAR.—Except as provided in regulations, all contributions made during the same taxable year may be treated as 1 contribution for purposes of this subparagraph.

“(C) CROSS REFERENCE.—

“**For additional tax for early withdrawal, see section 72(t).**

“(3) QUALIFIED TRANSFER.—

“(A) IN GENERAL.—Paragraph (2) shall not apply to any distribution which is transferred in a qualified transfer to another special individual retirement account.

“(B) CONTRIBUTION PERIOD.—For purposes of paragraph (2), the special individual retirement account to which any contributions are transferred shall be treated as having held such contributions during any period such contributions were held (or are treated as held under this subparagraph) by the special individual retirement account from which transferred.

“(4) SPECIAL RULES RELATING TO CERTAIN TRANSFERS.—

“(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of a qualified transfer to a special individual retirement account from an individual retirement plan which is not a special individual retirement account—

“(i) there shall be included in gross income any amount which, but for the qualified transfer, would be includible in gross income, but

“(ii) section 72(t) shall not apply to such amount.

“(B) TIME FOR INCLUSION.—In the case of any qualified transfer which occurs before January 1, 1997, any amount includible in gross income under subparagraph (A) with respect to such contribution shall be includible ratably over the 4-taxable year period beginning in the taxable year in which the amount was paid or distributed out of the individual retirement plan.

“(e) QUALIFIED TRANSFER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified transfer’ means a transfer to a special individual retirement account from another such account or from an individual retirement plan but only if such transfer meets the requirements of section 408(d)(3).

“(2) LIMITATION.—A transfer otherwise described in paragraph (1) shall not be treated as a qualified transfer if the taxpayer’s adjusted gross income for the taxable year of the transfer exceeds the sum of—

“(A) the applicable dollar amount, plus

“(B) the dollar amount applicable for the taxable year under section 219(g)(2)(A)(ii).

This paragraph shall not apply to a transfer from a special individual retirement account to another special individual retirement account.

“(3) DEFINITIONS.—For purposes of this subsection, the terms ‘adjusted gross income’ and ‘applicable dollar amount’ have the meanings given such terms by section 219(g)(3), except subparagraph (A)(ii) thereof shall be applied without regard to the phrase ‘or the deduction allowable under this section.’”

(b) EARLY WITHDRAWAL PENALTY.—Section 72(t) of such Code is amended by adding at the end the following new paragraph:

“(6) RULES RELATING TO SPECIAL INDIVIDUAL RETIREMENT ACCOUNTS.—In the case of a special individual retirement account under section 408A—

“(A) this subsection shall only apply to distributions out of such account which consist of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution, and

“(B) paragraph (2)(A)(i) shall not apply to any distribution described in subparagraph (A).”

(c) EXCESS CONTRIBUTIONS.—Section 4973(b) of such Code is amended by adding at the end the following new sentence: “For purposes of paragraphs (1)(B) and (2)(C), the amount allowable as a deduction under section 219 shall be computed without regard to section 408A.”

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part I of subchapter D of chapter 1 of such Code is amended by inserting after the item relating to section 408 the following new item:

“Sec. 408A. Special individual retirement accounts.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

TITLE III—TAX BENEFITS CONTINGENT ON FEDERAL BUDGET

SEC. 301. EFFECTIVE DATES OF TAX BENEFITS DELAYED UNTIL FEDERAL BUDGET PROJECTED TO BE IN BALANCE.

(a) IN GENERAL.—Notwithstanding any provision of title I or II of this Act and any amendment made by such titles, except as otherwise provided in this section—

(1) any reference in this such titles (or in any amendment made by such titles) to 1995 shall be treated as a reference to the calendar year ending in the first successful deficit reduction year, and

(2) any reference in such titles (or in any amendment made by such titles) to any later calendar year shall be treated as a reference to the calendar year which is the same number of years after such first calendar year as such later year is after 1995.

(b) FIRST SUCCESSFUL DEFICIT REDUCTION YEAR.—For purposes of this section and section 302—

(1) IN GENERAL.—The term “first successful deficit reduction year” means the first fiscal year beginning after the date of the enactment of this Act with respect to which there is an OMB certification before the beginning of such fiscal year that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

(2) OMB CERTIFICATION.—The term “OMB certification” means a written certification by the Director of the Office of Management and Budget to the President and the Congress.

(c) CERTIFICATION DURING 1995.—Subsection (a) shall not apply if there is an OMB certification made during 1995 that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

SEC. 302. TERMINATION OF TAX BENEFITS IF FEDERAL BUDGET DEFICIT REDUCTION TARGETS ARE NOT MET.

(a) NO CREDITS, DEDUCTIONS, EXCLUSIONS, PREFERENTIAL RATE OF TAX, ETC.—No tax benefit provided by any provision of the Internal Revenue Code of 1986

added by title I or II of this Act shall apply to any taxable year beginning after the calendar year in which the first failed deficit reduction year ends.

(b) **FIRST FAILED DEFICIT REDUCTION YEAR.**—For purposes of this section, the term “first failed deficit reduction year” means the first fiscal year (beginning after the earliest date on which any amendment made by title I or II takes effect) with respect to which there is an OMB certification during the 3-month period after the close of such fiscal year that the actual deficit in the budget of the United States for such fiscal year was greater than the deficit target for such fiscal year specified in the following table:

“In the case of fiscal year:	The deficit target (in billions) is:
1996	\$150
1997	125
1998	100
1999	75
2000	50
2001	25
2002 or thereafter	0.

TITLE IV—REVISIONS TO DISCRETIONARY SPENDING LIMITS AND BUDGET PROCESS

SEC. 401. SHORT TITLE.

This title may be cited as the “Discretionary Spending Reduction and Control Act of 1995”.

SEC. 402. DISCRETIONARY SPENDING LIMITS.

(a) **LIMITS.**—Section 601(a)(2) of the Congressional Budget Act of 1974 is amended by striking subparagraphs (A), (B), (C), (D), and (F), by redesignating subparagraph (E) as subparagraph (A) and by striking “and” at the end of that subparagraph, and by inserting after subparagraph (A) the following new subparagraphs:

“(B) with respect to fiscal year 1996, for the discretionary category: \$516,478,000,000 in new budget authority and \$549,054,000,000 in outlays;

“(C) with respect to fiscal year 1997, for the discretionary category: \$522,894,000,000 in new budget authority and \$544,051,000,000 in outlays;

“(D) with respect to fiscal year 1998, for the discretionary category: \$528,810,000,000 in new budget authority and \$545,548,000,000 in outlays;

“(E) with respect to fiscal year 1999, for the discretionary category: \$527,753,000,000 in new budget authority and \$544,402,000,000 in outlays; and

“(F) with respect to fiscal year 2000, for the discretionary category: \$527,040,000,000 in new budget authority and \$543,357,000,000 in outlays;”.

(b) **COMMITTEE ALLOCATIONS AND ENFORCEMENT.**—Section 602 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (c), by striking “1995” and inserting “2000” and by striking its last sentence; and

(2) in subsection (d), by striking “1992 TO 1995” in the side heading and inserting “1995 TO 2000” and by striking “1992 through 1995” and inserting “1995 through 2000”.

(c) **FIVE-YEAR BUDGET RESOLUTIONS.**—Section 606 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (a), by striking “1992, 1993, 1994, or 1995” and inserting “1995, 1996, 1997, 1998, 1999, or 2000”; and

(2) in subsection (d)(1), by striking “1992, 1993, 1994, and 1995” and inserting “1995, 1996, 1997, 1998, 1999, and 2000”, and by striking “(i) and (ii)”.

(d) **EFFECTIVE DATE.**—Section 607 of the Congressional Budget Act of 1974 is amended by striking “1991 to 1998” and inserting “1995 to 2000”.

(e) **SEQUESTRATION REGARDING CRIME TRUST FUND.**—Section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking its last sentence and inserting the following:

“(E) For fiscal year 1999, \$5,639,000,000.

“(F) For fiscal year 2000, \$6,225,000,000.

SEC. 403. GENERAL STATEMENT AND DEFINITIONS.

(a) **GENERAL STATEMENT.**—Section 250(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the first sentence and inserting the following: “This part provides for the enforcement of deficit reduction through

discretionary spending limits and pay-as-you-go requirements for fiscal years 1995 through 2000.”.

