

103<sup>RD</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 2264**

---

**AMENDMENT**

***In the Senate of the United States,***

*June 25 (legislative day, June 22), 1993.*

*Resolved,* That the bill from the House of Representatives (H.R. 2264) entitled “An Act to provide for reconciliation pursuant to section 7 of the concurrent resolution on the budget for fiscal year 1994”, do pass with the following

**AMENDMENT:**

Strike out all after the enacting clause and insert:

1 ***SECTION 1. SHORT TITLE.***

2 *This Act may be cited as the “Omnibus Budget Rec-*  
3 *onciliation Act of 1993”.*

4 ***SEC. 2. TABLE OF CONTENTS.***

5 *The table of contents is as follows:*

TITLE I—COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

TITLE II—COMMITTEE ON ARMED SERVICES

TITLE III—COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

TITLE IV—COMMUNICATIONS AND TRANSPORTATION

TITLE V—COMMITTEE ON ENERGY AND NATURAL RESOURCES

TITLE VI—COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

TITLE VII—FINANCE COMMITTEE RECONCILIATION PROVISIONS RELATING TO MEDICARE, MEDICAID, AND OTHER PROGRAMS

TITLE VIII—FINANCE COMMITTEE REVENUE PROVISIONS

TITLE IX—COMMITTEE ON FOREIGN RELATIONS

TITLE X—COMMITTEE ON GOVERNMENTAL AFFAIRS

TITLE XI—COMMITTEE ON THE JUDICIARY

TITLE XII—COMMITTEE ON LABOR AND HUMAN RESOURCES

TITLE XIII—VETERANS' PROGRAMS

TITLE XIV—ENFORCEMENT PROCEDURES

TITLE XV—MISCELLANEOUS PROVISIONS

1 **TITLE I—COMMITTEE ON AGRI-**  
2 **CULTURE, NUTRITION, AND**  
3 **FORESTRY**

4 **SEC. 1001. SHORT TITLE AND TABLE OF CONTENTS.**

5 (a) *SHORT TITLE.*—This title may be cited as the “Ag-  
6 ricultural Reconciliation Act of 1993”.

7 (b) *TABLE OF CONTENTS.*—The table of contents of this  
8 title is as follows:

*Sec. 1001. Short title and table of contents.*

*Subtitle A—Commodity Programs*

*Sec. 1101. Wheat program.*

*Sec. 1102. Feed grain program.*

*Sec. 1103. Upland cotton program.*

*Sec. 1104. Rice program.*

Sec. 1105. Dairy program.  
 Sec. 1106. Tobacco program.  
 Sec. 1107. Sugar program.  
 Sec. 1108. Oilseeds program.  
 Sec. 1109. Peanut program.  
 Sec. 1110. Honey program.  
 Sec. 1111. Wool and mohair program.

*Subtitle B—Restructuring of Loan Programs*

Sec. 1201. Electric and telephone loan programs.

*Subtitle C—Food Stamp Program*

Sec. 1301. Uniform reimbursement rates.

*Subtitle D—Agricultural Trade*

Sec. 1401. Market promotion program.  
 Sec. 1402. Acreage reduction requirements.  
 Sec. 1403. End-use certificates.  
 Sec. 1404. Sense of Congress regarding the export of vegetable oil.

*Subtitle E—Miscellaneous*

Sec. 1501. Federal crop insurance.  
 Sec. 1502. Environmental conservation acreage reserve program amendments.  
 Sec. 1503. Admission, entrance, and recreation fees.  
 Sec. 1504. Sense of the Senate regarding deficit reduction.

**1     *Subtitle A—Commodity Programs***

**2     *SEC. 1101. WHEAT PROGRAM.***

**3             *Section 107B(c)(1)(E) of the Agricultural Act of 1949***  
**4     *(7 U.S.C. 1445b–3a(c)(1)(E)) is amended—***

**5                     *(1) in the subparagraph heading, by striking “0/***  
**6                     *92 PROGRAM” and inserting “0/85 PROGRAM”; and***

**7                     *(2) by inserting after “8 percent” both places it***  
**8                     *appears in clause (i) the following: “for each of the***  
**9                     *1991 through 1993 crops, and 15 percent for each of***  
**10                    *the 1994 and 1995 crops (except as provided in clause***  
**11                    *(vii)),”, and by adding at the end of the subpara-***  
**12                    *graph the following new clause:***

1           “(vii) *EXCEPTIONS TO 0/85.*—*In the*  
2 *case of each of the 1994 and 1995 crops of*  
3 *wheat, producers on a farm shall be eligible*  
4 *to receive deficiency payments as provided*  
5 *in clause (ii) if an acreage limitation pro-*  
6 *gram under subsection (e) is in effect for the*  
7 *crop and—*

8           “(I)(aa) *the producers have been*  
9 *determined by the Secretary (in ac-*  
10 *cordance with section 503(c)) to be pre-*  
11 *vented from planting the crop or have*  
12 *incurred a reduced yield for the crop*  
13 *(due to a natural disaster); and*

14           “(bb) *the producers elect to devote*  
15 *a portion of the maximum payment*  
16 *acres for wheat (as calculated under*  
17 *subparagraph (C)(ii)) equal to more*  
18 *than 8 percent of the wheat acreage, to*  
19 *conservation uses; or*

20           “(II) *the producers elect to devote*  
21 *a portion of the maximum payment*  
22 *acres for wheat (as calculated under*  
23 *subparagraph (C)(ii)) equal to more*  
24 *than 8 percent of the wheat acreage, to*

1                    *alternative crops as provided in sub-*  
2                    *paragraph (F).”.*

3    **SEC. 1102. FEED GRAIN PROGRAM.**

4            *(a) 0/92 PROGRAM.—Section 105B(c)(1)(E) of the Ag-*  
5            *ricultural Act of 1949 (7 U.S.C. 1444f(c)(1)(E)) is amend-*  
6            *ed—*

7                    *(1) in the subparagraph heading, by striking “0/*  
8                    *92 PROGRAM” and inserting “0/85 PROGRAM”; and*

9                    *(2) by inserting after “8 percent” both places it*  
10                  *appears in clause (i) the following: “for each of the*  
11                  *1991 through 1993 crops, and 15 percent for each of*  
12                  *the 1994 and 1995 crops (except as provided in clause*  
13                  *(vii)),”, and by adding at the end of the subpara-*  
14                  *graph the following new clause:*

15                            *“(vii) EXCEPTIONS TO 0/85.—In the*  
16                            *case of each of the 1994 and 1995 crops of*  
17                            *feed grains, producers on a farm shall be el-*  
18                            *igible to receive deficiency payments as pro-*  
19                            *vided in clause (ii) if an acreage limitation*  
20                            *program under subsection (e) is in effect for*  
21                            *the crop and—*

22                                    *“(I)(aa) the producers have been*  
23                                    *determined by the Secretary (in ac-*  
24                                    *cordance with section 503(c)) to be pre-*  
25                                    *vented from planting the crop or have*

1           incurred a reduced yield for the crop  
2           (due to a natural disaster); and

3                   “(bb) the producers elect to devote  
4           a portion of the maximum payment  
5           acres for feed grains (as calculated  
6           under subparagraph (C)(ii)) equal to  
7           more than 8 percent of the feed grain  
8           acreage, to conservation uses; or

9                   “(II) the producers elect to devote  
10          a portion of the maximum payment  
11          acres for feed grains (as calculated  
12          under subparagraph (C)(ii)) equal to  
13          more than 8 percent of the feed grain  
14          acreage, to alternative crops as pro-  
15          vided in subparagraph (F).”.

16          (b)           TECHNICAL           AMENDMENT.—Section  
17          105B(c)(1)(B)(iii)(IV)(bb) of such Act is amended by strik-  
18          ing “clause (i)(I)” and inserting “clauses (i)(I) and  
19          (ii)(I)”.

20          **SEC. 1103. UPLAND COTTON PROGRAM.**

21          (a) 50/92 PROGRAM.—Section 103B(c)(1)(D) of the  
22          Agricultural Act of 1949 (7 U.S.C. 1444–2(c)(1)(D)) is  
23          amended—

1           (1) *in the subparagraph heading, by striking*  
2           *“50/92 PROGRAM” and inserting “50/85 PROGRAM”;*  
3           *and*

4           (2) *by inserting after “8 percent” both places it*  
5           *appears in clause (i) the following: “for each of the*  
6           *1991 through 1993 crops, and 15 percent for each of*  
7           *the 1994 and 1995 crops (except as provided in clause*  
8           *(v)(II)),”, and in clause (v)—*

9                   (A) *by striking “(v) PREVENTED PLANT-*  
10                  *ING.—If” and inserting the following:*

11                           *“(v) PREVENTED PLANTING AND RE-*  
12                           *DUCE YIELDS.—*

13                                   *“(I) 1991 THROUGH 1993*  
14                                   *CROPS.—In the case of each of the 1991*  
15                                   *through 1993 crops of upland cotton,*  
16                                   *if”; and*

17                   (B) *by adding at the end the following new*  
18                  *subclause:*

19                                   *“(II) 1994 AND 1995 CROPS.—In*  
20                                   *the case of each of the 1994 and 1995*  
21                                   *crops of upland cotton, producers on a*  
22                                   *farm shall be eligible to receive defi-*  
23                                   *ciency payments as provided in clause*  
24                                   *(iii) if an acreage limitation program*



1                    *under subsection (e) is in effect for the*  
2                    *crop and—*

3                    *“(aa) the producers have*  
4                    *been determined by the Secretary*  
5                    *(in accordance with section*  
6                    *503(c)) to be prevented from*  
7                    *planting the crop or have in-*  
8                    *curring a reduced yield for the*  
9                    *crop (due to a natural disaster)*  
10                   *and the producers elect to devote a*  
11                   *portion of the maximum payment*  
12                   *acres for upland cotton (as cal-*  
13                   *culated under subparagraph*  
14                   *(C)(ii)) equal to more than 8 per-*  
15                   *cent of the upland cotton acreage,*  
16                   *to conservation uses; or*

17                   *“(bb) the producers elect to*  
18                   *devote a portion of the maximum*  
19                   *payment acres for upland cotton*  
20                   *(as calculated under subpara-*  
21                   *graph (C)(ii)) equal to more than*  
22                   *8 percent of the upland cotton*  
23                   *acreage, to alternative crops as*  
24                   *provided in subparagraph (E).”.*

1       (b) *ACREAGE LIMITATION PROGRAM.*—Section  
 2 103B(e)(1)(D) of such Act is amended by inserting after  
 3 “30 percent” the following: “for each of the 1991 through  
 4 1994 crops, and 29½ percent for the 1995 crop”.

5 **SEC. 1104. RICE PROGRAM.**

6       Section 101B(c)(1)(D) of the Agricultural Act of 1949  
 7 (7 U.S.C. 1441–2(c)(1)(D)) is amended—

8           (1) in the subparagraph heading, by striking  
 9 “50/92 PROGRAM” and inserting “50/85 PROGRAM”;  
 10 and

11           (2) by inserting after “8 percent” both places it  
 12 appears in clause (i) the following: “for each of the  
 13 1991 through 1993 crops, and 15 percent for each of  
 14 the 1994 and 1995 crops (except as provided in clause  
 15 (v)(II)),”, and in clause (v)—

16           (A) by striking “(v) PREVENTED PLANT-  
 17 ING.—If” and inserting the following:

18                   “(v) PREVENTED PLANTING AND RE-  
 19 DUCED YIELDS.—

20                           “(I) 1991 THROUGH 1993  
 21 CROPS.—In the case of each of the 1991  
 22 through 1993 crops of rice, if”; and

23           (B) by adding at the end the following new  
 24 subclause:

1           “(II) 1994 AND 1995 CROPS.—In  
2           the case of each of the 1994 and 1995  
3           crops of rice, producers on a farm shall  
4           be eligible to receive deficiency pay-  
5           ments as provided in clause (iii) if an  
6           acreage limitation program under sub-  
7           section (e) is in effect for the crop  
8           and—

9                   “(aa) the producers have  
10                  been determined by the Secretary  
11                  (in accordance with section  
12                  503(c)) to be prevented from  
13                  planting the crop or have in-  
14                  curred a reduced yield for the  
15                  crop (due to a natural disaster)  
16                  and the producers elect to devote a  
17                  portion of the maximum payment  
18                  acres for rice (as calculated under  
19                  subparagraph (C)(ii)) equal to  
20                  more than 8 percent of the rice  
21                  acreage, to conservation uses; or

22                   “(bb) the producers elect to  
23                  devote a portion of the maximum  
24                  payment acres for rice (as cal-  
25                  culated under subparagraph

1                   (C)(ii) equal to more than 8 per-  
2                   cent of the rice acreage, to alter-  
3                   native crops as provided in sub-  
4                   paragraph (E).”.

5 **SEC. 1105. DAIRY PROGRAM.**

6           (a) *IN GENERAL.*—Section 204 of the Agricultural Act  
7 of 1949 (7 U.S.C. 1446e) is amended—

8               (1) in subsection (c)(3)—

9                   (A) in the first sentence of subparagraph  
10                  (A), by striking “The Secretary” and inserting  
11                  “Subject to subparagraph (B), the Secretary”;

12                  (B) by redesignating subparagraph (B) as  
13                  subparagraph (C); and

14                  (C) by inserting after subparagraph (A) the  
15                  following new subparagraph:

16                   “(B) *GUIDELINES.*—In the case of pur-  
17                   chases of butter and nonfat dry milk that are  
18                   made by the Secretary under this section on or  
19                   after the date of enactment of this clause, in allo-  
20                   cating the rate of price support between the pur-  
21                   chase prices of butter and nonfat dry milk under  
22                   this paragraph, the Secretary may not—

23                           “(i) offer to purchase butter for more  
24                           than \$0.65 per pound; or

1                   “(ii) offer to purchase nonfat dry milk  
2                   for less than \$1.034 per pound.”; and

3                   (2) in subsection (h)(2)—

4                   (A) by striking “and” at the end of sub-  
5                   paragraph (A);

6                   (B) by striking the period at the end of sub-  
7                   paragraph (B) and inserting “; and”; and

8                   (C) by adding at the end the following new  
9                   subparagraph:

10                   “(C) during calendar year 1996, 10 cents  
11                   per hundredweight of milk marketed, which rate  
12                   shall be adjusted on or before May 1 of calendar  
13                   year 1996 in the manner provided in subpara-  
14                   graph (B).”.

15                   (b) SALE, MARKETING, OR USE OF BOVINE GROWTH  
16 HORMONE.—Section 204 of such Act is amended—

17                   (1) by redesignating subsection (k) as subsection  
18                   (l); and

19                   (2) by inserting after subsection (j) the following  
20                   new subsection:

21                   “(k) SALE, MARKETING, OR USE OF BOVINE GROWTH  
22 HORMONE.—

23                   “(1) DEFINITION OF BOVINE GROWTH HOR-  
24 MONE.—As used in this subsection, the term ‘bovine  
25 growth hormone’ means a synthetic growth hormone

1     *produced through the process of recombinant DNA*  
2     *techniques that is intended for use in bovine animals.*

3             “(2) *PROHIBITION ON SALE, MARKETING, OR*  
4     *USE.—During the period beginning on the date of en-*  
5     *actment of this paragraph and ending on September*  
6     *30, 1994, it shall be unlawful for a person to sell,*  
7     *market, or use bovine growth hormone for commercial*  
8     *agricultural purposes.*

9             “(3) *ENFORCEMENT.—Not later than 30 days*  
10    *after the date of enactment of this paragraph, the Sec-*  
11    *retary shall issue regulations to provide for the en-*  
12    *forcement of the prohibition contained in paragraph*  
13    *(2).”.*

14            (c) *COMMERCIAL USE OF BOVINE GROWTH HORMONE*  
15    *IN OTHER COUNTRIES.—Section 204(k) of such Act (as*  
16    *added by subsection (b)(2)) is further amended by adding*  
17    *at the end the following new paragraph:*

18             “(4) *EXTENSION.—The Secretary shall have the*  
19    *authority to continue the prohibition on the commer-*  
20    *cial use of bovine growth hormone beyond the period*  
21    *referred to in paragraph (2) until the President cer-*  
22    *tifies to Congress that other major milk and dairy ex-*  
23    *porting countries have approved the commercial use*  
24    *of bovine growth hormone.”.*

1       (d) *CONFORMING AMENDMENTS.*—Section 204 of such  
2 Act is amended—

3           (1) in the section heading, by striking “**1995**”  
4 and inserting “**1996**”;

5           (2) by striking “1995” each place it appears  
6 (other than in subsection (h)(2)(B)) and inserting  
7 “1996”; and

8           (3) in subsection (g)(2), by striking “1994” and  
9 inserting “1995”.

10 **SEC. 1106. TOBACCO PROGRAM.**

11       (a) *DOMESTIC MARKETING ASSESSMENT.*—Part I of  
12 subtitle B of title III of the Agricultural Adjustment Act  
13 of 1938 (7 U.S.C. 1311 et seq.) is amended by adding at  
14 the end the following new section:

15 **“SEC. 320C. DOMESTIC MARKETING ASSESSMENT.**

16       “(a) *CERTIFICATION.*—A domestic manufacturer of  
17 cigarettes shall certify to the Secretary, for each calendar  
18 year, the percentage of the quantity of tobacco that the man-  
19 ufacturer uses to produce cigarettes during the year that  
20 is produced in the United States.

21       “(b) *PENALTIES.*—

22           “(1) *IN GENERAL.*—A domestic manufacturer of  
23 cigarettes that has failed, as determined by the Sec-  
24 retary after notice and opportunity for a hearing, to  
25 use in the manufacture of cigarettes during a cal-

1        *endar year at least 75 percent of tobacco produced in*  
2        *the United States, or to comply with subsection (a),*  
3        *shall be subject to the requirements of subsections (c),*  
4        *(d), and (e).*

5                *“(2) FAILURE TO CERTIFY.—For purposes of this*  
6        *section, if a manufacturer fails to comply with sub-*  
7        *section (a), the manufacturer shall be presumed to*  
8        *have used only imported tobacco in the manufacture*  
9        *of cigarettes produced by the manufacturer.*

10                *“(3) REPORTS AND RECORDS.—The Secretary*  
11        *may require a manufacturer to make such reports*  
12        *and maintain such records as are necessary to carry*  
13        *out this section in accordance with section 373.*

14                *“(c) DOMESTIC MARKETING ASSESSMENT.—*

15                *“(1) IN GENERAL.—A domestic manufacturer of*  
16        *cigarettes described in subsection (b) shall remit to the*  
17        *Commodity Credit Corporation a nonrefundable mar-*  
18        *keting assessment in accordance with this subsection.*

19                *“(2) AMOUNT.—The amount of an assessment*  
20        *imposed on a manufacturer under this subsection*  
21        *shall be determined by multiplying—*

22                        *“(A) the quantity by which the quantity of*  
23        *imported tobacco used by the manufacturer to*  
24        *produce cigarettes during a preceding calendar*  
25        *year exceeds 25 percent of the quantity of all to-*



1           *bacco used by the manufacturer to produce ciga-*  
2           *rettes during the preceding calendar year; by*

3           “(B) *the difference between—*

4           “(i) *1/2 of the sum of—*

5           “(I) *the average price per pound*  
6           *received by domestic producers for*  
7           *Burley tobacco during the preceding*  
8           *calendar year; and*

9           “(II) *the average price per pound*  
10           *received by domestic producers for*  
11           *Flue-cured tobacco during the preced-*  
12           *ing calendar year; and*

13           “(ii) *the average price per pound of*  
14           *unmanufactured imported tobacco during*  
15           *the preceding calendar year, as determined*  
16           *by the Secretary.*

17           “(3) *COLLECTION.—An assessment imposed*  
18           *under this subsection shall be—*

19           “(A) *collected by this Secretary and trans-*  
20           *mitted to the Commodity Credit Corporation;*  
21           *and*

22           “(B) *enforced in the same manner as pro-*  
23           *vided in section 320B.*

24           “(d) *PURCHASE OF BURLEY TOBACCO.—*

1           “(1) *IN GENERAL.*—A domestic manufacturer of  
2           cigarettes described in subsection (b) shall purchase  
3           from the inventories of the producer-owned coopera-  
4           tive marketing associations for Burley tobacco de-  
5           scribed in section 320B(a)(2), at the applicable list  
6           price published by the association, the quantity of to-  
7           bacco described in paragraph (2).

8           “(2) *QUANTITY.*—Subject to paragraph (3), the  
9           quantity of Burley tobacco required to be purchased  
10          by a manufacturer during a calendar year under this  
11          subsection shall equal  $\frac{1}{2}$  of the quantity of imported  
12          tobacco used by the manufacturer to produce ciga-  
13          rettes during the preceding calendar year that exceeds  
14          25 percent of the quantity of all tobacco used by the  
15          manufacturer to produce cigarettes during the preced-  
16          ing calendar year.

17          “(3) *LIMITATION.*—If the total quantity of Bur-  
18          ley tobacco required to be purchased by all manufac-  
19          turers under paragraph (2) would reduce the inven-  
20          tories of the producer-owned cooperative marketing  
21          associations for Burley tobacco to less than the reserve  
22          stock level for Burley tobacco, the Secretary shall re-  
23          duce the quantity of tobacco required to be purchased  
24          by manufacturers under paragraph (2), on a pro rata

1 *basis, to ensure that the inventories will not be less*  
2 *than the reserve stock level for Burley tobacco.*

3 *“(4) NONCOMPLIANCE.—If a manufacturer fails*  
4 *to purchase from the inventories of the producer-*  
5 *owned cooperative marketing associations the quan-*  
6 *tity of Burley tobacco required under this subsection,*  
7 *the manufacturer shall be subject to a penalty of 75*  
8 *percent of the average market price (calculated to the*  
9 *nearest whole cent) for Burley tobacco for the imme-*  
10 *diately preceding year on the quantity of tobacco as*  
11 *to which the failure occurs.*

12 *“(5) PURCHASE REQUIREMENTS.—Tobacco pur-*  
13 *chased by a manufacturer under this subsection shall*  
14 *not be included in determining the quantity of to-*  
15 *bacco purchased by the manufacturer under section*  
16 *320B.*

17 *“(e) PURCHASE OF FLUE-CURED TOBACCO.—*

18 *“(1) IN GENERAL.—A domestic manufacturer of*  
19 *cigarettes described in subsection (b) shall purchase*  
20 *from the inventories of the producer-owned coopera-*  
21 *tive marketing association for Flue-cured tobacco de-*  
22 *scribed in section 320B(a)(2), at the applicable list*  
23 *price published by the association, the quantity of to-*  
24 *bacco described in paragraph (2).*

1           “(2) *QUANTITY.*—Subject to paragraph (3), the  
2           quantity of Flue-cured tobacco required to be pur-  
3           chased by a manufacturer during a calendar year  
4           under this subsection shall equal  $\frac{1}{2}$  of the quantity of  
5           imported tobacco used by the manufacturer to produce  
6           cigarettes during the preceding calendar year that ex-  
7           ceeds 25 percent of the quantity of all tobacco used by  
8           the manufacturer to produce cigarettes during the  
9           preceding calendar year.

10           “(3) *LIMITATION.*—If the total quantity of Flue-  
11           cured tobacco required to be purchased by all manu-  
12           facturers under paragraph (2) would reduce the in-  
13           ventories of the producer-owned cooperative marketing  
14           association for Flue-cured tobacco to less than the re-  
15           serve stock level for Flue-cured tobacco, the Secretary  
16           shall reduce the quantity of tobacco required to be  
17           purchased by manufacturers under paragraph (2), on  
18           a pro rata basis, to ensure that the inventories will  
19           not be less than the reserve stock level for Flue-cured  
20           tobacco.

21           “(4) *NONCOMPLIANCE.*—If a manufacturer fails  
22           to purchase from the inventories of the producer-  
23           owned cooperative marketing association the quantity  
24           of Flue-cured tobacco required under this subsection,  
25           the manufacturer shall be subject to a penalty of 75

1     *percent of the average market price (calculated to the*  
2     *nearest whole cent) for Flue-cured tobacco for the im-*  
3     *mediately preceding year on the quantity of tobacco*  
4     *as to which the failure occurs.*

5             “(5) *PURCHASE REQUIREMENTS.*—*Tobacco pur-*  
6     *chased by a manufacturer under this subsection shall*  
7     *not be included in determining the quantity of to-*  
8     *bacco purchased by the manufacturer under section*  
9     *320B.*

10            “(f) *ENFORCEMENT.*—*The Secretary may enforce this*  
11     *section in the courts of the United States.”.*

12            (b) *BUDGET DEFICIT ASSESSMENT.*—

13                 (1) *IN GENERAL.*—*Section 106 of the Agricul-*  
14     *tural Act of 1949 (7 U.S.C. 1445) is amended—*

15                     (A) *in subsection (g)(1), by striking “1995”*  
16                     *and inserting “1998”; and*

17                     (B) *by adding at the end the following new*  
18                     *subsection:*

19                 “(h)(1) *Effective only for each of the 1994 through*  
20     *1998 crops of tobacco, an importer of tobacco that is pro-*  
21     *duced outside the United States shall remit to the Commod-*  
22     *ity Credit Corporation a nonrefundable marketing assess-*  
23     *ment in an amount equal to the product obtained by mul-*  
24     *tiplying—*

1           “(A) the number of pounds of tobacco that is im-  
2           ported by the importer; by

3           “(B) the sum of—

4                   “(i) the per pound marketing assessment  
5                   imposed on purchasers of domestic Burley to-  
6                   bacco pursuant to subsection (g); and

7                   “(ii) the per pound marketing assessment  
8                   imposed on purchasers of domestic Flue-cured to-  
9                   bacco pursuant to subsection (g).

10          “(2) An assessment imposed under this subsection shall  
11          be paid by the importer.

12          “(3)(A) The importer shall remit the assessment at  
13          such time and in such manner as may be prescribed by  
14          the Secretary.

15          “(B) If the importer fails to comply with subpara-  
16          graph (A), the importer shall be liable for a marketing pen-  
17          alty at a rate equal to 37.5 percent of the sum of the average  
18          market price (calculated to the nearest whole cent) of Flue-  
19          cured and Burley tobacco for the immediately preceding  
20          year on the quantity of tobacco as to which the failure oc-  
21          curs.

22          “(C) The Secretary may reduce an assessment in such  
23          amount as the Secretary determines equitable in any case  
24          in which the Secretary determines that the failure was un-

1 *intentional or without knowledge on the part of the person*  
2 *concerned.*

3       “(D) Any assessment provided for under this sub-  
4 *section shall be assessed by the Secretary after notice and*  
5 *opportunity for a hearing.*

6       “(4)(A) Any person against whom a penalty is as-  
7 *essed under this subsection may obtain review of the pen-*  
8 *alty in an appropriate district court of the United States*  
9 *by filing a civil action in the court not later than 30 days*  
10 *after the penalty is imposed.*

11       “(B) The Secretary shall promptly file in the court a  
12 *certified copy of the record on which the penalty is based.*

13       “(5) The district courts of the United States shall have  
14 *jurisdiction to review and enforce any penalty imposed*  
15 *under this subsection.*

16       “(6) An amount equivalent to any penalty collected  
17 *by the Secretary under this subsection shall be deposited*  
18 *for use by the Commodity Credit Corporation.”.*

19               (2) *IMPORTER ASSESSMENTS FOR NO NET COST*  
20 *TOBACCO FUND.—Section 106A of such Act (7 U.S.C.*  
21 *1445–1) is amended—*

22                       (A) *in subsection (c), by inserting “and im-*  
23 *porters” after “purchasers”;*

24                       (B) *in subsection (d)(1)(A)—*

1           (i) by striking “and” at the end of  
2 clause (i); and

3           (ii) by inserting after clause (ii) the  
4 following new clause:

5           “(iii) each importer of Flue-cured or  
6 Burley tobacco shall pay to the appropriate  
7 association, for deposit in the Fund of the  
8 association, an assessment, in an amount  
9 that is equal to the product obtained by  
10 multiplying—

11           “(I) the number of pounds of to-  
12 bacco that is imported by the importer;  
13 by

14           “(II) the sum of the amount of  
15 per pound producer contributions and  
16 purchaser assessments that are payable  
17 by domestic producers and purchasers  
18 of Flue-cured and Burley tobacco  
19 under clauses (i) and (ii); and”;

20           (C) in subsection (d)(2)—

21           (i) by inserting “or importer” after “or  
22 purchaser”;

23           (ii) by striking “and” at the end of  
24 subparagraph (B);



1                   (iii) by inserting “and” at the end of  
2                   subparagraph (C); and

3                   (iv) by adding at the end the following  
4                   new subparagraph:

5                   “(D) if the tobacco involved is imported by  
6                   an importer, from the importer.”; and

7                   (D) in subsection (h)(1)—

8                   (i) by redesignating subparagraphs (B)  
9                   and (C) as subparagraphs (C) and (D), re-  
10                  spectively; and

11                  (ii) by inserting after subparagraph  
12                  (A) the following new subparagraph:

13                  “(B) Each importer who fails to pay to the association  
14                  an assessment as required by subsection (d)(2) at such time  
15                  and in such manner as may be prescribed by the Secretary,  
16                  shall be liable, in addition to any amount due, to a market-  
17                  ing penalty at a rate equal to 75 percent of the average  
18                  market price (calculated to the nearest whole cent) for the  
19                  respective kind of tobacco for the immediately preceding  
20                  year on the quantity of tobacco as to which the failure oc-  
21                  curs.”.