(b) DEFINITIONS.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

- (1) by striking paragraph (4) and inserting the following:
“(4) The term ‘category’ means all discretionary appropriations.”;
- (2) by striking paragraph (6) and inserting the following:
“(6) The term ‘budgetary resources’ means new budget authority, unobligated balances, direct spending authority, and obligation limitations.”;
- (3) in paragraph (9), by striking “1992” and inserting “1995”;
- (4) in paragraph (14), by striking “1995” and inserting “2000”; and
- (5) by striking paragraph (17) and by redesignating paragraphs (18) through (21) as paragraphs (17) through (20), respectively.

SEC. 404. ENFORCING DISCRETIONARY SPENDING LIMITS.

Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

- (1) in the side heading of subsection (a), by striking “1991–1998” and inserting “1995–2000”;
- (2) in the first sentence of subsection (b)(1), by striking “1992, 1993, 1994, 1995, 1996, 1997 or 1998” and inserting “1995, 1996, 1997, 1998, 1999, or 2000” and by striking “through 1998” and inserting “through 2000”;
- (3) in subsection (b)(1), by striking subparagraphs (B) and (C) and by striking “the following:” and all that follows through “The adjustments” and inserting “the following: the adjustments”;
- (4) in subsection (b)(2), by striking “1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998” and inserting “1995, 1996, 1997, 1998, 1999, or 2000” and by striking “through 1998” and inserting “through 2000”;
- (5) by striking subparagraphs (A), (B), and (C) of subsection (b)(2);
- (6) in subsection (b)(2)(E), by striking clauses (i), (ii), and (iii) and by striking “(iv) if, for fiscal years 1994, 1995, 1996, 1997, and 1998” and inserting “If, for fiscal years 1995, 1996, 1997, 1998, 1999, and 2000”; and
- (7) in subsection (b)(2)(F), strike everything after “the adjustment in outlays” and insert “for a category for a fiscal year shall not exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1996, 1997, 1998, 1999, or 2000.”.

SEC. 405. ENFORCING PAY-AS-YOU-GO.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

- (1) in the side heading of subsection (a), by striking “1992–1998” and inserting “1995–2000”;
- (2) in subsection (d), by striking “1998” each place it appears and inserting “2000”; and
- (3) in subsection (e), by striking “1991 through 1998” and inserting “1995 through 2000” and by striking “through 1995” and inserting “through 2000”.

SEC. 406. REPORTS AND ORDERS.

Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

- (1) in subsection (d)(2), by striking “1998” and inserting “2000”; and
- (2) in subsection (g), by striking “1998” each place it appears and inserting “2000”.

SEC. 407. TECHNICAL CORRECTION.

Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled “Modification of Presidential Order”, is repealed.

SEC. 408. EFFECTIVE DATE.

- (a) EXPIRATION.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “1995” and inserting “2000”.
- (b) EXPIRATION.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note; 2 U.S.C. 665 note) is repealed.

SEC. 409. SAVINGS FROM PROVISIONS OF THIS TITLE REDUCING DISCRETIONARY SPENDING TO BE ADDED TO PAY-AS-YOU-GO SCORECARD.

(a)(1) The net change in outlays for any fiscal year through fiscal year 2000 estimated to result from provisions of this title revising or extending limits on discretionary spending and spending from the Violent Crime Reduction Trust Fund shall

be considered a change in direct spending for purposes of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) In applying paragraph (1), the change in outlays resulting from provisions of this title revising and extending the limits on discretionary spending set forth in section 601(a)(2) of the Congressional Budget Act of 1974 shall be computed as follows:

(A) For fiscal years 1996 through 1998, by comparing the outlay limit resulting from this title for each year with the outlay limit for that year in effect immediately prior to enactment of this Act.

(B) For fiscal years 1999 and 2000, by comparing the outlay limit resulting from this title for each year with the limit for fiscal year 1998 in effect immediately prior to enactment of this Act.

(3) In applying paragraph (1), the change in outlays resulting from provisions of this title extending the limits on spending from the Violent Crime Reduction Trust Fund set forth in section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be computed by comparing the outlay limit resulting from this title for each year with the level of outlays for that year referred to in the last 2 sentences of section 251A(b)(1) of such Act as in effect immediately before the enactment of this Act.

(b) Except as provided in subsection (a), no statutory reduction in the discretionary spending limits shall be counted in estimates under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 410. CLARIFICATION OF ORDER IN WHICH ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS ARE TO BE MADE.

In the OMB final sequestration report for fiscal year 1996—

(1) all adjustments required by section 251(b)(2) made after the preview report for fiscal year 1996 shall be made to the discretionary spending limits set forth in 601(a)(2) of the Congressional Budget Act of 1974 as amended by section 402; and

(2) all statutory changes in the discretionary spending limits made by the Personal Responsibility Act of 1995 or by the Act entitled "An Act making emergency supplemental appropriations for additional disaster assistance and making rescissions for the fiscal year ending September 30, 1995, and for other purposes" shall be made to those limits.

TITLE V—PROVISIONS RELATING TO INTERNATIONAL TAXATION

SEC. 501. REVISION OF TAX RULES ON EXPATRIATION.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 877 the following new section:

"SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

"(a) GENERAL RULES.—For purposes of this subtitle—

"(1) CITIZENS.—If any United States citizen relinquishes his citizenship during a taxable year, all property held by such citizen at the time immediately before such relinquishment shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for such taxable year.

"(2) CERTAIN RESIDENTS.—If any long-term resident of the United States ceases to be subject to tax as a resident of the United States for any portion of any taxable year, all property held by such resident at the time of such cessation shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for the taxable year which includes the date of such cessation.

"(b) EXCLUSION FOR CERTAIN GAIN.—The amount which would (but for this subsection) be includible in the gross income of any taxpayer by reason of subsection (a) shall be reduced (but not below zero) by \$600,000.

"(c) PROPERTY TREATED AS HELD.—For purposes of this section, except as otherwise provided by the Secretary, an individual shall be treated as holding—

"(1) all property which would be includible in his gross estate under chapter 11 were such individual to die at the time the property is treated as sold,

"(2) any other interest in a trust which the individual is treated as holding under the rules of section 679(e) (determined by treating such section as applying to foreign and domestic trusts), and

- “(3) any other interest in property specified by the Secretary as necessary or appropriate to carry out the purposes of this section.
- “(d) EXCEPTIONS.—The following property shall not be treated as sold for purposes of this section:
- “(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the date the individual relinquishes his citizenship or ceases to be subject to tax as a resident, meet the requirements of section 897(c)(2).
- “(2) INTEREST IN CERTAIN RETIREMENT PLANS.—
- “(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(d)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.
- “(B) FOREIGN PENSION PLANS.—
- “(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.
- “(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed \$500,000.
- “(e) DEFINITIONS.—For purposes of this section—
- “(1) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the date the United States Department of State issues to the individual a certificate of loss of nationality or on the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.
- “(2) LONG-TERM RESIDENT.—
- “(A) IN GENERAL.—The term ‘long-term resident’ means any individual (other than a citizen of the United States) who is a lawful permanent resident of the United States and, as a result of such status, has been subject to tax as a resident in at least 10 taxable years during the period of 15 taxable years ending with the taxable year during which the sale under subsection (a) is treated as occurring.
- “(B) SPECIAL RULE.—For purposes of subparagraph (A), there shall not be taken into account—
- “(i) any taxable year during which any prior sale is treated under subsection (a) as occurring, or
- “(ii) any taxable year prior to the taxable year referred to in clause (i).
- “(f) TERMINATION OF DEFERRALS, ETC.—On the date any property held by an individual is treated as sold under subsection (a)—
- “(1) any period deferring recognition of income or gain shall terminate, and
- “(2) any extension of time for payment of tax shall cease to apply and the unpaid portion of such tax shall be due and payable.
- “(g) ELECTION BY EXPATRIATING RESIDENTS.—Solely for purposes of determining gain under subsection (a)—
- “(1) IN GENERAL.—At the election of a resident not a citizen of the United States, property—
- “(A) which was held by such resident on the date the individual first became a resident of the United States during the period of long-term residency to which the treatment under subsection (a) relates, and
- “(B) which is treated as sold under subsection (a),
- shall be treated as having a basis on such date of not less than the fair market value of such property on such date.
- “(2) ELECTION.—Such an election shall apply to all property described in paragraph (1), and, once made, shall be irrevocable.
- “(h) DEFERRAL OF TAX ON CLOSELY HELD BUSINESS INTERESTS.—The District Director may enter into an agreement with any individual which permits such individual to defer payment for not more than 5 years of any tax imposed by subsection (a) by reason of holding any interest in a closely held business (as defined in section 6166(b)) other than a United States real property interest described in subsection (d)(1).
- “(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.
- “(j) CROSS REFERENCE.—
- “**For termination of United States citizenship for tax purposes, see section 7701(a)(47).**”
- (b) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

“(47) TERMINATION OF UNITED STATES CITIZENSHIP.—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(e)(1).”