22                  (3) *IMPORTER ASSESSMENTS TO NO NET COST*  
23                  *TOBACCO ACCOUNT.*—Section 106B of such Act (7  
24                  U.S.C. 1445-2) is amended—

1           (A) in subsection (c)(1), by striking “pro-  
2           ducers and purchasers” and inserting “produc-  
3           ers, purchasers, and importers”;

4           (B) in subsection (d)(1)—

5                 (i) by designating the first and second  
6                 sentences as subparagraphs (A) and (B), re-  
7                 spectively; and

8                 (ii) by adding at the end the following  
9                 new subparagraph:

10           “(C) The Secretary shall also require (in lieu of any  
11           requirement under section 106A(d)(1)) that each importer  
12           of Flue-cured and Burley tobacco shall pay to the Corpora-  
13           tion, for deposit in the Account of the association, an assess-  
14           ment, as determined under paragraph (2) and collected  
15           under paragraph (3), with respect to purchases of all such  
16           kind of tobacco imported by the importer.”;

17           (C) in subsection (d)(2), by adding at the  
18           end the following new subparagraph:

19           “(C) The amount of the assessment to be paid by im-  
20           porters shall be an amount that is equal to the product ob-  
21           tained by multiplying—

22                 “(i) the number of pounds of tobacco that is im-  
23                 ported by the importer; by

24                 “(ii) the sum of the amount of per pound pro-  
25                 ducer and purchaser assessments that are payable by

1       *domestic producers and purchasers of the respective*  
2       *kind of tobacco under this paragraph.”;*

3               *(D) in subsection (d)(3), by adding at the*  
4               *end the following new subparagraph:*

5       *“(D) If Flue-cured or Burley tobacco is imported by*  
6       *an importer, any importer assessment required by sub-*  
7       *section (d) shall be collected from the importer.”; and*

8               *(E) in subsection (j)(1)—*

9                       *(i) by redesignating subparagraphs (B)*  
10                      *and (C) as subparagraphs (C) and (D), re-*  
11                      *spectively; and*

12                     *(ii) by inserting after subparagraph*  
13                     *(A) the following new subparagraph:*

14       *“(B) Each importer who fails to pay to the Corpora-*  
15       *tion an assessment as required by subsection (d) at such*  
16       *time and in such manner as may be prescribed by the Sec-*  
17       *retary, shall be liable, in addition to any amount due, to*  
18       *a marketing penalty at a rate equal to 75 percent of the*  
19       *average market price (calculated to the nearest whole cent)*  
20       *for the respective kind of tobacco for the immediately pre-*  
21       *ceding year on the quantity of tobacco as to which the fail-*  
22       *ure occurs.”.*

23       *(c) FEES FOR INSPECTING IMPORTED TOBACCO.—The*  
24       *second sentence of section 213(d) of the Tobacco Adjustment*  
25       *Act of 1983 (7 U.S.C. 511r(d)) is amended by inserting be-*

1 fore the period at the end the following: “, and which shall  
2 be comparable to fees and charges fixed and collected for  
3 services provided in connection with tobacco produced in  
4 the United States”.

5 (d) *EXTENSION OF QUOTA REDUCTION FLOORS.*—

6 (1) *BURLEY TOBACCO.*—Section 319(c)(3)(C)(ii)  
7 of the Agricultural Adjustment Act of 1938 (7 U.S.C.  
8 1314e(c)(3)(C)(ii)) is amended—

9 (A) by striking “1993” and inserting  
10 “1996”; and

11 (B) by inserting before the period at the end  
12 the following: “, except that, in the case of each  
13 of the 1995 and 1996 crops of Burley tobacco, the  
14 Secretary may waive the requirements of this  
15 clause if the Secretary determines that the re-  
16 quirements would likely result in inventories of  
17 the producer-owned cooperative marketing asso-  
18 ciations for Burley tobacco described in section  
19 320B(a)(2) to exceed 150 percent of the reserve  
20 stock level for Burley tobacco”.

21 (2) *FLUE-CURED TOBACCO.*—Section  
22 317(a)(1)(C)(ii) of such Act (7 U.S.C.  
23 1314c(a)(1)(C)(ii)) is amended—

24 (A) by striking “1993” and inserting  
25 “1996”; and

1           (B) by inserting before the period at the end  
2           the following: “, except that, in the case of each  
3           of the 1995 and 1996 crops of Flue-cured to-  
4           bacco, the Secretary may waive the requirements  
5           of this clause if the Secretary determines that the  
6           requirements would likely result in inventories of  
7           the producer-owned cooperative marketing asso-  
8           ciation for Flue-cured tobacco described in sec-  
9           tion 320B(a)(2) to exceed 150 percent of the re-  
10          serve stock level for Flue-cured tobacco”.

11 **SEC. 1107. SUGAR PROGRAM.**

12          Section 206(i) of the Agricultural Act of 1949 (7  
13          U.S.C. 1446g(i)) is amended—

14               (1) in paragraph (1), by striking “equal to” and  
15               all that follows through the period and inserting the  
16               following: “equal to—

17                       “(A) in the case of marketings during each  
18                       of fiscal years 1992 through 1994, .18 cents per  
19                       pound of raw cane sugar, processed by the proc-  
20                       essor from domestically produced sugarcane or  
21                       sugarcane molasses, that has been marketed (in-  
22                       cluding the transfer or delivery of the sugar to  
23                       a refinery for further processing or marketing);  
24                       and

1           “(B) in the case of marketings during each  
2 of fiscal years 1995 and 1996, .198 cents per  
3 pound of raw cane sugar, processed by the proc-  
4 essor from domestically produced sugarcane or  
5 sugarcane molasses, that has been marketed (in-  
6 cluding the transfer or delivery of the sugar to  
7 a refinery for further processing or marketing).”;  
8 and

9           (2) in paragraph (2), by striking “equal to” and  
10 all that follows through the period and inserting the  
11 following: “equal to—

12           “(A) in the case of marketings during each  
13 of fiscal years 1992 through 1994, .193 cents per  
14 pound of beet sugar, processed by the processor  
15 from domestically produced sugar beets or sugar  
16 beet molasses, that has been marketed; and

17           “(B) in the case of marketings during each  
18 of fiscal years 1995 and 1996, .2123 cents per  
19 pound of beet sugar, processed by the processor  
20 from domestically produced sugar beets or sugar  
21 beet molasses, that has been marketed.”.

22 **SEC. 1108. OILSEEDS PROGRAM.**

23           (a) *LOAN LEVEL.*—Section 205(c) of the Agricultural  
24 Act of 1949 (7 U.S.C. 1446f(c)) is amended—

1           (1) in paragraph (1), by inserting after “\$5.02  
2           per bushel” the following: “for each of the 1991  
3           through 1993 crops and \$4.92 per bushel for each of  
4           the 1994 and 1995 crops”; and

5           (2) in paragraph (2), by inserting after “\$0.089  
6           per pound” the following: “for each of the 1991  
7           through 1993 crops and \$0.087 per pound for each of  
8           the 1994 and 1995 crops”.

9           (b) LOAN MATURITY.—Section 205(h) of such Act is  
10          amended by striking “mature on the last day of the 9th  
11          month following the month the application for the loan is  
12          made.” and inserting the following: “mature—

13                 “(1) in the case of each of the 1991 through 1993  
14                 crops, on the last day of the 9th month following the  
15                 month the application for the loan is made; and

16                 “(2) in the case of each of the 1994 and 1995  
17                 crops, on the last day of the 9th month following the  
18                 month the application for the loan is made, except  
19                 that the loan may not mature later than the last day  
20                 of the fiscal year in which the application is made.”.

21          (c) LOAN ORIGINATION FEE.—Section 205(m) of such  
22          Act is amended by adding at the end the following new  
23          paragraph:

1           “(3) *APPLICABILITY.*—*This subsection shall*  
2           *apply only to each of the 1991 through 1993 crops of*  
3           *oilseeds.”.*

4   **SEC. 1109. PEANUT PROGRAM.**

5           *Section 108B(g) of the Agricultural Act of 1949 (7*  
6           *U.S.C. 1445c-3(g)) is amended—*

7                   (1) *in paragraph (1), by inserting after “1 per-*  
8                   *cent” both places it appears the following: “for each*  
9                   *of the 1991 through 1993 crops, and 1.1 percent for*  
10                   *each of the 1994 and 1995 crops,”; and*

11                   (2) *in paragraph (2)(A)—*

12                           (A) *in clause (i), by striking “½ percent”*  
13                           *and inserting “.5 percent for each of the 1991*  
14                           *through 1993 crops, and .6 percent for each of*  
15                           *the 1994 and 1995 crops,”; and*

16                           (B) *in clause (ii), by striking “½ percent”*  
17                           *and inserting “.5 percent”.*

18   **SEC. 1110. HONEY PROGRAM.**

19           (a) *REDUCED SUPPORT RATE.*—*Section 207(a) of the*  
20           *Agricultural Act of 1949 (7 U.S.C. 1446h(a)) is amended*  
21           *by striking “than 53.8 cents per pound.” and inserting the*  
22           *following: “than—*

23                           (1) *53.8 cents per pound for each of the 1991*  
24                           *through 1993 crops; and*



1           “(2) 47 cents per pound for each of the 1994  
2           through 1997 crops.”.

3           (b) *PAYMENT LIMITATIONS.*—Section 207(e)(1) of such  
4           Act is amended—

5           (1) by striking “and” at the end of subpara-  
6           graph (C); and

7           (2) by striking subparagraph (D) and inserting  
8           the following new subparagraphs:

9                   “(D) \$125,000 in the 1994 crop year;

10                   “(E) \$100,000 in the 1995 crop year;

11                   “(F) \$75,000 in the 1996 crop year; and

12                   “(G) \$50,000 in the 1997 crop year.”.

13           (c) *CONFORMING AMENDMENTS.*—Section 207 of such  
14           Act (as amended by subsection (b)) is further amended by  
15           striking “1995” each place it appears (other than in sub-  
16           section (e)(1)(E)) and inserting “1997”.

17           **SEC. 1111. WOOL AND MOHAIR PROGRAM.**

18           (a) *PAYMENT LIMITATIONS.*—Section 704(b)(1) of the  
19           National Wool Act of 1954 (7 U.S.C. 1783(b)(1)) is amend-  
20           ed—

21           (1) by striking “and” at the end of subpara-  
22           graph (C); and

23           (2) by striking subparagraph (D) and inserting  
24           the following new subparagraphs:

25                   “(D) \$125,000 for the 1994 marketing year;

1           “(E) \$100,000 for the 1995 marketing year;

2           “(F) \$75,000 for the 1996 marketing year;

3           and

4           “(G) \$50,000 for the 1997 marketing year.”.

5           (b) *SUPPORT PRICE FOR SHORN WOOL.*—Paragraph  
6 (3) of section 703(b) of such Act (7 U.S.C. 1782(b)(3)) is  
7 amended to read as follows:

8           “(3) Effective only for each of the 1994 through 1997  
9 marketing years, the support price for shorn wool shall not  
10 exceed the support price for shorn wool for the 1993 market-  
11 ing year.”.

12          (c) *MARKETING ASSESSMENT.*—Section 704(c) of such  
13 Act (7 U.S.C. 1783(c)) is amended by striking “through  
14 1995” and inserting “and 1992”.

15          (d) *MARKETING CHARGES.*—Section 706 of such Act  
16 (7 U.S.C. 1785) is amended by inserting after the second  
17 sentence the following new sentence: “In determining the net  
18 sales proceeds and national payment rates for shorn wool  
19 and shorn mohair, the Secretary shall not deduct marketing  
20 charges for commissions, coring, or grading.”.

21          (e) *TECHNICAL AND CONFORMING AMENDMENTS.*—

22                 (1) *TECHNICAL AMENDMENT.*—Section 703(b)(2)  
23 of such Act (7 U.S.C. 1782(b)(2)) is amended by  
24 striking “1982” and inserting “1990”.

1           (2) *CONFORMING AMENDMENTS.*—Section 703 of  
2           such Act (7 U.S.C. 1782) is amended by striking  
3           “1995” both places it appears in subsections (a) and  
4           (b) and inserting “1997”.

5           ***Subtitle B—Restructuring of Loan***  
6   ***Programs***

7           ***SEC. 1201. ELECTRIC AND TELEPHONE LOAN PROGRAMS.***

8           (a) *LOAN PROGRAMS UNDER THE RURAL ELEC-*  
9           *TRIFICATION ACT OF 1936.*—

10           (1) *INSURED LOAN PROGRAMS.*—Section 305 of  
11           the Rural Electrification Act of 1936 (7 U.S.C. 935)  
12           is amended—

13                                   (A) by striking subsections (b) and (d);

14                                   (B) by redesignating subsection (c) as sub-  
15                                   section (b); and

16                                   (C) by inserting after subsection (b) (as so  
17                                   redesignated) the following new subsections:

18           “(c) *INSURED ELECTRIC LOANS.*—

19                                   “(1) *HARDSHIP LOANS.*—

20   “(A) *IN GENERAL.*—The Administrator  
21   shall make insured electric loans, to the extent of  
22   qualifying applications for the loans, at an in-  
23   terest rate of 5 percent per year to any applicant  
24   for a loan who meets each of the following re-  
25   quirements:

1           “(i) *The average revenue per kilowatt-*  
2           *hour sold by the applicant is not less than*  
3           *120 percent of the average revenue per kilo-*  
4           *watt-hour sold by all utilities in the State*  
5           *in which the applicant provides service.*

6           “(ii) *The average residential revenue*  
7           *per kilowatt-hour sold by the applicant is*  
8           *not less than 120 percent of the average res-*  
9           *idential revenue per kilowatt-hour sold by*  
10           *all utilities in the State in which the appli-*  
11           *cant provides service.*

12           “(iii) *The average per capita income of*  
13           *the residents receiving electric service from*  
14           *the applicant is less than the average per*  
15           *capita income of the residents of the State*  
16           *in which the applicant provides service, or*  
17           *the median household income of the house-*  
18           *holds receiving electric service from the ap-*  
19           *plicant is less than the median household*  
20           *income of the households in the State.*

21           “(B) *SEVERE HARDSHIP LOANS.—In addi-*  
22           *tion to hardship loans that are made under sub-*  
23           *paragraph (A), the Administrator may make an*  
24           *insured electric loan at an interest rate of 5 per-*  
25           *cent per year to an applicant for a loan if, in*

1           *the sole discretion of the Administrator, the ap-*  
2           *plicant has experienced a severe hardship.*

3           “(C) *LIMITATION.*—*The Administrator may*  
4           *not make a loan under this paragraph to an ap-*  
5           *plicant for the purpose of furnishing or improv-*  
6           *ing electric service to a consumer located in an*  
7           *urban area (as defined by the Bureau of the Cen-*  
8           *sus) if the average number of consumers per mile*  
9           *of line of the total electric system of the appli-*  
10          *cant exceeds 17.*

11          “(2) *MUNICIPAL RATE LOANS.*—

12           “(A) *IN GENERAL.*—*The Administrator*  
13           *shall make insured electric loans, to the extent of*  
14           *qualifying applications for the loans, at the in-*  
15           *terest rate described in subparagraph (B) for the*  
16           *term or terms selected by the applicant pursuant*  
17           *to subparagraph (C).*

18           “(B) *INTEREST RATE.*—

19           “(i) *IN GENERAL.*—*Subject to clause*  
20           *(ii), the interest rate described in this sub-*  
21           *paragraph on a loan to a qualifying appli-*  
22           *cant shall be—*

23                   “(I) *the interest rate determined*  
24                   *by the Administrator to be equal to the*  
25                   *current market yield on outstanding*

1                    *municipal obligations with remaining*  
2                    *periods to maturity similar to the term*  
3                    *selected by the applicant pursuant to*  
4                    *subparagraph (C), but not greater than*  
5                    *the rate determined under section*  
6                    *307(a)(3)(A) of the Consolidated Farm*  
7                    *and Rural Development Act (7 U.S.C.*  
8                    *1927(a)(3)(A)) that is based on the*  
9                    *current market yield on outstanding*  
10                   *municipal obligations; plus*

11                    “(II) if the applicant for the loan  
12                    makes an election pursuant to sub-  
13                    paragraph (D) to include in the loan  
14                    agreement the right of the applicant to  
15                    prepay the loan, a rate equal to the  
16                    amount by which—

17                    “(aa) the interest rate on  
18                    commercial loans for a similar  
19                    period that afford the borrower  
20                    such a right; exceeds

21                    “(bb) the interest rate on  
22                    commercial loans for the period  
23                    that do not afford the borrower  
24                    such a right.

1           “(ii) *MAXIMUM RATE.*—*The interest*  
2           *rate described in this subparagraph on a*  
3           *loan to an applicant for the loan shall not*  
4           *exceed 7 percent if—*

5                     “(I) *the average number of con-*  
6                     *sumers per mile of line of the total*  
7                     *electric system of the applicant is less*  
8                     *than 5.50; or*

9                     “(II)(aa) *the average revenue per*  
10                    *kilowatt-hour sold by the applicant is*  
11                    *more than the average revenue per kil-*  
12                    *owatt-hour sold by all utilities in the*  
13                    *State in which the applicant provides*  
14                    *service; and*

15                    “(bb) *the average per capita in-*  
16                    *come of the residents receiving electric*  
17                    *service from the applicant is less than*  
18                    *the average per capita income of the*  
19                    *residents of the State in which the ap-*  
20                    *plicant provides service, or the median*  
21                    *household income of the households re-*  
22                    *ceiving electric service from the appli-*  
23                    *cant is less than the median household*  
24                    *income of the households in the State.*

1           “(iii) *EXCEPTION.*—*Clause (ii) shall*  
2           *not apply to a loan to be made to an appli-*  
3           *cant for the purpose of furnishing or im-*  
4           *proving electric service to consumers located*  
5           *in an urban area (as defined by the Bureau*  
6           *of the Census) if the average number of con-*  
7           *sumers per mile of line of the total electric*  
8           *system of the applicant exceeds 17.*

9           “(C) *LOAN TERM.*—

10           “(i) *IN GENERAL.*—*Subject to clause*  
11           *(ii), the applicant for a loan under this*  
12           *paragraph may select the term for which an*  
13           *interest rate shall be determined pursuant*  
14           *to subparagraph (B), and, at the end of the*  
15           *term (and any succeeding term selected by*  
16           *the applicant under this subparagraph),*  
17           *may renew the loan for another term se-*  
18           *lected by the applicant.*

19           “(ii) *MAXIMUM TERM.*—

20           “(I) *APPLICANT.*—*The applicant*  
21           *may not select a term that ends more*  
22           *than 35 years after the beginning of*  
23           *the first term the applicant selects*  
24           *under clause (i).*



1                   “(II) ADMINISTRATOR.—The Ad-  
2                   ministrators may prohibit an applicant  
3                   from selecting a term that would result  
4                   in the total term of the loan being  
5                   greater than the expected useful life of  
6                   the assets being financed.

7                   “(D) CALL PROVISION.—The Administrator  
8                   shall offer any applicant for a loan under this  
9                   paragraph the option to include in the loan  
10                  agreement the right of the applicant to prepay  
11                  the loan on terms consistent with similar provi-  
12                  sions of commercial loans.

13                  “(3) OTHER SOURCE OF CREDIT NOT REQUIRED  
14                  IN CERTAIN CASES.—The Administrator may not re-  
15                  quire any applicant for a loan made under this sub-  
16                  section who is eligible for a loan under paragraph (1)  
17                  to obtain a loan from another source as a condition  
18                  of approving the application for the loan or advanc-  
19                  ing any amount under the loan.

20                  “(d) INSURED TELEPHONE LOANS.—

21                         “(1) HARDSHIP LOANS.—

22                                 “(A) IN GENERAL.—The Administrator  
23                                 shall make insured telephone loans, to the extent  
24                                 of qualifying applications for the loans, at an  
25                                 interest rate of 5 percent per year, to any appli-

1           *cant who meets each of the following require-*  
2           *ments:*

3                     *“(i) The average number of subscribers*  
4                     *per mile of line in the proposed service area*  
5                     *of the applicant is not more than 4.*

6                     *“(ii) The applicant is capable of pro-*  
7                     *ducing net income or margins, after interest*  
8                     *payments on the loan applied for, of not*  
9                     *less than 100 percent (but not more than*  
10                    *300 percent) of the interest requirements on*  
11                    *all of the outstanding and proposed loans of*  
12                    *the applicant.*

13                    *“(iii) The Administrator has approved*  
14                    *a telecommunications modernization plan*  
15                    *for the State under paragraph (3) and, if*  
16                    *the plan was developed by telephone borrow-*  
17                    *ers under this title, the applicant is a par-*  
18                    *ticipant in the plan.*

19                    *“(B) AUTHORITY TO WAIVE TIER REQUIRE-*  
20                    *MENT.—The Administrator may waive the re-*  
21                    *quirement of subparagraph (A)(ii) in any case*  
22                    *in which the Administrator determines (and sets*  
23                    *forth the reasons for the waiver in writing) that*  
24                    *the requirement would prevent emergency res-*

1           *toration of the telephone system of the applicant*  
2           *or result in severe hardship to the applicant.*

3           “(C) *EFFECT OF LACK OF FUNDS.*—*On re-*  
4           *quest of any applicant who is eligible for a loan*  
5           *under this paragraph for which funds are not*  
6           *available, the applicant shall be considered to*  
7           *have applied for a loan under title IV.*

8           “(2) *COST-OF-MONEY LOANS.*—

9           “(A) *IN GENERAL.*—*The Administrator*  
10           *may make insured telephone loans for the acqui-*  
11           *sition, purchase, and installation of telephone*  
12           *lines, systems, and facilities (other than build-*  
13           *ings used primarily for administrative purposes,*  
14           *vehicles not used primarily in construction, and*  
15           *customer premise equipment) related to the fur-*  
16           *nishing, improvement, or extension of rural tele-*  
17           *communications service, at an interest rate equal*  
18           *to the then current cost of money to the Govern-*  
19           *ment of the United States for loans of similar*  
20           *maturity, but not more than 7 percent per year,*  
21           *to any applicant for a loan who meets the follow-*  
22           *ing requirements:*

23                   “(i) *The average number of subscribers*  
24                   *per mile of line in the service area of the*  
25                   *applicant is not more than 15.*

1           “(ii) *The applicant is capable of pro-*  
2           *ducing net income or margins, before inter-*  
3           *est payments on the loan applied for, of not*  
4           *less than 100 percent (but not more than*  
5           *500 percent) of the interest requirements on*  
6           *all of the outstanding and proposed loans of*  
7           *the applicant.*

8           “(iii) *The Administrator has approved*  
9           *a telecommunications modernization plan*  
10          *for the State under paragraph (3), and, if*  
11          *the plan was developed by telephone borrow-*  
12          *ers under this title, the applicant is a par-*  
13          *ticipant in the plan.*

14          “(B) *CALL PROVISION.—The Administrator*  
15          *shall offer any applicant for a loan under this*  
16          *paragraph the option to include in the loan*  
17          *agreement the right of the applicant to prepay*  
18          *the loan on terms consistent with similar provi-*  
19          *sions of commercial loans.*

20          “(C) *CONCURRENT LOAN AUTHORITY.—On*  
21          *request of any applicant for a loan under this*  
22          *paragraph during any fiscal year, the Adminis-*  
23          *trator shall—*

1           “(i) consider the application to be for  
2           a loan under this paragraph and a loan  
3           under section 408; and

4           “(ii) if the applicant is eligible for a  
5           loan, make a loan to the applicant under  
6           this paragraph in an amount equal to the  
7           amount that bears the same ratio to the  
8           total amount of loans for which the appli-  
9           cant is eligible under this paragraph and  
10          under section 408, as the amount made  
11          available for loans under this paragraph for  
12          the fiscal year bears to the total amount  
13          made available for loans under this para-  
14          graph and under section 408 for the fiscal  
15          year.

16          “(D) EFFECT OF LACK OF FUNDS.—On re-  
17          quest of any applicant who is eligible for a loan  
18          under this paragraph for which funds are not  
19          available, the applicant shall be considered to  
20          have applied for a loan guarantee under section  
21          306.

22          “(3) STATE TELECOMMUNICATIONS MODERNIZA-  
23          TION PLANS.—

24                 “(A) APPROVAL.—If, not later than 180  
25                 days after final regulations are promulgated to

1           *carry out this paragraph, the public utility com-*  
2           *mission of any State develops a telecommuni-*  
3           *cations modernization plan that meets the re-*  
4           *quirements of subparagraph (B), the Adminis-*  
5           *trator shall approve the plan for the State. If a*  
6           *State does not develop a plan in accordance with*  
7           *the requirements of the preceding sentence, the*  
8           *Administrator shall approve any telecommuni-*  
9           *cations modernization plan for the State that*  
10          *meets the requirements that is developed by a*  
11          *majority of the borrowers of telephone loans*  
12          *made under this title who are located in the*  
13          *State.*

14                 “(B) *REQUIREMENTS.*—*For purposes of*  
15                 *subparagraph (A), a telecommunications mod-*  
16                 *ernization plan must, at a minimum, meet the*  
17                 *following objectives:*

18                         “(i) *The plan must provide for the*  
19                         *elimination of party line service.*

20                         “(ii) *The plan must provide for the*  
21                         *availability of telecommunications services*  
22                         *for improved business, educational, and*  
23                         *medical services.*

24                         “(iii) *The plan must encourage and*  
25                         *improve computer networks and informa-*

1            *tion highways for subscribers in rural*  
2            *areas.*

3            *“(iv) The plan must provide for—*

4                    *“(I) subscribers in rural areas to*  
5                    *be able to receive through telephone*  
6                    *lines—*

7                            *“(aa) multiple voices;*

8                            *“(bb) video images; and*

9                            *“(cc) data at a rate of at*  
10                           *least 1,000,000 bits of information*  
11                           *per second; and*

12                           *“(II) the proper routing of infor-*  
13                           *mation to subscribers.*

14            *“(v) The plan must provide for uni-*  
15            *form deployment schedules to ensure that*  
16            *advanced services are deployed at the same*  
17            *time in rural and nonrural areas.*

18            *“(vi) The plan must provide for such*  
19            *additional requirements for service stand-*  
20            *ards as may be required by the Adminis-*  
21            *trator.*

22            *“(C) FINALITY OF APPROVAL.—*

23                    *“(i) IN GENERAL.—A telecommuni-*  
24                    *cations modernization plan approved under*  
25                    *subparagraph (A) may not subsequently be*

1            *disapproved. Notwithstanding subsection*  
2            *(c)(1)(A)(iii), subsection (c)(2)(A)(iii), and*  
3            *section 408(b)(4)(C), the Administrator and*  
4            *the Governor of the telephone bank may*  
5            *make a loan to a borrower serving a State*  
6            *that does not have a telecommunication*  
7            *modernization plan approved by the Ad-*  
8            *ministrator if the loan is made less than 1*  
9            *year after the Administrator has adopted*  
10           *final regulations implementing subsection*  
11           *(c)(3).”.*

12            *(2) RURAL TELEPHONE BANK LOAN PROGRAM.—*  
13            *Section 408 of such Act (7 U.S.C. 948) is amended—*

14            *(A) in subsection (a), by striking “, (2)”*  
15            *and all that follows through “408 of this Act,”*  
16            *and inserting “, (2) for the acquisition, pur-*  
17            *chase, and installation of telephone lines, sys-*  
18            *tems, and facilities (other than buildings used*  
19            *primarily for administrative purposes, vehicles*  
20            *not used primarily in construction, and cus-*  
21            *tomers’ premise equipment) related to the furnish-*  
22            *ing, improvement, or extension of rural tele-*  
23            *communications service,”; and*

24            *(B) in subsection (b)—*



1                   (i) by striking paragraph (4) and in-  
2                   serting the following new paragraph:

3                   “(4) The Governor of the telephone bank may  
4                   make a loan under this section only to an applicant  
5                   for the loan who meets the following requirements:

6                   “(A) The average number of subscribers per  
7                   mile of line in the service area of the applicant  
8                   is not more than 15.

9                   “(B) The applicant is capable of producing  
10                  net income or margins, after interest payments  
11                  on the loan applied for, of not less than 100 per-  
12                  cent (but not more than 500 percent) of the in-  
13                  terest requirements on all of the outstanding and  
14                  proposed loans of the applicant.

15                  “(C) The Administrator has approved,  
16                  under section 305(d)(3), a telecommunications  
17                  modernization plan for the State in which the  
18                  applicant is located, and, if the plan was devel-  
19                  oped by telephone borrowers under title III, the  
20                  applicant is a participant in the plan.”;

21                  (ii) in paragraph (8)—

22                         (I) by inserting “(A)” after “(8)”;  
23                         (II) by striking “if such prepay-  
24                         ment is not made later than September  
25                         30, 1988” and inserting “except for

1           *any prepayment penalty provided for*  
2           *in a loan agreement entered into before*  
3           *the date of enactment of the Omnibus*  
4           *Budget Reconciliation Act of 1993”;*  
5           *and*

6                           *(III) by adding at the end the fol-*  
7                           *lowing new subparagraph:*

8           *“(B) If a borrower prepays part or all of a loan*  
9           *made under this section, then, notwithstanding sec-*  
10          *tion 407(b), the Governor of the telephone bank shall*  
11          *use the full amount of the prepayment to repay obli-*  
12          *gations of the telephone bank issued pursuant to sec-*  
13          *tion 407(b) before October 1, 1991, to the extent any*  
14          *such obligations are outstanding.”; and*

15                           *(iii) by adding at the end the following*  
16                           *new paragraphs:*

17           *“(9) On request of any applicant for a loan*  
18           *under this section during any fiscal year, the Gov-*  
19           *ernor of the telephone bank shall—*

20                           *“(A) consider the application to be for a*  
21           *loan under this section and a loan under section*  
22           *305(d)(2); and*

23                           *“(B) if the applicant is eligible for a loan,*  
24           *make a loan to the applicant under this section*  
25           *in an amount equal to the amount that bears the*

1 same ratio to the total amount of loans for which  
2 the applicant is eligible under this section and  
3 under section 305(d)(2), as the amount made  
4 available for loans under this section for the fis-  
5 cal year bears to the total amount made avail-  
6 able for loans under this section and under sec-  
7 tion 305(d)(2) for the fiscal year.

8 “(10) On request of any applicant who is eligible  
9 for a loan under this section for which funds are not  
10 available, the applicant shall be considered to have  
11 applied for a loan under section 305(d)(2).”

12 (3) *FUNDING.*—Section 314 of such Act (7  
13 U.S.C. 940d) is amended to read as follows:

14 **“SEC. 314. LIMITATIONS ON AUTHORIZATION OF APPRO-**  
15 **PRIATIONS.**

16 “(a) *DEFINITION OF ADJUSTMENT PERCENTAGE.*—As  
17 used in this section, the term ‘adjustment percentage’  
18 means, with respect to a fiscal year, the percentage (if any)  
19 by which—

20 “(1) the average of the Consumer Price Index (as  
21 defined in section 1(f)(5) of the Internal Revenue  
22 Code of 1986) for the 1-year period ending on July  
23 31 of the immediately preceding fiscal year; exceeds

1           “(2) the average of the Consumer Price Index (as  
2           so defined) for the 1-year period ending on July 31,  
3           1993.

4           “(b) FISCAL YEARS 1994 THROUGH 1998.—In the case  
5           of each of fiscal years 1994 through 1998, there are author-  
6           ized to be appropriated to the Administrator such sums as  
7           may be necessary for the cost of loans in the following  
8           amounts, for the following purposes:

9           “(1) ELECTRIC HARDSHIP LOANS.—For loans  
10           under section 305(c)(1)—

11                   “(A) for fiscal year 1994, \$125,000,000; and

12                   “(B) for each of fiscal years 1995 through  
13                   1998, \$125,000,000, increased by the adjustment  
14                   percentage for the fiscal year.