(c) CONFORMING AMENDMENTS.—

(1) Section 877 of such Code is amended by adding at the end the following new subsection:

“(f) TERMINATION.—This section shall not apply to any individual who is subject to the provisions of section 877A.”

(2) Paragraph (10) of section 7701(b) of such Code is amended by adding at the end the following new sentence: “This paragraph shall not apply to any individual who is subject to the provisions of section 877A.”

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) United States citizens who relinquish (within the meaning of section 877A(e)(1) of the Internal Revenue Code of 1986, as added by this section) United States citizenship on or after February 6, 1995, and

(2) long-term residents (as defined in such section) who cease to be subject to tax as residents of the United States on or after such date.

SEC. 502. IMPROVED INFORMATION REPORTING ON FOREIGN TRUSTS.

(a) IN GENERAL.—Section 6048 of the Internal Revenue Code of 1986 (relating to returns as to certain foreign trusts) is amended to read as follows:

“SEC. 6048. INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.

“(a) NOTICE OF CERTAIN EVENTS.—

“(1) GENERAL RULE.—On or before the 90th day (or such later day as the Secretary may prescribe) after any reportable event, the responsible party shall—

“(A) notify each trustee of the trust of the requirements of subsection (b), and

“(B) provide written notice of such event to the Secretary in accordance with paragraph (2).

“(2) CONTENTS OF NOTICE.—The notice required by paragraph (1)(B) shall contain such information as the Secretary may prescribe, including—

“(A) the amount of money or other property (if any) transferred to the trust in connection with the reportable event,

“(B) the identity of the trust and of each trustee and beneficiary (or class of beneficiaries) of the trust, and

“(C) a statement that each trustee of the trust has been informed of the requirements of subsection (b).

“(3) REPORTABLE EVENT.—For purposes of this subsection, the term ‘reportable event’ means—

“(A) the creation of any foreign trust by a United States person,

“(B) the transfer of any money or property to a foreign trust by a United States person, including a transfer by reason of death,

“(C) a domestic trust becoming a foreign trust,

“(D) the death of a citizen or resident of the United States who is a grantor of a foreign trust, and

“(E) the residency starting date (within the meaning of section 7701(b)(2)(A)) of a grantor of a foreign trust subject to tax under section 679(a)(3).

Subparagraphs (A) and (B) shall not apply with respect to a trust described in section 404(a)(4) or 404A.

“(4) RESPONSIBLE PARTY.—For purposes of this subsection, the term ‘responsible party’ means—

“(A) the grantor in the case of a reportable event described in subparagraph (A) or (E) of paragraph (3),

“(B) the transferor in the case of a reportable event described in paragraph (3)(B) other than a transfer by reason of death,

“(C) the trustee of the domestic trust in the case of a reportable event described in paragraph (3)(C), and

“(D) the executor of the decedent’s estate in the case of a transfer by reason of death.

“(b) TRUST REPORTING REQUIREMENTS.—If a foreign trust, at any time during a taxable year of such trust—

“(1) has a grantor who is a United States person and—

“(A) such grantor is treated as the owner of any portion of such trust under the rules of subpart E of part I of subchapter J of chapter 1, or

“(B) any portion of such trust would be included in the gross estate of such grantor if the grantor were to die at such time, or

“(2) directly or indirectly distributes, credits, or allocates money or property to any United States person (whether or not the trust has a grantor described in paragraph (1)),
then such trust shall meet the requirements of subsection (c) (relating to trust information and agent) and subsection (d) (relating to annual return).

“(c) CONTENTS OF SECTION 6048 STATEMENT.—

“(1) IN GENERAL.—The requirements of this subsection are met if the trust files with the Secretary a statement which contains such information as the Secretary may prescribe and which—

“(A) identifies a United States person who is the trust’s limited agent to provide the Secretary with such information that reasonably should be available to the trust for purposes of applying sections 7602, 7603, and 7604 with respect to any request by the Secretary to examine trust records or produce testimony related to any transaction by the trust or with respect to any summons by the Secretary for such records or testimony, and

“(B) contains an agreement to comply with the requirements of subsection (d).

“(2) SPECIAL RULE.—A foreign trust which appoints an agent described in paragraph (1)(A) shall not be considered to have an office or a permanent establishment in the United States solely because of the activities of such agent pursuant to this section. For purposes of this section, the appearance of persons or production of records by reason of the creation of the agency shall not subject such persons or records to legal process for any purpose other than determining the correct treatment under this title of the activities and operations of the trust.

“(d) ANNUAL RETURNS AND STATEMENTS.—The requirements of this subsection are met if—

“(1) the trust makes a return for the taxable year which sets forth a full and complete accounting of all trust activities and operations for the taxable year, and contains such other information as the Secretary may prescribe; and

“(2) the trust furnishes such information as the Secretary may prescribe to each United States person—

“(A) who is treated as the owner of any portion of such trust under the rules of subpart E of part I of subchapter J of chapter 1,

“(B) to whom any item with respect to the taxable year is credited or allocated, or

“(C) who receives a distribution from such trust with respect to the taxable year.

“(e) TIME AND MANNER OF FILING INFORMATION.—Any notice, statement, or return required under this section shall be made at such time and in such manner as the Secretary shall prescribe.

“(f) MODIFICATION OF RETURN REQUIREMENTS.—The Secretary is authorized to suspend or modify any requirement of this section if the Secretary determines that the United States has no significant tax interest in obtaining the required information.”

(b) PENALTIES.—Section 6677 of such Code (relating to failure to file information returns with respect to certain foreign trusts) is amended to read as follows:

“SEC. 6677. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.

“(a) FAILURE TO REPORT CERTAIN EVENTS.—

“(1) IN GENERAL.—In the case of a reportable event described in any subparagraph of section 6048(a)(3) for which a responsible party does not file a written notice meeting the requirements of section 6048(a)(2) within the time specified in section 6048(a)(1), the responsible party shall pay a penalty of \$10,000. If any failure described in the preceding sentence continues for more than 90 days after the day on which the Secretary mails notice of such failure to the responsible party, such party shall pay a penalty (in addition to the \$10,000 amount) of \$10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period.

“(2) 35-PERCENT PENALTY.—In the case of a reportable event described in subparagraph (A), (B), or (C) of section 6048(a)(3) (other than a transfer by reason of death), the aggregate amount of the penalties under paragraph (1) shall not be less than an amount equal to 35 percent of the gross value of the property involved in such event (determined as of the date of the event).

“(3) RESPONSIBLE PARTY.—For purposes of this subsection, the term ‘responsible party’ has the meaning given to such term by section 6048(a)(4).”

“(b) FAILURE TO MAKE CERTAIN STATEMENTS AND RETURNS.—

“(1) IN GENERAL.—In the case of any failure to meet the requirements of section 6048(b), the appropriate tax treatment of any trust transactions or operations shall be determined by the Secretary in the Secretary’s sole discretion from the Secretary’s own knowledge or from such information as the Secretary may obtain through testimony or otherwise.

“(2) MONETARY PENALTY.—In the case of any failure to meet the requirements of section 6048(b) with respect to a trust described in such section by reason of paragraph (1) thereof, the grantor described in such paragraph (1) shall pay a penalty of \$10,000 for each taxable year with respect to which the foreign trust fails to meet such requirements. If any failure described in the preceding sentence continues for more than 90 days after the day on which the Secretary mails notice of such failure to such grantor, such grantor shall pay a penalty (in addition to any other penalty) of \$10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period.

“(c) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by this section on any failure which is shown to be due to reasonable cause and not due to willful neglect. The fact that a foreign jurisdiction would impose a civil or criminal penalty on the taxpayer (or any other person) for disclosing the requested documentation is not reasonable cause.

“(d) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by this section.”

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by striking the item relating to section 6048 and inserting the following new item:

“Sec. 6048. Information with respect to certain foreign trusts.”

(2) The table of sections for part I of subchapter B of chapter 68 of such Code is amended by striking the item relating to section 6677 and inserting the following new item:

“Sec. 6677. Failure to file information with respect to certain foreign trusts.”

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply—

(A) to reportable events occurring on or after February 6, 1995, and

(B) to the extent such amendments require reporting for any taxable year under section 6048(b) of the Internal Revenue Code of 1986 (as added by this section), to taxable years beginning after the date of the enactment of this Act.

(2) NOTICES.—For purposes of section 6048(a) of such Code, the 90th day referred to therein shall in no event be treated as being earlier than the 90th day after the date of the enactment of this Act.

SEC. 503. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS HAVING ONE OR MORE UNITED STATES BENEFICIARIES.

(a) IN GENERAL.—Section 679 of the Internal Revenue Code of 1986 (relating to foreign trusts having one or more United States beneficiaries) is amended to read as follows:

“SEC. 679. FOREIGN TRUSTS HAVING ONE OR MORE UNITED STATES BENEFICIARIES.

“(a) TRANSFEROR TREATED AS OWNER.—

“(1) IN GENERAL.—A United States person who directly or indirectly transfers property to a foreign trust (other than a trust described in section 404(a)(4) or section 404A) shall be treated as the owner for his taxable year of the portion of such trust attributable to such property if for such year there is a United States beneficiary of such trust.

“(2) EXCEPTION.—

“(A) IN GENERAL.—Paragraph (1) shall not apply to any sale or exchange of property to a trust if—

“(i) the trust pays fair market value for such property, and

“(ii) all of the gain to the transferor is recognized at the time of transfer.

“(B) CERTAIN OBLIGATIONS NOT TAKEN INTO ACCOUNT.—For purposes of subparagraph (A), in determining whether the transferor received fair market value, there shall not be taken into account—

“(i) any obligation of—

“(I) the trust,

“(II) any grantor or beneficiary of the trust, or

“(III) any person who is related (within the meaning of section 643(i)(3)) to any grantor or beneficiary of the trust, and

“(ii) except as provided in regulations, any obligation which is guaranteed by a person described in clause (i).

“(C) TREATMENT OF DEEMED SALE ELECTION UNDER SECTION 1057.—For purposes of subparagraph (A), a transfer with respect to which an election under section 1057 is made shall not be treated as a sale or exchange.

“(3) SPECIAL RULES APPLICABLE TO FOREIGN GRANTOR WHO LATER BECOMES A UNITED STATES PERSON.—A nonresident alien individual who becomes a United States resident within 5 years after directly or indirectly transferring property to a foreign trust shall be treated for purposes of this section and section 6048 as having transferred such property, and any undistributed income (including all realized and unrealized gains) attributable thereto, to the foreign trust immediately after becoming a United States resident. For this purpose, a nonresident alien shall be treated as becoming a resident of the United States on the residency starting date (within the meaning of section 7701(b)(2)(A)).

“(b) BENEFICIARIES TREATED AS TRANSFERORS IN CERTAIN CASES.—For purposes of this section and section 6048, if—

“(1) a citizen or resident of the United States who is treated as the owner of any portion of a trust under subsection (a) dies,

“(2) property is transferred to a foreign trust by reason of the death of a citizen or resident of the United States, or

“(3) a domestic trust to which any United States person made a transfer becomes a foreign trust,

then, except as otherwise provided in regulations, the trust beneficiaries shall be treated as having transferred to such trust (as of the date of the applicable event under paragraph (1), (2), or (3)) their respective interests (as determined under subsection (e)) in the property involved.

“(c) TRUSTS ACQUIRING UNITED STATES BENEFICIARIES.—If—

“(1) subsection (a) applies to a trust for the transferor’s taxable year, and

“(2) subsection (a) would have applied to the trust for the transferor’s immediately preceding taxable year but for the fact that for such preceding taxable year there was no United States beneficiary for any portion of the trust,

then, for purposes of this subtitle, the transferor shall be treated as having received as an accumulation distribution taxable under subpart D an amount equal to the undistributed net income (as determined under section 665(a) as of the close of such immediately preceding taxable year) attributable to the portion of the trust referred to in subsection (a).

“(d) TRUSTS TREATED AS HAVING A UNITED STATES BENEFICIARY.—

“(1) IN GENERAL.—For purposes of this section, a trust shall be treated as having a United States beneficiary for the taxable year unless—

“(A) under the terms of the trust, no part of the income or corpus of the trust may be paid or accumulated during the taxable year to or for the benefit of a United States person, and

“(B) if the trust were terminated at any time during the taxable year, no part of the income or corpus of such trust could be paid to or for the benefit of a United States person.

To the extent provided by the Secretary, for purposes of this subsection, the term ‘United States person’ includes any person who was a United States person at any time during the existence of the trust.

“(2) ATTRIBUTION OF OWNERSHIP.—For purposes of paragraph (1), an amount shall be treated as paid or accumulated to or for the benefit of a United States person if such amount is paid to or accumulated for a foreign corporation, foreign partnership, or foreign trust or estate, and—

“(A) in the case of a foreign corporation, more than 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote is owned (within the meaning of section 958(a)) or is considered to be owned (within the meaning of section 958(b)) by United States shareholders (as defined in section 951(b)),

“(B) in the case of a foreign partnership, a United States person is a partner of such partnership, or

- “(C) in the case of a foreign trust or estate, such trust or estate has a United States beneficiary (within the meaning of paragraph (1)).
- “(e) DETERMINATION OF BENEFICIARIES’ INTERESTS IN TRUST.—
- “(1) GENERAL RULE.—For purposes of this section, a beneficiary’s interest in a foreign trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar advisor.
- “(2) SPECIAL RULE.—In the case of beneficiaries whose interests in a trust cannot be determined under paragraph (1)—
- “(A) the beneficiary having the closest degree of kinship to the grantor shall be treated as holding the remaining interests in the trust not determined under paragraph (1) to be held by any other beneficiary, and
- “(B) if 2 or more beneficiaries have the same degree of kinship to the grantor, such remaining interests shall be treated as held equally by such beneficiaries.
- “(3) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a foreign trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.
- “(4) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—
- “(A) the methodology used to determine that taxpayer’s trust interest under this section, and
- “(B) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary’s trust interest under this section.
- “(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”
- (b) EFFECTIVE DATE.—
- (1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending on or after February 6, 1995.
- (2) SECTION 679(a).—Paragraphs (2) and (3) of section 679(a) of the Internal Revenue Code of 1986 (as added by this section) shall apply to—
- (A) any trust created on or after February 6, 1995, and
- (B) the portion of any trust created before such date which is attributable to actual transfers of property to the trust on or after such date.
- (3) SECTION 679(b).—
- (A) IN GENERAL.—Paragraphs (1) and (2) of section 679(b) of such Code (as so added) shall apply to—
- (i) any trust created on or after the date of the enactment of this Act, and
- (ii) the portion of any trust created before such date which is attributable to actual transfers of property to the trust on or after such date.
- (B) SECTION 679(b)(3).—Section 679(b)(3) of such Code (as so added) shall take effect on February 6, 1995, without regard to when the property was transferred to the trust.

SEC. 504. FOREIGN PERSONS NOT TO BE TREATED AS OWNERS UNDER GRANTOR TRUST RULES.