15           “(2) ELECTRIC MUNICIPAL RATE LOANS.—For  
16           loans under section 305(c)(2)—

17                   “(A) for fiscal year 1994, \$600,000,000; and

18                   “(B) for each of fiscal years 1995 through  
19                   1998, \$600,000,000, increased by the adjustment  
20                   percentage for the fiscal year.

21           “(3) TELEPHONE HARDSHIP LOANS.—For loans  
22           under section 305(d)(1)—

23                   “(A) for fiscal year 1994, \$125,000,000; and

1           “(B) for each of fiscal years 1995 through  
2           1998, \$125,000,000, increased by the adjustment  
3           percentage for the fiscal year.

4           “(4) TELEPHONE COST-OF-MONEY LOANS.—For  
5           loans under section 305(d)(2)—

6           “(A) for fiscal year 1994, \$198,000,000; and

7           “(B) for each of fiscal years 1995 through  
8           1998, \$198,000,000, increased by the adjustment  
9           percentage for the fiscal year.

10          “(c) FUNDING LEVELS.—The Administrator shall  
11          make insured loans under this title for the purposes, in the  
12          amounts, and for the periods of time specified in subsection  
13          (b), as provided in advance in appropriations Acts.

14          “(d) AVAILABILITY OF FUNDS FOR INSURED LOANS.—  
15          Amounts made available for loans under section 305 are  
16          authorized to remain available until expended.”.

17          (4) MISCELLANEOUS AMENDMENTS.—

18                 (A) Section 2 of such Act (7 U.S.C. 902) is  
19                 amended—

20                         (i) by inserting “(a)” before “The Ad-  
21                         ministrators”;

22                         (ii) by striking “telephone service in  
23                         rural areas, as hereinafter provided;” and  
24                         inserting “electric and telephone service in  
25                         rural areas, as provided in this Act, and for

1           *the purpose of assisting electric borrowers to*  
2           *implement demand side management and*  
3           *energy conservation programs;”*; and

4                     *(iii) by adding at the end the following*  
5           *new subsection:*

6           “(b) *Not later than January 1, 1994, the Adminis-*  
7           *trator shall issue interim regulations to implement the au-*  
8           *thority contained in subsection (a) to make loans for the*  
9           *purpose of assisting electric borrowers to implement de-*  
10          *mand side management and energy conservation programs.*  
11          *If the regulations are not issued by January 1, 1994, the*  
12          *Administrator shall consider any demand side management*  
13          *program that is approved by a State agency to be eligible*  
14          *for the loans.”*

15                    *(B) Section 4 of such Act (7 U.S.C. 904) is*  
16           *amended by inserting after “central station serv-*  
17           *ice” the following: “and for the furnishing and*  
18           *improving of electric service to persons in rural*  
19           *areas, including by assisting electric borrowers*  
20           *to implement demand side management and en-*  
21           *ergy conservation programs”*.

22                    *(C) Section 13 of such Act (7 U.S.C. 913)*  
23           *is amended—*

1           (i) by inserting “, except as provided  
2           in section 203(b),” before “shall be deemed  
3           to mean any area”; and

4           (ii) by striking “city, village, or bor-  
5           ough having a population in excess of fif-  
6           teen hundred inhabitants” and inserting  
7           “urban area, as defined by the Bureau of  
8           the Census”.

9           (D) Section 203(b) of such Act (7 U.S.C.  
10          924(b)) is amended by striking “one thousand  
11          five hundred” and inserting “5,000”.

12          (E) Section 305 of such Act (7 U.S.C. 935)  
13          (as amended by subsection (a)(1)) is further  
14          amended—

15               (i) by striking “SEC. 305. INSURED  
16               LOANS; INTEREST RATES AND LENDING  
17               LEVELS.—(a) The” and inserting the fol-  
18               lowing:

19          **“SEC. 305. INSURED LOANS; INTEREST RATES AND LEND-  
20               ING LEVELS.**

21               “(a) *IN GENERAL.*—The”; and

22               (ii) in subsection (b), by striking “(b)  
23               Loans” and inserting “(b) *INSURED*  
24               *LOANS.—Loans*”.

1           (F) Section 307 of such Act (7 U.S.C. 937)  
2           is amended by adding at the end the following  
3           new sentence: “The Administrator may not re-  
4           quest any applicant for an electric loan under  
5           this Act to apply for and accept a loan in an  
6           amount exceeding 30 percent of the credit needs  
7           of the applicant.”.

8           (G) Section 406 of such Act (7 U.S.C. 946)  
9           is amended by adding at the end the following  
10          new subsection:

11          “(i) The Governor of the telephone bank may invest  
12          in obligations of the United States the amounts in the ac-  
13          count in the Treasury of the United States numbered  
14          12X8139 (known as the ‘RTB Equity Fund’).”.

15          (H) Section 18 of such Act (7 U.S.C. 918)  
16          is amended—

17                  (i) by inserting “(a) NO CONSIDER-  
18                  ATION OF BORROWER’S LEVEL OF GENERAL  
19                  FUNDS.—” before “The Administrator”;  
20                  and

21                  (ii) by adding at the end the following  
22                  new subsections:

23          “(b) NO LOAN ORIGINATION FEES.—The Adminis-  
24          trator and the Governor of the telephone bank may not  
25          charge any fee or charge not expressly provided in this Act



1 *in connection with any loan made or guaranteed under this*  
2 *Act.*

3 *“(c) CONSULTANTS.—*

4 *“(1) IN GENERAL.—To facilitate timely action*  
5 *on applications by borrowers for financial assistance*  
6 *under this Act and for approvals required of the agen-*  
7 *cy pursuant to the terms of outstanding loan or secu-*  
8 *rity instruments or otherwise, the Administrator may*  
9 *use consultants funded by the borrower, paid for out*  
10 *of the general funds of the borrower, for financial,*  
11 *legal, engineering, and other technical advice and*  
12 *services in connection with the review of the applica-*  
13 *tion by the Rural Electrification Administration.*

14 *“(2) CONFLICTS OF INTEREST.—The Adminis-*  
15 *trator shall establish procedures for the selection and*  
16 *the provision of technical services by consultants to*  
17 *ensure that the consultants have no financial or other*  
18 *potential conflicts of interest in the outcome of the ap-*  
19 *plication of the borrower.*

20 *“(3) PAYMENT OF COSTS.—The Administrator*  
21 *may not, without the consent of the borrower, require,*  
22 *as a condition of processing an application for ap-*  
23 *proval, that the borrower agree to pay the costs, fees,*  
24 *and expenses of consultants hired to provide technical*  
25 *or advisory services to the Administrator.*

1           “(4) *CONTRACTS, GRANTS, AND AGREEMENTS.*—  
2           *The Administrator may enter into such contracts,*  
3           *grants, or cooperative agreements as are necessary to*  
4           *carry out this section without regard to any require-*  
5           *ment for competition, section 3709 of the Revised*  
6           *Statutes (41 U.S.C. 5) and section 3324 of title 31,*  
7           *United States Code.*

8           “(5) *USE OF CONSULTANTS.*—*Nothing in this*  
9           *subsection shall limit the authority of the Adminis-*  
10          *trator to retain the services of consultants from funds*  
11          *made available to the Administrator or otherwise.”.*

12           *(I) Title III of such Act is amended by in-*  
13          *serting after section 306B (7 U.S.C. 936b) the*  
14          *following new sections:*

15          **“SEC. 306C. ELIGIBILITY OF DISTRIBUTION BORROWERS**  
16                               **FOR LOANS, LOAN GUARANTEES, AND LIEN**  
17                               **ACCOMMODATIONS.**

18          *“For the purpose of determining the eligibility of a dis-*  
19          *tribution borrower not in default on the repayment of a*  
20          *loan made or guaranteed under this Act for a loan, loan*  
21          *guarantee, or lien accommodation under this title, a default*  
22          *by a borrower from which the distribution borrower pur-*  
23          *chases wholesale power shall not—*

24                *“(1) be considered a default by the distribution*  
25          *borrower;*

1           “(2) reduce the eligibility of the distribution bor-  
2           rower for assistance under this Act; or

3           “(3) be the cause, directly or indirectly, of im-  
4           posing any requirement or restriction on the borrower  
5           as a condition of the assistance, except such require-  
6           ments or restrictions as are necessary to implement a  
7           debt restructuring agreed on by the power supply bor-  
8           rower and the Government.

9           **“SEC. 306D. ADMINISTRATIVE PROHIBITIONS APPLICABLE**  
10           **TO ELECTRIC BORROWERS.**

11           *“The Administrator may not require prior approval*  
12 *of, impose any requirement, restriction, or prohibition with*  
13 *respect to the operations of, or deny or delay the granting*  
14 *of a lien accommodation to, any electric borrower under*  
15 *this Act whose net worth exceeds 110 percent of the out-*  
16 *standing principal balance on all loans made or guaranteed*  
17 *to the borrower by the Administrator.”.*

18           **(b) EXPANDED ELIGIBILITY FOR LOANS FOR WATER**  
19 **AND WASTE DISPOSAL FACILITIES.**—*Section 306(a)(1) of*  
20 *the Consolidated Farm and Rural Development Act (7*  
21 *U.S.C. 1926(a)(1)) is amended by inserting after the first*  
22 *sentence the following new sentence: “The Secretary may*  
23 *also make loans to any borrower to whom a loan has been*  
24 *made under the Rural Electrification Act of 1936 (7 U.S.C.*  
25 *901 et seq.), for the conservation, development, use, and con-*

1 *trol of water, and the installation of drainage or waste dis-*  
2 *posal facilities, primarily serving farmers, ranchers, farm*  
3 *tenants, farm laborers, rural businesses, and other rural*  
4 *residents.”.*

5 *(c) RURAL ECONOMIC DEVELOPMENT.—Section 364 of*  
6 *the Consolidated Farm and Rural Development Act (7*  
7 *U.S.C. 2006f) is amended by adding at the end the follow-*  
8 *ing new subsection:*

9 *“(g) RURAL ECONOMIC DEVELOPMENT.—*

10 *“(1) IN GENERAL.—A borrower of a loan or loan*  
11 *guarantee under the Rural Electrification Act of 1936*  
12 *(7 U.S.C. 901 et seq.) shall be eligible for assistance*  
13 *under all programs administered by the Rural Devel-*  
14 *opment Administration.*

15 *“(2) PARTICIPATION.—The Administrator of the*  
16 *Rural Development Administration shall encourage*  
17 *and facilitate the full participation of borrowers re-*  
18 *ferred to in paragraph (1) in programs administered*  
19 *by the Rural Development Administration.”.*

20 *(d) REGULATIONS.—Not later than October 1, 1993,*  
21 *interim final rules shall be issued by—*

22 *(1) the Administrator of the Rural Electrifica-*  
23 *tion Administration in the case of amendments made*  
24 *by this section to programs administered by the*  
25 *Administrator; and*

1           (2) the Administrator of the Rural Development  
2           Administration in the case of amendments made by  
3           this section to programs administered by the Admin-  
4           istrator.

## 5           **Subtitle C—Food Stamp Program**

### 6           **SEC. 1301. UNIFORM REIMBURSEMENT RATES.**

7           (a) *IN GENERAL.*—Section 16 of the Food Stamp Act  
8           of 1977 (7 U.S.C. 2025) is amended—

9           (1) in the first sentence of subsection (a)—

10           (A) by striking “and (5)” and inserting  
11           “(5)”;

12           (B) by inserting before “: Provided,” the fol-  
13           lowing: “, (6) automated data processing and in-  
14           formation retrieval systems subject to the condi-  
15           tions set forth in subsection (g), (7) food stamp  
16           program investigations and prosecutions, and  
17           (8) implementing and operating the immigra-  
18           tion status verification system established under  
19           section 1137(d) of the Social Security Act (42  
20           U.S.C. 1320b–7(d))”; and

21           (C) in the proviso, by striking “authorized  
22           to pay each State agency an amount not less  
23           than 75 per centum of the costs of State food  
24           stamp program investigations and prosecutions,  
25           and is further”;

1           (2) *in subsection (g)—*

2                   (A) *by striking “an amount equal to 63*  
3 *percent effective on October 1, 1991, of” and in-*  
4 *serting “the amount authorized under subsection*  
5 *(a)(6) for”; and*

6                   (B) *by striking “automatic” and inserting*  
7 *“automated”;*

8           (3) *by striking subsection (j); and*

9           (4) *by redesignating subsection (k) as subsection*  
10 *(j).*

11       (b) *EFFECTIVE DATE.—*

12           (1) *IN GENERAL.—Except as provided in para-*  
13 *graph (2), the amendments made by this section shall*  
14 *be effective with respect to calendar quarters begin-*  
15 *ning on or after April 1, 1994.*

16           (2) *BIENNIAL LEGISLATURES.—In the case of a*  
17 *State whose legislature meets biennially, and does not*  
18 *have a regular session scheduled in calendar year*  
19 *1994, and that demonstrates to the satisfaction of the*  
20 *Secretary of Agriculture that there is no mechanism,*  
21 *under the constitution and laws of the State, for ap-*  
22 *propriating the additional funds required by the*  
23 *amendments made by this section before the next such*  
24 *regular legislative session, the Secretary may delay*  
25 *the effective date of all or part of the amendments*

1       *made by subsection (a) until the beginning date of a*  
2       *calendar quarter that is not later than the first cal-*  
3       *endar quarter beginning after the close of the first*  
4       *regular session of the State legislature after the date*  
5       *of enactment of this Act.*

6       ***Subtitle D—Agricultural Trade***

7       ***SEC. 1401. MARKET PROMOTION PROGRAM.***

8       *(a) REDUCTION OF FUNDING LEVEL.—Section 211(c)*  
9       *of the Agricultural Trade Act of 1978 (7 U.S.C. 5641(c))*  
10      *is amended—*

11               *(1) in paragraph (1)—*

12                       *(A) by striking “1995” and inserting*  
13                       *“1993”; and*

14                       *(B) by striking “and” at the end;*

15               *(2) by redesignating paragraph (2) as para-*  
16      *graph (3); and*

17               *(3) by inserting after paragraph (1) the follow-*  
18      *ing new paragraph:*

19                       *“(2) in addition to any funds that may be spe-*  
20                       *cifically appropriated to implement a market develop-*  
21                       *ment program, for each of fiscal years 1994 and 1995,*  
22                       *of the funds of, or an equal value of commodities*  
23                       *owned by, the Commodity Credit Corporation—*

24                               *“(A) not less than \$33,000,000 for—*

1           “(i) branded promotion activities in-  
2           volving small-sized commercial entities and  
3           medium-sized commercial entities that are  
4           beginning exporters; and

5           “(ii) activities other than branded pro-  
6           motion activities that only benefit small-  
7           sized commercial entities and medium-sized  
8           commercial entities, or (as determined by  
9           the Secretary) small-sized agricultural pro-  
10          ducers and medium-sized agricultural pro-  
11          ducers; and

12          “(B) in addition to funding specified in  
13          subparagraph (A), not less than \$77,000,000 for  
14          program activities by any eligible trade organi-  
15          zation, including organizations specified under  
16          subparagraph (A); and”.