(a) IN GENERAL.—So much of section 672(f) of the Internal Revenue Code of 1986 (relating to special rule where grantor is foreign person) as precedes paragraph (2) is amended to read as follows:

“(f) SUBPART NOT TO RESULT IN FOREIGN OWNERSHIP.—

“(1) IN GENERAL.—Notwithstanding any other provision of this subpart, this subpart shall apply only to the extent such application results in an amount being included (directly or through 1 or more entities) in the gross income of a citizen or resident of the United States or a domestic corporation. The preceding sentence shall not apply to any portion of an investment trust if such trust is treated as a trust for purposes of this title and the grantor of such portion is the sole beneficiary of such portion.”

(b) CREDIT FOR CERTAIN TAXES.—Paragraph (2) of section 665(d) of such Code is amended by adding at the end the following new sentence: “Under rules or regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the term ‘taxes imposed on the trust’ includes the allocable amount of any income, war profits, and excess profits taxes imposed by

any foreign country or possession of the United States on the settlor or such other person in respect of trust income.”

(c) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.—

(1) Section 643 of such Code is amended by adding at the end the following new subsection:

“(h) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.—For purposes of this part, any amount paid to a United States person which is derived directly or indirectly from a foreign trust of which the payor is not the grantor shall be deemed in the year of payment to have been directly paid by the foreign trust to such United States person.”

(2) Section 665 of such Code is amended by striking subsection (c).

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

(e) TRANSITIONAL RULE.—If—

(1) by reason of the amendments made by this section, any person other than a United States person ceases to be treated as the owner of a portion of a domestic trust, and

(2) before January 1, 1996, such trust becomes a foreign trust, or the assets of such trust are transferred to a foreign trust,

no tax shall be imposed by section 1491 of the Internal Revenue Code of 1986 by reason of such trust becoming a foreign trust or the assets of such trust being transferred to a foreign trust.

SEC. 505. GRATUITOUS TRANSFERS BY PARTNERSHIPS AND FOREIGN CORPORATIONS.

(a) IN GENERAL.—Subchapter C of chapter 80 of the Internal Revenue Code of 1986 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following new section:

“SEC. 7874. PURPORTED GIFTS BY PARTNERSHIPS AND FOREIGN CORPORATIONS.

“(a) IN GENERAL.—Any property (including money) that is purportedly a direct or indirect gift by a partnership or a foreign corporation to a person who is not a partner of the partnership or a shareholder of the corporation, respectively, may be recharacterized by the Secretary to prevent the avoidance of tax. The Secretary may not recharacterize gifts made for bona fide business or charitable purposes.

“(b) STATEMENTS ON RECIPIENT’S RETURN.—A taxpayer who receives a purported gift subject to subsection (a) shall attach a statement to his income tax return for the year of receipt that identifies the property received and describes fully the circumstances surrounding the purported gift.

“(c) EXEMPTION.—Subsection (a) shall not apply to purported gifts received by any person during any taxable year if the amount thereof is less than \$2,500.

“(d) REGULATIONS.—The Secretary may prescribe such rules as may be necessary or appropriate to carry out the purposes of this section.”

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter C is amended by adding at the end the following new item:

“Sec. 7874. Purported gifts by partnerships and foreign corporations.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act.

SEC. 506. INFORMATION REPORTING REGARDING LARGE FOREIGN GIFTS.

(a) IN GENERAL.—Subpart A of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by inserting after section 6039E the following new section:

“SEC. 6039F. NOTICE OF LARGE GIFTS RECEIVED FROM FOREIGN PERSONS.

“(a) IN GENERAL.—If the value of the aggregate foreign gifts received by a United States person (other than an organization described in section 501(c) and exempt from tax under section 501(a)) during any taxable year exceeds \$100,000, such United States person shall furnish (at such time and in such manner as the Secretary shall prescribe) such information as the Secretary may prescribe regarding each foreign gift received during such year.

“(b) FOREIGN GIFT.—For purposes of this section, the term ‘foreign gift’ means any amount received from a person other than a United States person which the recipient treats as a gift or bequest. Such term shall not include any qualified transfer (within the meaning of section 2503(e)(2)).

“(c) PENALTY FOR FAILURE TO FILE INFORMATION.—

“(1) IN GENERAL.—If a United States person fails to furnish the information required by subsection (a) with respect to any foreign gift within the time prescribed therefor (including extensions)—

“(A) the tax consequences of the receipt of such gift shall be determined by the Secretary in the Secretary’s sole discretion from the Secretary’s own knowledge or from such information as the Secretary may obtain through testimony or otherwise, and

“(B) such United States person shall pay (upon notice and demand by the Secretary and in the same manner as tax) an amount equal to 5 percent of the amount of such foreign gift for each month for which the failure continues (not to exceed 25 percent of such amount in the aggregate).

“(2) REASONABLE CAUSE EXCEPTION.— Paragraph (1) shall not apply to any failure to report a foreign gift if the United States person shows that the failure is due to reasonable cause and not due to willful neglect.

“(d) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.”.

(b) CLERICAL AMENDMENT.—The table of sections for such subpart is amended by inserting after the item relating to section 6039E the following new item:

“Sec. 6039F. Notice of large gifts received from foreign persons.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act in taxable years ending after such date.

SEC. 507. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS WHICH ARE NOT GRANTOR TRUSTS.

(a) MODIFICATION OF INTEREST CHARGE ON ACCUMULATION DISTRIBUTIONS.—Subsection (a) of section 668 of the Internal Revenue Code of 1986 (relating to interest charge on accumulation distributions from foreign trusts) is amended to read as follows:

“(a) GENERAL RULE.—For purposes of the tax determined under section 667(a)—

“(1) SUM OF INTEREST CHARGES FOR EACH THROWBACK YEAR.—The interest charge (determined under paragraph (2)) with respect to any distribution is the sum of the interest charges for each of the throwback years to which such distribution is allocated under section 666(a).

“(2) INTEREST CHARGE FOR YEAR.—Except as provided in paragraph (6), the interest charge for any throwback year on such year’s allocable share of the partial tax computed under section 667(b) with respect to any distribution shall be determined for the period—

“(A) beginning on the due date for the throwback year, and

“(B) ending on the due date for the taxable year of the distribution,

by using the rates and method applicable under section 6621 for underpayments of tax for such period. For purposes of the preceding sentence, the term ‘due date’ means the date prescribed by law (determined without regard to extensions) for filing the return of the tax imposed by this chapter for the taxable year.

“(3) ALLOCABLE PARTIAL TAX.—For purposes of paragraph (2), a throwback year’s allocable share of the partial tax is an amount equal to such partial tax multiplied by the fraction—

“(A) the numerator of which is the amount deemed by section 666(a) to be distributed on the last day of such throwback year, and

“(B) the denominator of which is the accumulation distribution taken into account under section 666(a).

“(4) THROWBACK YEAR.—For purposes of this subsection, the term ‘throwback year’ means any taxable year to which a distribution is allocated under section 666(a).

“(5) PERIODS OF NONRESIDENCE.—The period under paragraph (2) shall not include any portion thereof during which the beneficiary was not a citizen or resident of the United States.

“(6) THROWBACK YEARS BEFORE 1996.—In the case of any throwback year beginning before 1996—

“(A) interest for the portion of the period described in paragraph (2) which occurs before the first taxable year beginning after 1995 shall be determined by using an interest rate of 6 percent and no compounding, and

“(B) interest for the remaining portion of such period shall be determined as if the partial tax computed under section 667(b) for the throwback year were increased (as of the beginning of such first taxable year) by the amount of the interest determined under subparagraph (A).”

(b) RULE WHEN INFORMATION NOT AVAILABLE.—Subsection (d) of section 666 of such Code is amended by adding at the end the following: “In the case of a distribution from a foreign trust to which section 6048(b) applies, adequate records shall

not be considered to be available for purposes of the preceding sentence unless such trust meets the requirements referred to in such section. If a taxpayer is not able to demonstrate when a trust was created, the Secretary may use any reasonable approximation based on available evidence.”

(c) ABUSIVE TRANSACTIONS.—Section 643(a) of such Code is amended by inserting after paragraph (6) the following new paragraph:

“(7) ABUSIVE TRANSACTIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent avoidance of such purposes.”

(d) TREATMENT OF USE OF TRUST PROPERTY.—Section 643 of such Code (relating to definitions applicable to subparts A, B, C, and D) is amended by adding at the end the following new subsection:

“(i) USE OF FOREIGN TRUST PROPERTY.—

“(1) GENERAL RULE.—For purposes of subparts B, C, and D, if, during a taxable year of a foreign trust a trust participant of such trust directly or indirectly uses any of the trust’s property, the use value for such taxable year shall be treated as an amount paid to such participant (other than from income for the taxable year) within the meaning of sections 661(a)(2) and section 662(a)(2).

“(2) EXEMPTION.—Paragraph (1) shall not apply to any trust participant as to whom the aggregate use value during the taxable year does not exceed \$2,500.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) USE VALUE.—Except as provided in subparagraph (B), the term ‘use value’ means the fair market value of the use of property reduced by any amount paid for such use by the trust participant or by any person who is related to such participant.

“(B) SPECIAL RULE FOR CASH AND CASH EQUIVALENT.—A direct or indirect loan of cash, or cash equivalent, by a foreign trust shall be treated as a use of trust property by the borrower and the full amount of the loan principal shall be the use value.

“(C) USE BY RELATED PARTY.—

“(i) Use by a person who is related to a trust participant shall be treated as use by the participant.

“(ii) If property is used by any person who is a related person with respect to more than one trust participant, then the property shall be treated as used by the trust participant most closely related, by blood or otherwise, to such person.

“(D) PROPERTY INCLUDES CASH AND CASH EQUIVALENTS.—The term ‘property’ includes cash and cash equivalents.

“(E) TRUST PARTICIPANT.—The term ‘trust participant’ means each grantor and beneficiary of the trust.

“(F) RELATED PERSON.—A person is related to a trust participant if the relationship between such persons would result in a disallowance of losses under section 267(b) or 707(b). In applying section 267 for purposes of the preceding sentence—

“(i) section 267(e) shall be applied as if such person or the trust participant were a pass-thru entity,

“(ii) section 267(b) shall be applied by substituting ‘at least 10 percent’ for ‘more than 50 percent’ each place it appears, and

“(iii) in determining the family of an individual under section 267(c)(4), such section shall be treated as including the spouse (and former spouse) of such individual and of each other person who is treated under such section as being a member of the family of such individual or spouse.

“(G) SUBSEQUENT TRANSACTIONS REGARDING LOAN PRINCIPAL.—If any loan described in subparagraph (B) is taken into account under paragraph (1), any subsequent transaction between the trust and the original borrower regarding the principal of the loan (by way of complete or partial repayment, satisfaction, cancellation, discharge, or otherwise) shall be disregarded for purposes of this title.”

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) INTEREST CHARGE.—The amendment made by subsection (a) shall apply to interest for throwback years beginning before, on, or after the date of the enactment of this Act.

SEC. 508. RESIDENCE OF ESTATES AND TRUSTS.

(a) TREATMENT AS UNITED STATES PERSON.—Paragraph (30) of section 7701(a) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D) and by inserting after subparagraph (C) the following:

“(D) any estate or trust if—

“(i) a court within the United States is able to exercise primary supervision over the administration of the estate or trust, and

“(ii) in the case of a trust, one or more United States fiduciaries have the authority to control all substantial decisions of the trust.”

(b) CONFORMING AMENDMENT.—Paragraph (31) of section 7701(a) of such Code is amended to read as follows:

“(31) FOREIGN ESTATE OR TRUST.—The term ‘foreign estate’ or ‘foreign trust’ means any estate or trust other than an estate or trust described in section 7701(a)(30)(D).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply—

(1) to taxable years beginning after December 31, 1996, and

(2) at the election of the trustee of a trust, to taxable years beginning after the date of the enactment of this Act and on or before December 31, 1996.

Such an election, once made, shall be irrevocable.

TITLE VI—EXTENSION OF AUTHORITY OF FEDERAL COMMUNICATIONS COMMISSION TO USE COMPETITIVE BIDDING

SEC. 601. EXTENSION OF AUTHORITY.

Section 309(j)(11) of the Communications Act of 1934 (47 U.S.C. 309(j)(11)) is amended by striking “September 30, 1998” and inserting “September 30, 2000”.

TITLE VII—PRIVATIZATION OF THE UNITED STATES ENRICHMENT CORPORATION

SEC. 701. SHORT TITLE AND REFERENCE.

(a) SHORT TITLE.—This title may be cited as the “USEC Privatization Act”.

(b) REFERENCE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.).

SEC. 702. PRODUCTION FACILITY.

Paragraph v. of section 11 (42 U.S.C. 2014 v.) is amended by striking “or the construction and operation of a uranium enrichment production facility using Atomic Vapor Laser Isotope Separation technology”.

SEC. 703. DEFINITIONS.

Section 1201 (42 U.S.C. 2297) is amended—

(1) in paragraph (4), by inserting before the period the following: “and any successor corporation established through privatization of the Corporation”;

(2) by redesignating paragraphs (10) through (13) as paragraphs (14) through (17), respectively, and by inserting after paragraph (9) the following new paragraphs:

“(10) The term ‘low-level radioactive waste’ has the meaning given such term in section 102(9) of the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. 2021b(9)).

“(11) The term ‘mixed waste’ has the meaning given such term in section 1004(41) of the Solid Waste Disposal Act (42 U.S.C. 6903(41)).

“(12) The term ‘privatization’ means the transfer of ownership of the Corporation to private investors pursuant to chapter 25.

“(13) The term ‘privatization date’ means the date on which 100 percent of ownership of the Corporation has been transferred to private investors.”;

(3) by inserting after paragraph (17) (as redesignated) the following new paragraph:

“(18) The term ‘transition date’ means July 1, 1993.”; and

(4) by redesignating the unredesignated paragraph (14) as paragraph (19).

SEC. 704. EMPLOYEES OF THE CORPORATION.

(a) PARAGRAPH (2).—Paragraphs (1) and (2) of section 1305(e) (42 U.S.C. 2297b-4(e)(1)(2)) are amended to read as follows:

“(1) IN GENERAL.—It is the purpose of this subsection to ensure that the privatization of the Corporation shall not result in any adverse effects on the pension benefits of employees at facilities that are operated, directly or under contract, in the performance of the functions vested in the Corporation.

“(2) APPLICABILITY OF EXISTING COLLECTIVE BARGAINING AGREEMENT.—The Corporation shall abide by the terms of the collective bargaining agreement in effect on the privatization date at each individual facility.”.

(b) PARAGRAPH (4).—Paragraph (4) of section 1305(e) (42 U.S.C. 2297b-4(e)(4)) is amended—

- (1) by striking “AND DETAILEES” in the heading;
- (2) by striking the first sentence;
- (3) in the second sentence, by inserting “from other Federal employment” after “transfer to the Corporation”; and
- (4) by striking the last sentence.

SEC. 705. MARKETING AND CONTRACTING AUTHORITY.

(a) MARKETING AUTHORITY.—Section 1401(a) (42 U.S.C. 2297c(a)) is amended effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954)—

- (1) by amending the subsection heading to read “MARKETING AUTHORITY.—”; and
- (2) by striking the first sentence.

(b) TRANSFER OF CONTRACTS.—Section 1401(b) (42 U.S.C. 2297c(b)) is amended—

- (1) in paragraph (2)(B), by adding at the end the following: “The privatization of the Corporation shall not affect the terms of, or the rights or obligations of the parties to, any such power purchase contract.”; and
- (2) by adding at the end the following:

“(3) EFFECT OF TRANSFER.—

“(A) As a result of the transfer pursuant to paragraph (1), all rights, privileges, and benefits under such contracts, agreements, and leases, including the right to amend, modify, extend, revise, or terminate any of such contracts, agreements, or leases were irrevocably assigned to the Corporation for its exclusive benefit.

“(B) Notwithstanding the transfer pursuant to paragraph (1), the United States shall remain obligated to the parties to the contracts, agreements, and leases transferred pursuant to paragraph (1) for the performance of the obligations of the United States thereunder during the term thereof. The Corporation shall reimburse the United States for any amount paid by the United States in respect of such obligations arising after the privatization date to the extent such amount is a legal and valid obligation of the Corporation then due.

“(C) After the privatization date, upon any material amendment, modification, extension, revision, replacement, or termination of any contract, agreement, or lease transferred under paragraph (1), the United States shall be released from further obligation under such contract, agreement, or lease, except that such action shall not release the United States from obligations arising under such contract, agreement, or lease prior to such time.”.