17          (b) *DEFINITIONS.*—Section 102 of such Act (7 U.S.C.  
18          5602) is amended by adding at the end the following new  
19          paragraph:

20                 “(9) *COMMERCIAL ENTITY.*—

21                         “(A) *IN GENERAL.*—The term ‘commercial  
22                         entity’ means a cooperative or private organiza-  
23                         tion that exports or promotes an agricultural  
24                         commodity, including an entity that controls, is



1           *controlled by, or is under common control with*  
2           *such a cooperative or private organization.*

3           “(B) *MEDIUM-SIZED COMMERCIAL EN-*  
4           *TITY.—The term ‘medium-sized commercial en-*  
5           *tity’ means a commercial entity that employs*  
6           *not less than 51, nor more than 500, individuals.*

7           “(C) *SMALL-SIZED COMMERCIAL ENTITY.—*  
8           *The term ‘small-sized commercial entity’ means*  
9           *a commercial entity that employs not more than*  
10          *50 individuals.”.*

11 **SEC. 1402. ACREAGE REDUCTION REQUIREMENTS.**

12          (a) *IN GENERAL.—Section 1104 of the Omnibus Budg-*  
13          *et Reconciliation Act of 1990 (7 U.S.C. 1445b–3a note) is*  
14          *amended—*

15                 (1) *in subsection (a), by striking paragraph (2)*  
16                 *and inserting the following new paragraph:*

17                         “(2) *corn under which the acreage planted to*  
18                         *corn for harvest on a farm would be limited to the*  
19                         *corn crop acreage base for the farm for the crop re-*  
20                         *duced by not less than 7½ percent.”; and*

21                 (2) *in subsection (b)(2), by striking “grain sor-*  
22                 *ghum, and barley,”.*

23          (b) *READJUSTMENT OF SUPPORT LEVELS.—Section*  
24          *1302 of such Act (7 U.S.C. 1421 note) is amended—*

25                 (1) *in subsection (b)—*

1 (A) by striking paragraph (1); and

2 (B) by redesignating paragraphs (2) and

3 (3) as paragraphs (1) and (2), respectively;

4 (2) in subsection (c), by striking “and other pro-  
5 grams”; and

6 (3) in subsection (d)—

7 (A) in paragraph (1)—

8 (i) by striking subparagraph (A); and

9 (ii) by redesignating subparagraphs  
10 (B) and (C) as subparagraphs (A) and (B),  
11 respectively;

12 (B) in paragraph (2), by striking “(A), (B),  
13 and (C)” and inserting “(A) and (B)”; and

14 (C) in paragraph (3)—

15 (i) by striking “measures specified in  
16 subparagraph (A) of paragraph (1) and”;

17 and

18 (ii) by striking “(B) or (C)” and in-  
19 serting “(A) or (B)”.

20 **SEC. 1403. END-USE CERTIFICATES.**

21 (a) *IN GENERAL.*—Subtitle A of title IV of the Agricul-  
22 tural Trade Act of 1978 (7 U.S.C. 5661 et seq.) is amend-  
23 ed—

24 (1) by redesignating section 404 (7 U.S.C. 5664)

25 as section 405; and

1           (2) by inserting after section 403 the following  
2           new section:

3           **“SEC. 404. END-USE CERTIFICATES.**

4           “(a) *DEFINITIONS.*—As used in this section:

5                   “(1) *COVERED FOREIGN COMMODITY.*—The term  
6                   ‘covered foreign commodity’ means any wheat or bar-  
7                   ley produced in a foreign country that is imported  
8                   into the United States, including any imported com-  
9                   modity that will be subsequently commingled with a  
10                  like commodity produced in the United States.

11                  “(2) *END-USE CERTIFICATE.*—The term ‘end-use  
12                  certificate’ means a certification that describes—

13                          “(A) the class, quantity, and country of ori-  
14                          gin of the covered foreign commodity;

15                          “(B) the importer and consignee of the cov-  
16                          ered foreign commodity;

17                          “(C) the end use for which the consignee  
18                          will use the covered foreign commodity; and

19                          “(D) at the option of the Secretary, the sales  
20                          price and quality of the covered foreign commod-  
21                          ity.

22                  “(b) *STATEMENT OF PURPOSE.*—The Secretary shall  
23                  improve monitoring of the end use of covered foreign com-  
24                  modities, as provided in this section, in order to ensure that  
25                  exports of agricultural commodities under the programs au-

1 *thorized by this Act and other agricultural trade programs*  
2 *are entirely produced in the United States.*

3       “(c) *REQUIREMENT ON COVERED FOREIGN COMMOD-*  
4 *ITIES.—The Commissioner of Customs shall not permit the*  
5 *entry into, or the withdrawal from a warehouse for use in,*  
6 *the United States of a covered foreign commodity, unless*  
7 *the importer of record presents an end-use certificate for*  
8 *the covered foreign commodity that complies with this sec-*  
9 *tion at the time of entry or withdrawal, as appropriate.*

10       “(d) *MAINTENANCE OF CERTIFICATE WITH COVERED*  
11 *FOREIGN COMMODITY.—The end-use certificate shall be*  
12 *maintained with the covered foreign commodity until the*  
13 *commodity reaches the end use of the commodity within the*  
14 *United States. The end use of a covered foreign commodity*  
15 *includes feeding to livestock, first stage processing for*  
16 *human consumption, exporting from the United States, or*  
17 *(as determined by the Secretary) other end uses.*

18       “(e) *CERTIFICATION.—The Secretary shall require any*  
19 *importer or consignee of a covered foreign commodity to*  
20 *certify, on a quarterly basis, the end use or transfer, during*  
21 *the period the commodity is a covered foreign commodity,*  
22 *by the importer or consignee, along with any additional*  
23 *information the Secretary determines to be appropriate.*

24       “(f) *COMPLIANCE.—Subsections (b), (c), and (d) of sec-*  
25 *tion 402 shall apply to an importer or consignee of a cov-*

1 *ered foreign commodity subject to the terms and conditions*  
2 *specified in this section.”.*

3 *(b) EFFECTIVE DATE.—The amendments made by sub-*  
4 *section (a) shall become effective on the date that is 120*  
5 *days after the date of enactment of this Act.*

6 **SEC. 1404. SENSE OF CONGRESS REGARDING THE EXPORT**  
7 **OF VEGETABLE OIL.**

8 *It is the sense of Congress that the Secretary of Agri-*  
9 *culture should continue aggressively to promote the export*  
10 *of vegetable oil through all available authorities, including*  
11 *but not limited to the export enhancement program estab-*  
12 *lished under section 301 of the Agricultural Trade Act of*  
13 *1978 (7 U.S.C. 5651).*

14 ***Subtitle E—Miscellaneous***

15 **SEC. 1501. FEDERAL CROP INSURANCE.**

16 *(a) ACTUARIAL SOUNDNESS.—Section 506 of the Fed-*  
17 *eral Crop Insurance Act (7 U.S.C. 1506) is amended by*  
18 *adding at the end the following new subsection:*

19 *“(n) ACTUARIAL SOUNDNESS.—The Corporation shall*  
20 *take such actions as are necessary to improve the actuarial*  
21 *soundness of Federal multiperil crop insurance coverage*  
22 *made available under this title to achieve, on and after Oc-*  
23 *tober 1, 1995, an overall projected loss ratio of not greater*  
24 *than 1.1, including—*

1           “(1) instituting appropriate requirements for  
2           documentation of the actual production history of in-  
3           sured producers to establish recorded or appraised  
4           yields for Federal crop insurance coverage that more  
5           accurately reflect the associated actuarial risk, except  
6           that the Corporation may not carry out this para-  
7           graph in a manner that would prevent beginning  
8           farmers from obtaining adequate Federal crop insur-  
9           ance, as determined by the Corporation;

10           “(2) establishing in counties, to the extent prac-  
11           ticable, a crop insurance option based on area yields  
12           in a manner that allows an insured producer to qual-  
13           ify for an indemnity if a loss has occurred in a speci-  
14           fied area in which the farm of the insured producer  
15           is located;

16           “(3) establishing a database that contains the so-  
17           cial security account and employee identification  
18           numbers of participating producers and using the  
19           numbers to identify insured producers who are high  
20           risk for actuarial purposes and insured producers  
21           who have not documented at least 4 years of produc-  
22           tion history, to assess the performance of insurance  
23           providers, and for other purposes permitted by law;  
24           and

1           “(4) taking any other measures authorized by  
2 law to improve the actuarial soundness of the Federal  
3 crop insurance program while maintaining fairness  
4 and effective coverage for agricultural producers.”.

5           (b) CONFORMING AMENDMENTS.—

6           (1) REINSURANCE.—Section 508(h) of such Act  
7 (7 U.S.C. 1508(h)) is amended by striking the fifth  
8 sentence and inserting the following new sentence:  
9 “The Corporation shall also pay operating and ad-  
10 ministrative costs to insurers of policies on which the  
11 Corporation provides reinsurance in an amount de-  
12 termined by the Corporation.”.

13           (2) AREA YIELD PLAN.—Section 508 of such Act  
14 (7 U.S.C. 1508) is amended by adding at the end the  
15 following new subsection:

16           “(n) AREA YIELD PLAN.—

17           “(1) IN GENERAL.—Notwithstanding any other  
18 provision of this title, the Corporation may offer, only  
19 as an option to individual crop insurance coverage  
20 available under this Act, a crop insurance plan based  
21 on an area yield that allows an insured producer to  
22 qualify for an indemnity if a loss has occurred in an  
23 area, as specified by the Corporation, in which the  
24 farm of the producer is located.

1           “(2) *LEVEL OF COVERAGE.*—Under a plan of-  
2           ferred under paragraph (1), an insured producer shall  
3           be allowed to select the level of production at which  
4           an indemnity will be paid consistent with terms and  
5           conditions established by the Corporation.”.

6           (3) *YIELD COVERAGE.*—Section 508A of such Act  
7           (7 U.S.C. 1508a) is amended—

8                   (A) in subsection (a)(1), by striking “may”  
9                   and inserting “shall”; and

10                  (B) in subsection (b)—

11                          (i) in paragraph (1)(A)—

12                                  (I) by striking “A crop insurance  
13                                  contract” and all that follows through  
14                                  “producer—” and inserting “Under  
15                                  regulations issued by the Corporation,  
16                                  a crop insurance contract offered under  
17                                  this title to an eligible insured pro-  
18                                  ducer of a commodity with respect to  
19                                  which the Corporation provides crop  
20                                  insurance coverage shall make avail-  
21                                  able to the producer either—”;

22                                  (II) by striking “or” at the end of  
23                                  clause (i);

24                                  (III) in clause (ii)—



1                   (aa) by striking “5” and in-  
2                   serting “4 building to 10”; and

3                   (bb) by striking the period at  
4                   the end and inserting “; or”; and

5                   (IV) by adding at the end the fol-  
6                   lowing new clause:

7                   “(iii) yield coverage based on—

8                   “(I) not less than 65 percent of  
9                   the transitional yield of the producer  
10                  (adjusted to reflect actual experience),  
11                  as specified in regulations issued by  
12                  the Corporation based on production  
13                  history requirements; or

14                  “(II) the area yield under section  
15                  508(n) for the crop established under  
16                  the program for the commodity in-  
17                  volved.”;

18                  (ii) in paragraph (1)(B)—

19                   (I) by striking “two” and insert-  
20                   ing “3”; and

21                   (II) by inserting after “subpara-  
22                   graph (A)” the following: “; where  
23                   available (as determined by the Cor-  
24                   poration),”;

25                  (iii) in paragraph (2)—

1                   (I) by striking “5” and inserting  
2                   “4 building to 10”; and

3                   (II) by inserting after “previous  
4                   crops,” the following: “not less than 65  
5                   percent of the transitional yield of the  
6                   producer (adjusted to reflect actual ex-  
7                   perience), or the area yield,”; and

8                   (iv) in paragraph (3)(A)(i), by insert-  
9                   ing after “farm program yield” the follow-  
10                  ing: “; not less than 65 percent of the tran-  
11                  sitional yield of the producer (adjusted to  
12                  reflect actual experience), as specified in  
13                  regulations issued by the Corporation based  
14                  on production history requirements, or the  
15                  area yield under section 508(n), whichever  
16                  is applicable,”.

17                  (c) *EFFECTIVE DATE.*—

18                   (1) *IN GENERAL.*—Except as provided in para-  
19                   graph (2), this section and the amendments made by  
20                   this section shall become effective on October 1, 1993.

21                   (2) *REGULATIONS.*—Not later than 30 days after  
22                   the date of enactment of this Act, the Secretary of Ag-  
23                   riculture shall publish, for public comment, proposed  
24                   regulations to implement the amendments made by  
25                   this section.

1 **SEC. 1502. ENVIRONMENTAL CONSERVATION ACREAGE RE-**  
2 **SERVE PROGRAM AMENDMENTS.**

3 *Subtitle D of title XII of the Food Security Act of 1985*  
4 *(16 U.S.C. 3830 et seq.) is amended—*

5 *(1) in section 1230(b) (16 U.S.C. 3830(b)), by*  
6 *striking “to place in” and all that follows through*  
7 *“acres”;*

8 *(2) in section 1231(d) (16 U.S.C. 3831(d))—*

9 *(A) by striking “may” and inserting*  
10 *“shall”;*

11 *(B) by striking “the amount of acres speci-*  
12 *fied in section 1230(b)” and inserting “a total of*  
13 *38,000,000 acres during the 1986 through 1995*  
14 *calendar years”;* and

15 *(C) by striking “each of calendar years*  
16 *1994 and 1995” and inserting “the 1995 cal-*  
17 *endar year”;*

18 *(3) in section 1237 (16 U.S.C. 3837)—*

19 *(A) by striking subsection (b) and inserting*  
20 *the following new subsection:*

21 *“(b) MINIMUM ENROLLMENT.—The Secretary shall en-*  
22 *roll into the wetlands reserve program—*

23 *“(1) a total of not less than 330,000 acres by the*  
24 *end of the 1995 calendar year; and*

25 *“(2) a total of not less than 975,000 acres during*  
26 *the 1991 through 2000 calendar years.”;* and

- 1           (B) in subsection (c), by striking “1995”  
2           and inserting “2000”; and  
3           (4) in section 1241 (16 U.S.C. 3841)—  
4           (A) in subsection (a)—  
5                 (i) by striking “(a)(1) During each of  
6                 the fiscal years ending September 30, 1986,  
7                 and September 30, 1987” and inserting  
8                 “(a) During each of fiscal years 1994  
9                 through 2000”; and  
10                (ii) by striking paragraph (2); and  
11           (B) in subsection (b), by striking “(A)  
12           through (E)” and inserting “A through E”.

13 **SEC. 1503. ADMISSION, ENTRANCE, AND RECREATION FEES.**

14           (a) *DEFINITIONS.*—As used in this section:

15                 (1) *AREA OF CONCENTRATED PUBLIC USE.*—The  
16                 term “area of concentrated public use” means an area  
17                 administered by the Secretary that meets each of the  
18                 following criteria:

19                         (A) The area is managed primarily for out-  
20                         door recreation purposes.

21                         (B) Facilities and services necessary to ac-  
22                         commodate heavy public use are provided in the  
23                         area.

24                         (C) The area contains at least one major  
25                         recreation attraction.

1           (D) *Public access to the area is provided in*  
2           *such a manner that admission fees can be effi-*  
3           *ciently collected at 1 or more centralized loca-*  
4           *tions.*

5           (2) *BOAT LAUNCHING FACILITY.*—*The term “boat*  
6           *launching facility” includes any boat launching facil-*  
7           *ity, regardless of whether specialized facilities or serv-*  
8           *ices, such as mechanical or hydraulic boat lifts or fa-*  
9           *cilities, are provided.*

10          (3) *CAMPGROUND.*—*The term “campground”*  
11          *means any campground where a majority of the fol-*  
12          *lowing amenities are provided, as determined by the*  
13          *Secretary:*

14                 (A) *Tent or trailer spaces.*

15                 (B) *Drinking water.*

16                 (C) *An access road.*

17                 (D) *Refuse containers.*

18                 (E) *Toilet facilities.*

19                 (F) *The personal collection of recreation use*  
20                 *fees by an employee or agent of the Secretary.*

21                 (G) *Reasonable visitor protection.*

22                 (H) *If campfires are permitted in the*  
23                 *campground, simple devices for containing the*  
24                 *fires.*

1           (4) *SECRETARY.*—The term “Secretary” means  
2     the Secretary of Agriculture.