(c) PRICING.—Section 1402 (42 U.S.C. 2297c-1) is amended to read as follows:

“SEC. 1402. PRICING.

“The Corporation shall establish prices for its products, materials, and services provided to customers on a basis that will allow it to attain the normal business objectives of a profitmaking corporation.”.

(d) LEASING OF GASEOUS DIFFUSION FACILITIES OF DEPARTMENT.—Effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), section 1403 (42 U.S.C. 2297c-2) is amended by adding at the end the following:

“(h) LOW-LEVEL RADIOACTIVE WASTE AND MIXED WASTE.—

“(1) RESPONSIBILITY OF THE DEPARTMENT; COSTS.—

“(A) With respect to low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) or as a result of treatment of such wastes at a location other than the facilities and related property leased by the Corporation pursuant to subsection (a) the Department, at the request of the Corporation, shall—

“(i) accept for treatment or disposal of all such wastes for which treatment or disposal technologies and capacities exist, whether within the Department or elsewhere; and

“(ii) accept for storage (or ultimately treatment or disposal) all such wastes for which treatment and disposal technologies or capacities do not exist, pending development of such technologies or availability of such capacities for such wastes.

“(B) All low-level wastes and mixed wastes that the Department accepts for treatment, storage, or disposal pursuant to subparagraph (A) shall, for the purpose of any permits, licenses, authorizations, agreements, or orders involving the Department and other Federal agencies or State or local governments, be deemed to be generated by the Department and the Department shall handle such wastes in accordance with any such permits, licenses, authorizations, agreements, or orders. The Department shall obtain any additional permits, licenses, or authorizations necessary to handle such wastes, shall amend any such agreements or orders as necessary to handle such wastes, and shall handle such wastes in accordance therewith.

“(C) The Corporation shall reimburse the Department for the treatment, storage, or disposal of low-level radioactive waste or mixed waste pursuant to subparagraph (A) in an amount equal to the Department’s costs but in no event greater than an amount equal to that which would be charged by commercial, State, regional, or interstate compact entities for treatment, storage, or disposal of such waste.

“(2) AGREEMENTS WITH OTHER PERSONS.—The Corporation may also enter into agreements for the treatment, storage, or disposal of low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) with any person other than the Department that is authorized by applicable laws and regulations to treat, store, or dispose of such wastes.”.

(e) LIABILITIES.—

(1) Subsection (a) of section 1406 (42 U.S.C. 2297c–5(a)) is amended—

(A) by inserting “AND PRIVATIZATION” after “TRANSITION” in the heading; and

(B) by adding at the end the following: “As of the privatization date, all liabilities attributable to the operation of the Corporation from the transition date to the privatization date shall be direct liabilities of the United States.”.

(2) Subsection (b) of section 1406 (42 U.S.C. 2297c–5(b)) is amended—

(A) by inserting “AND PRIVATIZATION” after “TRANSITION” in the heading; and

(B) by adding at the end the following: “As of the privatization date, any judgment entered against the Corporation imposing liability arising out of the operation of the Corporation from the transition date to the privatization date shall be considered a judgment against the United States.”.

(3) Subsection (d) of section 1406 (42 U.S.C. 2297c–5(d)) is amended—

(A) by inserting “AND PRIVATIZATION” after “TRANSITION” in the heading; and

(B) by striking “the transition date” and inserting “the privatization date (or, in the event the privatization date does not occur, the transition date)”.

(f) TRANSFER OF URANIUM.—Title II (42 U.S.C. 2297 et seq.) is amended by redesignating section 1408 as section 1409 and by inserting after section 1407 the following:

“SEC. 1408. TRANSFER OF URANIUM.

“The Secretary may, before the privatization date, transfer to the Corporation without charge raw uranium, low-enriched uranium, and highly enriched uranium.”.

SEC. 706. PRIVATIZATION OF THE CORPORATION.

(a) ESTABLISHMENT OF PRIVATE CORPORATION.—Chapter 25 (42 U.S.C. 2297d et seq.) is amended by adding at the end the following new section:

“SEC. 1503. ESTABLISHMENT OF PRIVATE CORPORATION.

“(a) ESTABLISHMENT.—

“(1) IN GENERAL.—In order to facilitate privatization, the Corporation may provide for the establishment of a private corporation organized under the laws of any of the several States. Such corporation shall have among its purposes the following:

“(A) To help maintain a reliable and economical domestic source of uranium enrichment services.

“(B) To undertake any and all activities as provided in its corporate charter.

“(2) AUTHORITIES.—The corporation established pursuant to paragraph (1) shall be authorized to—

“(A) enrich uranium, provide for uranium to be enriched by others, or acquire enriched uranium (including low-enriched uranium derived from highly enriched uranium);

“(B) conduct, or provide for conducting, those research and development activities related to uranium enrichment and related processes and activities the corporation considers necessary or advisable to maintain itself as a commercial enterprise operating on a profitable and efficient basis;

“(C) enter into transactions regarding uranium, enriched uranium, or depleted uranium with—

“(i) persons licensed under section 53, 63, 103, or 104 in accordance with the licenses held by those persons;

“(ii) persons in accordance with, and within the period of, an agreement for cooperation arranged under section 123; or

“(iii) persons otherwise authorized by law to enter into such transactions;

“(D) enter into contracts with persons licensed under section 53, 63, 103, or 104, for as long as the corporation considers necessary or desirable, to provide uranium or uranium enrichment and related services;

“(E) enter into contracts to provide uranium or uranium enrichment and related services in accordance with, and within the period of, an agreement for cooperation arranged under section 123 or as otherwise authorized by law; and

“(F) take any and all such other actions as are permitted by the law of the jurisdiction of incorporation of the corporation.

“(3) TRANSFER OF ASSETS.—For purposes of implementing the privatization, the Corporation may transfer some or all of its assets and obligations to the corporation established pursuant to this section, including—

“(A) all of the Corporation’s assets, including all contracts, agreements, and leases, including all uranium enrichment contracts and power purchase contracts;

“(B) all funds in accounts of the Corporation held by the Treasury or on deposit with any bank or other financial institution;

“(C) all of the Corporation’s rights, duties, and obligations, accruing subsequent to the privatization date, under the power purchase contracts covered by section 1401(b)(2)(B); and

“(D) all of the Corporation’s rights, duties, and obligations, accruing subsequent to the privatization date, under the lease agreement between the Department and the Corporation executed by the Department and the Corporation pursuant to section 1403.

“(4) MERGER OR CONSOLIDATION.—For purposes of implementing the privatization, the Corporation may merge or consolidate with the corporation established pursuant to subsection (a)(1) if such action is contemplated by the plan for privatization approved by the President under section 1502(b). The Board shall have exclusive authority to approve such merger or consolidation and to take all further actions necessary to consummate such merger or consolidation, and no action by or in respect of shareholders shall be required. The merger or consolidation shall be effected in accordance with, and have the effects of a merger or consolidation under, the laws of the jurisdiction of incorporation of the surviving corporation, and all rights and benefits provided under this title to the Corporation shall apply to the surviving corporation as if it were the Corporation.

“(5) TAX TREATMENT OF PRIVATIZATION.—

“(A) TRANSFER OF ASSETS OR MERGER.—No income, gain, or loss shall be recognized by any person by reason of the transfer of the Corporation’s assets to, or the Corporation’s merger with, the corporation established pursuant to subsection (a)(1) in connection with the privatization.

“(B) CANCELLATION OF DEBT AND COMMON STOCK.—No income, gain, or loss shall be recognized by any person by reason of any cancellation of any obligation or common stock of the Corporation in connection with the privatization.

“(b) OSHA REQUIREMENTS.—For purposes of the regulation of radiological and nonradiological hazards under the Occupational Safety and Health Act of 1970, the corporation established pursuant to subsection (a)(1) shall be treated in the same manner as other employers licensed by the Nuclear Regulatory Commission. Any

interagency agreement entered into between the Nuclear Regulatory Commission and the Occupational Safety and Health Administration governing the scope of their respective regulatory authorities shall apply to the corporation as if the corporation were a Nuclear Regulatory Commission licensee.