3           (b) *AUTHORITY TO IMPOSE FEES.*—The Secretary—

4           (1) may charge admission or entrance fees at na-  
5     tional monuments, national volcanic monuments, na-  
6     tional scenic areas, and areas of concentrated public  
7     use administered by the Secretary;

8           (2) acting through the Forest Service, shall reim-  
9     burse the Agricultural Stabilization and Conservation  
10    Service for administrative costs incurred under the  
11    Stewardship Incentive Program for the actual cost of  
12    services provided by the Agricultural Stabilization  
13    and Conservation Service, except that the actual costs  
14    shall not exceed 10 percent of the total annual appro-  
15    priation for the program; and

16          (3) may charge recreation use fees at lands ad-  
17    ministered by the Secretary in connection with the  
18    use of specialized outdoor recreation sites, equipment,  
19    services, and facilities, including visitors’ centers, pic-  
20    nic tables, boat launching facilities, and camp-  
21    grounds.

22          (c) *AMOUNT OF FEES.*—The amount of the admission,  
23    entrance, and recreation fees authorized to be imposed  
24    under this section shall be determined by the Secretary.

1 **SEC. 1504. SENSE OF THE SENATE REGARDING DEFICIT RE-**  
2 **DUCTION.**

3 *It is the sense of the Senate that—*

4 *(1) farmers should pay no more than their fair*  
5 *share of any budget reduction necessary to achieve the*  
6 *goal of deficit reduction; and*

7 *(2) the level of budget reduction should take into*  
8 *account and be adjusted to reflect any BTU or energy*  
9 *taxes, any other taxes, reduction in interest rates, and*  
10 *other user fees.*

11 **TITLE II—COMMITTEE ON**  
12 **ARMED SERVICES**

13 **SEC. 2001. LIMITATION ON COST-OF-LIVING ADJUSTMENTS**  
14 **FOR MILITARY RETIREES.**

15 *Paragraph (2) of section 1401a(b) of title 10, United*  
16 *States Code, is amended to read as follows:*

17 *“(2) PRE-AUGUST 1, 1986 MEMBERS.—*

18 *“(A) GENERAL RULE.—The Secretary shall*  
19 *increase the retired pay of each member and*  
20 *former member who first became a member of a*  
21 *uniformed service before August 1, 1986, by the*  
22 *percent (adjusted to the nearest one-tenth of 1*  
23 *percent) by which—*

24 *“(i) the price index for the base quar-*  
25 *ter of that year, exceeds*

26 *“(ii) the base index.*

1                   “(B) *SPECIAL RULES FOR FISCAL YEARS*  
2                   *1994 THROUGH 1998.*—

3                   “(i) *FISCAL YEARS 1994 THROUGH*  
4                   *1997.*—*In the case of an increase in retired*  
5                   *pay that, pursuant to paragraph (1), be-*  
6                   *comes effective on December 1 of 1993, 1994,*  
7                   *1995, or 1996, the initial month for which*  
8                   *such increase is payable as part of such re-*  
9                   *tired pay shall (notwithstanding such De-*  
10                   *cember 1 effective date) be September of the*  
11                   *following year.*

12                   “(ii) *FISCAL YEAR 1998.*—*In the case of*  
13                   *an increase in retired pay that, pursuant to*  
14                   *paragraph (1), becomes effective on Decem-*  
15                   *ber 1, 1997, the initial month for which*  
16                   *such increase is payable as part of such re-*  
17                   *tired pay shall (notwithstanding such De-*  
18                   *cember 1 effective date) be August 1998.*

19                   “(C) *INAPPLICABILITY TO DISABILITY RE-*  
20                   *TIREES.*—*Subparagraph (B) does not apply with*  
21                   *respect to the retired pay of a member retired*  
22                   *under chapter 61 of this title.”*



1 **TITLE III—COMMITTEE ON BANK-**  
2 **ING, HOUSING, AND URBAN**  
3 **AFFAIRS**

4 **SEC. 3001. NATIONAL DEPOSITOR PREFERENCE.**

5 (a) *IN GENERAL.*—Section 11(d)(11) of the Federal  
6 Deposit Insurance Act (12 U.S.C. 1821(d)(11)) is amended  
7 to read as follows:

8 “(11) *DEPOSITOR PREFERENCE.*—

9 “(A) *IN GENERAL.*—Subject to section  
10 5(e)(2)(C), amounts realized from the liquidation  
11 or other resolution of any insured depository in-  
12 stitution by any receiver appointed for such in-  
13 stitution shall be distributed to pay claims (other  
14 than secured claims to the extent of any such se-  
15 curity) in the following order of priority:

16 “(i) *Administrative expenses of the re-*  
17 *ceiver.*

18 “(ii) *Any deposit liability of the insti-*  
19 *tution.*

20 “(iii) *Any other general or senior li-*  
21 *ability of the institution (which is not a li-*  
22 *ability described in clause (iv) or (v)).*

23 “(iv) *Any obligation subordinated to*  
24 *depositors or general creditors (which is not*  
25 *an obligation described in clause (v)).*

1           “(v) *Any obligation to shareholders or*  
2           *members arising as a result of their status*  
3           *as shareholders or members (including any*  
4           *depository institution holding company or*  
5           *any shareholder or creditor of such com-*  
6           *pany).*

7           “(B) *EFFECT ON STATE LAW.—*

8           “(i) *IN GENERAL.—The provisions of*  
9           *subparagraph (A) shall not supersede the*  
10           *law of any State except to the extent such*  
11           *law is inconsistent with the provisions of*  
12           *such subparagraph, and then only to the ex-*  
13           *tent of the inconsistency.*

14           “(ii) *PROCEDURE FOR DETERMINATION*  
15           *OF INCONSISTENCY.—Upon the Corpora-*  
16           *tion’s own motion or upon the request of*  
17           *any person with a claim described in sub-*  
18           *paragraph (A)(i) or any State which is sub-*  
19           *mitted to the Corporation in accordance*  
20           *with procedures which the Corporation shall*  
21           *prescribe, the Corporation shall determine*  
22           *whether any provision of the law of any*  
23           *State is inconsistent with any provision of*  
24           *subparagraph (A) and the extent of any*  
25           *such inconsistency.*

1                   “(iii) *JUDICIAL REVIEW*.—The final  
2                   determination of the Corporation under  
3                   clause (ii) shall be subject to judicial review  
4                   under chapter 7 of title 5, United States  
5                   Code.

6                   “(C) *ACCOUNTING REPORT*.—Any distribu-  
7                   tion by the Corporation in connection with any  
8                   claim described in subparagraph (A)(vi) shall be  
9                   accompanied by the accounting report required  
10                  under paragraph (15)(B).”.

11                  (b) *TECHNICAL AND CONFORMING AMENDMENTS*.—

12                  (1) Section 11(c)(13) of the Federal Deposit In-  
13                  surance Act (12 U.S.C. 1821(c)(13)) is amended—

14                  (A) in subparagraph (A), by striking “sub-  
15                  ject to subparagraph (B),”;

16                  (B) by inserting “and” after the semicolon  
17                  at the end of subparagraph (A);

18                  (C) by striking subparagraph (B); and

19                  (D) by redesignating subparagraph (C) as  
20                  subparagraph (B).

21                  (2) Section 11(g)(4) of the Federal Deposit In-  
22                  surance Act (12 U.S.C. 1921(g)(4)) is amended by  
23                  striking “If the Corporation” and inserting “Subject  
24                  to subsection (d)(11), if the Corporation”.

1           (c) *EFFECTIVE DATE.*—The amendments made by this  
2 section shall apply with respect to insured depository insti-  
3 tutions for which a receiver is appointed after the date of  
4 the enactment of this Act.

5 **SEC. 3002. TRANSFER OF FEDERAL RESERVE SURPLUSES.**

6           (a) *IN GENERAL.*—The 1st undesignated paragraph of  
7 section 7 of the Federal Reserve Act (12 U.S.C. 289) is  
8 amended to read as follows:

9           “(a) *DIVIDENDS AND SURPLUS FUNDS OF RESERVE*  
10 *BANKS.*—

11                   “(1) *STOCKHOLDER DIVIDENDS.*—

12                           “(A) *IN GENERAL.*—After all necessary ex-  
13 penses of a Federal reserve bank have been paid  
14 or provided for, the stockholders of the bank shall  
15 be entitled to receive an annual dividend of 6  
16 percent on paid-in capital stock.

17                           “(B) *DIVIDEND CUMULATIVE.*—The entitle-  
18 ment to dividends under subparagraph shall be  
19 cumulative.

20                   “(2) *DEPOSIT OF NET EARNINGS IN SURPLUS*  
21 *FUND.*—That portion of net earnings of each Federal  
22 reserve bank which remains after dividend claims  
23 under subparagraph (A) have been fully met shall be  
24 deposited in the surplus fund of the bank.

1           “(3) *PAYMENT TO TREASURY.*—During fiscal  
2           years 1997 and 1998, any amount in the surplus  
3           fund of any Federal reserve bank in excess of the  
4           amount equal to 3 percent of the total paid-in capital  
5           and surplus of the member banks of such bank shall  
6           be transferred to the Board for transfer to the Sec-  
7           retary of the Treasury for deposit in the general fund  
8           of the Treasury.”.

9           (b) *ADDITIONAL TRANSFERS FOR FISCAL YEARS 1997*  
10          *AND 1998.*—

11           (1) *IN GENERAL.*—In addition to the amounts  
12           required to be transferred from the surplus funds of  
13           the Federal reserve banks pursuant to section 7(a)(3)  
14           of the Federal Reserve Act, the Federal reserve banks  
15           shall transfer from such surplus funds to the Board  
16           of Governors of the Federal Reserve System for trans-  
17           fer to the Secretary of the Treasury for deposit in the  
18           general fund of the Treasury, a total amount of  
19           \$106,000,000 in fiscal year 1997 and a total amount  
20           of \$107,000,000 in fiscal year 1998.

21           (2) *ALLOCATION BY FED.*—Of the total amount  
22           required to be paid by the Federal reserve banks  
23           under paragraph (1) for fiscal year 1997 or 1998, the  
24           Board of Governors of the Federal Reserve System

1     *shall determine the amount each such bank shall pay*  
2     *in such fiscal year.*

3             (3) *REPLENISHMENT OF SURPLUS FUND PROHIB-*  
4     *ITED.—No Federal reserve bank may replenish such*  
5     *bank’s surplus fund by the amount of any transfer by*  
6     *such bank under paragraph (1) during fiscal years*  
7     *1997 and 1998.*

8     (c) *TECHNICAL AND CONFORMING AMENDMENTS.—*

9             (1) *The penultimate undesignated paragraph of*  
10     *section 7 of the Federal Reserve Act (12 U.S.C. 290)*  
11     *is amended by striking “The net earnings derived”*  
12     *and inserting “(b) USE OF EARNINGS TRANSFERRED*  
13     *TO THE TREASURY.—The net earnings derived”.*

14             (2) *The last undesignated paragraph of section 7*  
15     *of the Federal Reserve Act (12 U.S.C. 531) is amend-*  
16     *ed by striking “Federal reserve banks” and inserting*  
17     *“(c) EXEMPTION FROM TAXATION.—Federal reserve*  
18     *banks”.*

19     ***SEC. 3003. USE OF RETURN DATA FOR INCOME VERIFICA-***  
20             ***TION UNDER CERTAIN HOUSING ASSISTANCE***  
21             ***PROGRAMS.***

22             (a) *AMENDMENTS TO HOUSING ACTS.—Section 904 of*  
23     *the Stewart B. McKinney Homeless Assistance Amendments*  
24     *Act of 1988 (42 U.S.C. 3544) is amended as follows:*

1           (1) *DEFINITION.*—*In subsection (a), by adding*  
2 *at the end the following:*

3           “(4) *PROGRAM OF THE DEPARTMENT OF HOUS-*  
4 *ING AND URBAN DEVELOPMENT.*—*The term ‘program*  
5 *of the Department of Housing and Urban Develop-*  
6 *ment’ includes Indian housing programs assisted*  
7 *under title II of the United States Housing Act of*  
8 *1937.’”.*

9           (2) *CONSENT FORMS.*—*In subsection (b)—*

10           (A) *in paragraph (1), by striking “and” at*  
11 *the end;*

12           (B) *in paragraph (2), by striking the period*  
13 *at the end and inserting “; and”;*

14           (C) *by inserting after paragraph (2) the fol-*  
15 *lowing new paragraph:*

16           “(3) *sign a consent form approved by the Sec-*  
17 *retary authorizing the Secretary to request the Com-*  
18 *missioner of Social Security and the Secretary of the*  
19 *Treasury to release information pursuant to section*  
20 *6103(l)(7)(D)(ix) of the Internal Revenue Code of*  
21 *1986 with respect to such applicant or participant for*  
22 *the sole purpose of the Secretary verifying income in-*  
23 *formation pertinent to the applicant’s or partici-*  
24 *phant’s eligibility or level of benefits.’”; and*

1           (D) in the last sentence, by striking “This”  
2           and inserting the following: “Except as provided  
3           in this subsection, this”.

4           (2) *APPLICANT, PARTICIPANT, AND PUBLIC*  
5           *HOUSING AGENCY PROTECTIONS.*—In subsection  
6           (c)(2)—

7           (A) in subparagraph (A)—

8           (i) in the matter preceding clause (i)—

9           (I) by inserting after “compensa-  
10           tion law” the following: “or pursuant  
11           to section 6103(l)(7)(D)(ix) of the In-  
12           ternal Revenue Code of 1986 from the  
13           Commissioner of Social Security or the  
14           Secretary of the Treasury”; and

15           (II) by inserting “(in the case of  
16           information obtained pursuant to such  
17           section 303(i))” before “representa-  
18           tives”; and

19           (ii) in clause (ii), by inserting “or  
20           public housing agency” after “owner” each  
21           place it appears; and

22           (B) in subparagraph (B), by inserting after  
23           “wages” each place it appears the following: “,  
24           other earnings or income.”.

25           (3) *PENALTY.*—In subsection (c)(3)—



1           (A) in subparagraph (A), by inserting “or  
2           section 6103(l)(7)(D)(ix) of the Internal Revenue  
3           Code of 1986” after “Social Security Act”; and

4           (B) in the first sentence of subparagraph  
5           (B)—

6                   (i) by striking clause (i) and inserting  
7                   the following: “(i) a negligent or knowing  
8                   disclosure of information referred to in this  
9                   section, section 303(i) of the Social Security  
10                  Act, or section 6103(l)(7)(D)(ix) of the In-  
11                  ternal Revenue Code of 1986 about such  
12                  person by an officer or employee of any  
13                  public housing agency or owner (or em-  
14                  ployee thereof), which disclosure is not au-  
15                  thorized by this section, such section 303(i),  
16                  such section 6103(l)(7)(D)(ix), or any regu-  
17                  lation implementing this section, such sec-  
18                  tion 303(i), or such section  
19                  6103(l)(7)(D)(ix), or”; and

20                  (ii) in clause (ii), by inserting “such  
21                  section 6103(l)(7)(D)(ix),” after “303(i),”.