“(c) LEGAL STATUS OF PRIVATE CORPORATION.—

“(1) NOT FEDERAL AGENCY.—The corporation established pursuant to subsection (a)(1) shall not be an agency, instrumentality, or establishment of the United States Government and shall not be a Government corporation or Government-controlled corporation.

“(2) NO RECOURSE AGAINST UNITED STATES.—Obligations of the corporation established pursuant to subsection (a)(1) shall not be obligations of, or guaranteed as to principal or interest by, the Corporation or the United States, and the obligations shall so plainly state.

“(3) NO CLAIMS COURT JURISDICTION.—No action under section 1491 of title 28, United States Code, shall be allowable against the United States based on the actions of the corporation established pursuant to subsection (a)(1).

“(d) BOARD OF DIRECTOR’S ELECTION AFTER PUBLIC OFFERING.—In the event that the privatization is implemented by means of a public offering, an election of the members of the board of directors of the Corporation by the shareholders shall be conducted before the end of the 1-year period beginning the date shares are first offered to the public pursuant to such public offering.

“(e) ADEQUATE PROCEEDS.—The Secretary of Energy shall not allow the privatization of the Corporation unless before the sale date the Secretary determines that the estimated sum of the gross proceeds from the sale of the Corporation will be an adequate amount.”.

(b) OWNERSHIP LIMITATIONS.—Chapter 25 (as amended by subsection (a)) is amended by adding at the end the following new section:

“SEC. 1504. OWNERSHIP LIMITATIONS.

“(a) SECURITIES LIMITATION.—In the event that the privatization is implemented by means of a public offering, during a period of 3 years beginning on the privatization date, no person, directly or indirectly, may acquire or hold securities representing more than 10 percent of the total votes of all outstanding voting securities of the Corporation.

“(b) APPLICATION.—Subsection (a) shall not apply—

“(1) to any employee stock ownership plan of the Corporation,

“(2) to underwriting syndicates holding shares for resale, or

“(3) in the case of shares beneficially held for others, to commercial banks, broker-dealers, clearing corporations, or other nominees.

“(c) No director, officer, or employee of the Corporation may acquire any securities, or any right to acquire securities, of the Corporation—

“(1) in the public offering of securities of the Corporation in the implementation of the privatization,

“(2) pursuant to any agreement, arrangement, or understanding entered into before the privatization date, or

“(3) before the election of directors of the Corporation under section 1503(d) on any terms more favorable than those offered to the general public.”.

(c) EXEMPTION FROM LIABILITY.—Chapter 25 (as amended by subsection (b)) is amended by adding at the end the following new section:

“SEC. 1505. EXEMPTION FROM LIABILITY.

“(a) IN GENERAL.—No director, officer, employee, or agent of the Corporation shall be liable, for money damages or otherwise, to any party if, with respect to the subject matter of the action, suit, or proceeding, such person was fulfilling a duty, in connection with any action taken in connection with the privatization, which such person in good faith reasonably believed to be required by law or vested in such person.

“(b) EXCEPTION.—The privatization shall be subject to the Securities Act of 1933 and the Securities Exchange Act of 1934. The exemption set forth in subsection (a) shall not apply to claims arising under such Acts or under the Constitution or laws of any State, territory, or possession of the United States relating to transactions in securities, which claims are in connection with a public offering implementing the privatization.”.

(d) RESOLUTION OF CERTAIN ISSUES.—Chapter 25 (as amended by subsection (c)) is amended by adding at the end the following new section:

“SEC. 1506. RESOLUTION OF CERTAIN ISSUES.

“(a) CORPORATION ACTIONS.—Notwithstanding any provision of any agreement to which the Corporation is a party, the Corporation shall not be considered to be in

breach, default, or violation of any such agreement because of any provision of this chapter or any action the Corporation is required to take under this chapter.

“(b) RIGHT TO SUE WITHDRAWN.—The United States hereby withdraws any stated or implied consent for the United States, or any agent or officer of the United States, to be sued by any person for any legal, equitable, or other relief with respect to any claim arising out of, or resulting from, acts or omissions under this chapter.”.

(e) APPLICATION OF PRIVATIZATION PROCEEDS.—Chapter 25 (as amended by subsection (d)) is amended by adding at the end the following new section:

“SEC. 1507. APPLICATION OF PRIVATIZATION PROCEEDS.

“The proceeds from the privatization shall be included in the budget baseline required by the Balanced Budget and Emergency Deficit Control Act of 1985 and shall be counted as an offset to direct spending for purposes of section 252 of such Act, notwithstanding section 257(e) of such Act.”.

(f) CONFORMING AMENDMENT.—The table of contents for chapter 25 is amended by inserting after the item for section 1502 the following:

“Sec. 1503. Establishment of Private Corporation.

“Sec. 1504. Ownership Limitations.

“Sec. 1505. Exemption from Liability.

“Sec. 1506. Resolution of Certain Issues.

“Sec. 1507. Application of Privatization Proceeds.”.

(g) Section 193 (42 U.S.C. 2243) is amended by adding at the end the following:

“(f) LIMITATION.—If the privatization of the United States Enrichment Corporation results in the Corporation being—

“(1) owned, controlled, or dominated by a foreign corporation or a foreign government, or

“(2) otherwise inimical to the common defense or security of the United States,

any license held by the Corporation under sections 53 and 63 shall be terminated.”.

(h) PERIOD FOR CONGRESSIONAL REVIEW.—Section 1502(d) (42 U.S.C. 2297d-1(d)) is amended by striking “less than 60 days after notification of the Congress” and inserting “less than 60 days after the date of the report to Congress by the Comptroller General under subsection (c)”.

SEC. 707. PERIODIC CERTIFICATION OF COMPLIANCE.

Section 1701(c)(2) (42 U.S.C. 2297f(c)(2)) is amended by striking “ANNUAL APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply at least annually to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1).” and inserting “PERIODIC APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1) periodically, as determined by the Nuclear Regulatory Commission, but not less than every 5 years.”.

SEC. 708. LICENSING OF OTHER TECHNOLOGIES.

Subsection (a) of section 1702 (42 U.S.C. 2297f-1(a)) is amended by striking “other than” and inserting “including”.

SEC. 709. CONFORMING AMENDMENTS.

(a) REPEALS IN ATOMIC ENERGY ACT OF 1954 AS OF THE PRIVATIZATION DATE.—

(1) REPEALS.—As of the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), the following sections (as in effect on such privatization date) of the Atomic Energy Act of 1954 are repealed:

(A) Section 1202.

(B) Sections 1301 through 1304.

(C) Sections 1306 through 1316.

(D) Sections 1404 and 1405.

(E) Section 1601.

(F) Sections 1603 through 1607.

(2) CONFORMING AMENDMENT.—The table of contents of such Act is amended by repealing the items referring to sections repealed by paragraph (1).

(b) STATUTORY MODIFICATIONS.—As of such privatization date, the following shall take effect:

(1) For purposes of title I of the Atomic Energy Act of 1954, all references in such Act to the “United States Enrichment Corporation” shall be deemed to be references to the corporation established pursuant to section 1503 of the Atomic Energy Act of 1954 (as added by section 6(a)).

(2) Section 1018(1) of the Energy Policy Act of 1992 (42 U.S.C. 2296b-7(1)) is amended by striking “the United States” and all that follows through the period and inserting “the corporation referred to in section 1201(4) of the Atomic Energy Act of 1954.”.

- (3) Section 9101(3) of title 31, United States Code, is amended by striking subparagraph (N), as added by section 902(b) of Public Law 102-486.
- (c) REVISION OF SECTION 1305.—As of such privatization date, section 1305 of the Atomic Energy Act of 1954 (42 U.S.C 2297b-4) is amended—
 - (1) by repealing subsections (a), (b), (c), and (d), and
 - (2) in subsection (e)—
 - (A) by striking the subsection designation and heading,
 - (B) by redesignating paragraphs (1) and (2) (as added by section 4(a)) as subsections (a) and (b) and by moving the margins 2-ems to the left,
 - (C) by striking paragraph (3), and
 - (D) by redesignating paragraph (4) (as amended by section 4(b)) as subsection (c), and by moving the margins 2-ems to the left.