22           (4) *CONFORMING AMENDMENT.*—The heading of  
23           subsection (c) of section 904 of the Stewart B. McKin-  
24           ney Homeless Assistance Amendments Act of 1988 is  
25           amended by striking “STATE EMPLOYMENT”.

1           (5) *OPERATING SUBSIDY ADJUSTMENTS.*—*Sec-*  
2           *tion 9(a) of the United States Housing Act of 1937*  
3           *(42 U.S.C. 1437g(c)) is amended by adding at the*  
4           *end the following:*

5           “(4) *Adjustments to a public housing agency’s operat-*  
6           *ing subsidy made by the Secretary under this section shall*  
7           *reflect actual changes in rental income collections resulting*  
8           *from the application of section 904 of the Stewart B.*  
9           *McKinney Homeless Assistance Amendments Act of 1988.”.*

10          (b) *CONFORMING INTERNAL REVENUE CODE AMEND-*  
11          *MENTS.*—

12           (1) *IN GENERAL.*—*Subparagraph (D) of section*  
13           *6103(l)(7) of the Internal Revenue Code of 1986 (26*  
14           *U.S.C. 6103(l)(7)(D); relating to the disclosure of re-*  
15           *turn information to Federal, State, and local agencies*  
16           *administering certain programs) is amended—*

17                   (A) *in clause (vii), by striking “; and” at*  
18                   *the end and inserting a semicolon;*

19                   (B) *in clause (viii), by striking the period*  
20                   *at the end and inserting “; and”;*

21                   (C) *by inserting after clause (viii) the fol-*  
22                   *lowing new clause:*

23                           “(ix) *any housing assistance program*  
24                           *administered by the Department of Housing*  
25                           *and Urban Development that involves ini-*

1            *tial and periodic review of an applicant's*  
2            *or participant's income, except that return*  
3            *information may be disclosed under this*  
4            *paragraph only to the Secretary of Housing*  
5            *and Urban Development and only with re-*  
6            *spect to applicants for and participants in*  
7            *such programs who have signed consent*  
8            *forms under section 904(b)(3) of the Stewart*  
9            *B. McKinney Homeless Assistance Amend-*  
10           *ments Act of 1988.”; and*

11            *(D) by adding at the end the following:*  
12            *“Clause (ix) shall not apply after September 30,*  
13            *1998.”.*

14            *(2) AMENDMENT TO THE HEADING.—The head-*  
15            *ing of paragraph (7) of section 6103(l) of the Internal*  
16            *Revenue Code of 1986 is amended by inserting after*  
17            *“1977,” the following: “CERTAIN HOUSING ASSIST-*  
18            *ANCE PROGRAMS,”.*

19            **SEC. 3004. GNMA REMIC GUARANTEE FEES.**

20            *Section 306(g)(3) of the National Housing Act (12*  
21            *U.S.C. 1721(g)(3)) is amended by adding at the end the*  
22            *following new subparagraph:*

23            *“(E)(i) Notwithstanding subparagraphs (A) through*  
24            *(D), fees charged for the guarantee of, or commitment to*  
25            *guarantee, multiclass securities backed by a trust or pool*

1 *of securities or notes guaranteed by the Association under*  
2 *this subsection, and other related fees shall be charged by*  
3 *the Association in an amount the Association deems appro-*  
4 *priate. The Association shall take such action as may be*  
5 *necessary to reasonably assure that such portion of the bene-*  
6 *fit, resulting from the Association's multiclass securities*  
7 *program, as the Association determines is appropriate ac-*  
8 *crues to mortgagors who execute eligible mortgages after the*  
9 *date of the enactment of this subparagraph.*

10       “(ii) *In its annual report, the Association shall pro-*  
11 *vide a summary of each activity of the Association pertain-*  
12 *ing to the Association's multiclass securities program. Each*  
13 *summary shall contain a description of the activity and*  
14 *shall include—*

15               “(I) *information pertaining to the size of the*  
16 *transactions closed, the number of mortgages involved,*  
17 *the amount of fees charged, those persons or entities*  
18 *receiving payments for services provided and the*  
19 *amounts of such payments; and*

20               “(II) *an estimate of the portion of the benefit of*  
21 *the multiclass securities program accruing to mortga-*  
22 *gors as well as a description of any action taken by*  
23 *the Association to ensure such accrual.*

24       “(iii) *The Association shall provide for the initial im-*  
25 *plementation of the program for which fees are charged*

1 *under the first sentence of clause (i) by notice published*  
2 *in the Federal Register. The notice shall be effective upon*  
3 *publication and shall provide an opportunity for public*  
4 *comment. Not later than 12 months after publication of the*  
5 *notice, the Association shall issue regulations for such pro-*  
6 *gram based on the notice, comments received, and the expe-*  
7 *rience of the Association in carrying out the program dur-*  
8 *ing such period.*

9       “(iv) *The Association shall consult with persons or en-*  
10 *tities in such manner as the Association deems appropriate*  
11 *to ensure the efficient commencement and operation of the*  
12 *multiclass securities program.*

13       “(v) *No State or local law, and no Federal law (except*  
14 *Federal law enacted expressly in limitation of this clause*  
15 *after the effective date of this subparagraph) shall preclude*  
16 *or limit the exercise by the Association of its power to con-*  
17 *tract with persons or entities, and its rights to enforce such*  
18 *contracts, for the purpose of ensuring the efficient com-*  
19 *mencement and continued operation of the multiclass secu-*  
20 *rities program.*

21       “(vi) *Prior to the commencement of the multiclass se-*  
22 *curities program, the Association shall provide to the Com-*  
23 *mittee on Banking, Housing, and Urban Affairs of the Sen-*  
24 *ate and the Committee on Banking, Finance and Urban*  
25 *Affairs of the House of Representatives a report describing*

1 *the Association's design of the multiclass securities pro-*  
2 *gram, including program elements that ensure the mini-*  
3 *mization of risks arising from the operation of the*  
4 *multiclass securities program, such as—*

5           *“(I) any industry proven safeguards, including*  
6           *capital standards for sponsors and provisions for in-*  
7           *demnification from private parties for events that*  
8           *may result in the Association's liability under its*  
9           *guaranty or commitment to guaranty; and*

10           *“(II) the sufficiency of the Association's staff re-*  
11           *sources to administer the multiclass securities pro-*  
12           *gram.”.*

13 **SEC. 3005. MUTUAL MORTGAGE INSURANCE FUND PRE-**  
14           **MIUMS.**

15           *To improve the actuarial soundness of the Mutual*  
16 *Mortgage Insurance Fund under the National Housing Act,*  
17 *the Secretary of Housing and Urban Development shall in-*  
18 *crease the rate at which the Secretary earns the single pre-*  
19 *mium payment collected at the time of insurance of a mort-*  
20 *gage that is an obligation of such Fund (with respect to*  
21 *the rate in effect on the date of the enactment of this Act).*  
22 *In establishing such increased rate, the Secretary shall con-*  
23 *sider any current audit findings and reserve analyses and*  
24 *information regarding the expected average duration of*  
25 *mortgages that are obligations of such Fund and may con-*

1 *sider any other information that the Secretary determines*  
2 *to be appropriate.*

3 ***TITLE IV—COMMUNICATIONS***  
4 ***AND TRANSPORTATION***  
5 ***Subtitle A—Spectrum Allocation***  
6 ***and Auction***

7 ***SEC. 4001. SHORT TITLE.***

8 *This subtitle may be cited as the “Emerging Tele-*  
9 *communications Technologies Act of 1993”.*

10 ***SEC. 4002. FINDINGS.***

11 *The Congress finds that—*

12 *(1) the Federal Government currently reserves*  
13 *for its own use, or has priority of access to, approxi-*  
14 *mately 40 percent of the electromagnetic spectrum*  
15 *that is assigned for use pursuant to the Communica-*  
16 *tions Act of 1934;*

17 *(2) many of such frequencies are underutilized*  
18 *by Federal Government licensees;*

19 *(3) the public interest requires that many of such*  
20 *frequencies be utilized more efficiently by Federal*  
21 *Government and non-Federal licensees;*

22 *(4) additional frequencies are assigned for serv-*  
23 *ices that could be obtained more efficiently from com-*  
24 *mercial providers or other vendors;*

1           (5) scarcity of assignable frequencies for licens-  
2           ing by the Commission can and will—

3           (A) impede the development and commer-  
4           cialization of new telecommunications products  
5           and services;

6           (B) limit the capacity and efficiency of tele-  
7           communications systems in the United States;

8           (C) prevent some State and local police,  
9           fire, and emergency services from obtaining ur-  
10          gently needed radio channels; and

11          (D) adversely affect the productive capacity  
12          and international competitiveness of the United  
13          States economy;

14          (6) a reassignment of these frequencies can  
15          produce significant economic returns;

16          (7) a reassignment of Federal Government fre-  
17          quencies can be accomplished without adverse impact  
18          on amateur radio licenses that currently share alloca-  
19          tions with Federal Government stations;

20          (8) current spectrum assignment procedures—  
21          comparative hearings and lotteries—can be expensive  
22          and time consuming, can strain the limited resources  
23          of the Federal Communications Commission, and can  
24          result in an inefficient distribution of spectrum and  
25          an unjustified windfall to speculators;



1           (9) *competitive bidding could reduce the cost in*  
2 *time and money—and increase the efficiency—of the*  
3 *spectrum assignment process for certain radio serv-*  
4 *ices, discourage speculative applications, encourage*  
5 *the efficient use of spectrum by licensees, and fairly*  
6 *compensate United States taxpayers for use of a*  
7 *scarce public natural resource;*

8           (10) *competitive bidding should be structured*  
9 *to—*

10                   (A) *facilitate introduction of new spectrum-*  
11 *based technologies and services and entry of new*  
12 *companies into the telecommunications market;*

13                   (B) *recognize the legitimate needs of rural*  
14 *telephone companies in providing spectrum-*  
15 *based, common carrier services in rural markets*  
16 *in which they provide telephone exchange service*  
17 *by wire;*

18                   (C) *give appropriate consideration to small*  
19 *businesses and minority-owned businesses that*  
20 *want to participate in the competitive bidding*  
21 *process;*

22                   (D) *recognize the need to make reasonably*  
23 *priced mobile communications services available*  
24 *to businesses in rural areas;*

1           (E) recognize the need to ensure that ade-  
2           quate spectrum continues to be available for pub-  
3           lic safety services; and

4           (F) otherwise further the public interest;

5           (11) competitive bidding should apply only to  
6           the granting of new spectrum licenses and should  
7           not—

8           (A) disrupt the operations of existing spec-  
9           trum licensees;

10          (B) alter existing spectrum allocation proce-  
11          dures;

12          (C) apply to certain services governed by  
13          public interest regulations;

14          (D) diminish the existing authority of the  
15          Federal Communications Commission to regulate  
16          or reclaim spectrum licenses;

17          (E) prevent or discourage the allocation of  
18          spectrum to meet the current or future needs of  
19          public safety services; or

20          (F) grant any right to a spectrum licensee  
21          different from the rights awarded to licensees  
22          who obtain their license through assignment  
23          methods other than competitive bidding;

24          (12) in appropriating revenues received from  
25          competitive bidding, priority should be given to—

1           (A) *funding spectrum management, plan-*  
2           *ning, monitoring, and enforcement and other ac-*  
3           *tivities of the Federal Communications Commis-*  
4           *sion, the National Telecommunications and In-*  
5           *formation Administration, and other Federal*  
6           *agencies aimed at increasing the efficiency and*  
7           *effectiveness of spectrum use, facilitating the in-*  
8           *troduction of new spectrum-based technologies*  
9           *and services, and enhancing the international*  
10           *competitiveness of the United States and the*  
11           *ability of American companies to enter new*  
12           *markets; and*

13           (B) *extending the reach of public radio and*  
14           *television to underserved areas of the United*  
15           *States and underserved groups of Americans and*  
16           *enhancing the ability of public telecommuni-*  
17           *cations to deliver needed original, high-quality*  
18           *public service programming; and*

19           (13) *because commercial mobile services require*  
20           *a Federal license and the Federal Government is at-*  
21           *tempting to promote competition for such services,*  
22           *and because providers of such services do not exercise*  
23           *market power vis-a-vis telephone exchange service car-*  
24           *riers and State regulation can be a barrier to the de-*

1        *velopment of competition in this market, uniform na-*  
2        *tional policy is necessary and in the public interest.*

3        **SEC. 4003. NATIONAL SPECTRUM PLANNING.**

4        *(a) PLANNING ACTIVITIES.—The Assistant Secretary*  
5        *of Commerce for Communications and Information and the*  
6        *Chairman of the Commission shall meet, at least bian-*  
7        *nually, to conduct joint spectrum planning with respect to*  
8        *the following issues:*

9                *(1) the future spectrum requirements for public*  
10              *and private uses, including State and local govern-*  
11              *ment public safety agencies;*

12              *(2) the spectrum allocation actions necessary to*  
13              *accommodate those uses; and*

14              *(3) actions necessary to promote the efficient use*  
15              *of the spectrum, including spectrum management*  
16              *techniques to promote increased shared use of the*  
17              *spectrum that does not cause harmful interference, as*  
18              *a means of increasing commercial access.*

19        *(b) REPORT ON PLANNING ACTIVITIES.—Not later*  
20        *than 24 months after the date of enactment of this Act, the*  
21        *Assistant Secretary of Commerce for Communications and*  
22        *Information and the Chairman of the Commission shall*  
23        *submit a joint report to the Committee on Energy and Com-*  
24        *merce of the House of Representatives and the Committee*  
25        *on Commerce, Science, and Transportation of the Senate*

1 *on the joint spectrum planning activities conducted under*  
2 *subsection (a) and recommendations for action developed*  
3 *pursuant to such activities. The report shall contain rec-*  
4 *ommendations for the reform of the process of allocating*  
5 *spectrum between Federal uses and non-Federal uses.*

6 *(c) PROCEDURES TO ENSURE OPPORTUNITY FOR MI-*  
7 *NORITY-OWNED BUSINESSES AND SMALL BUSINESSES.—*  
8 *The Commission shall develop procedures to ensure that mi-*  
9 *nority-owned businesses and small businesses are given the*  
10 *opportunity to provide spectrum-based services. In develop-*  
11 *ing such procedures, the Commission shall consider the use*  
12 *of tax certificates and bidding preferences.*

13 *(d) STUDY ON SPECTRUM NEEDS OF PUBLIC SAFETY*  
14 *AGENCIES.—The Commission shall complete and submit to*  
15 *Congress, not later than 18 months after the date of enact-*  
16 *ment of this Act, a study of current and future spectrum*  
17 *needs of State and local government public safety agencies*  
18 *through the year 2010, and a specific plan to satisfy those*  
19 *spectrum needs.*

20 **SEC. 4004. RECOMMENDATIONS FOR REALLOCATION OF**  
21 **CERTAIN FREQUENCIES.**

22 *(a) IDENTIFICATION REQUIRED.—For purposes of*  
23 *reallocation, the Secretary shall identify frequencies that—*

24 *(1) are allocated on a primary basis for Federal*  
25 *Government use;*

1           (2) are not required for the present or identifi-  
2           able future needs of the Federal Government;

3           (3) can feasibly be made available, as of the date  
4           of such identification or at any time during the next  
5           15 years, for use under the Act (other than for Fed-  
6           eral Government stations under section 305 of the  
7           Act) without resulting in costs to the Federal Govern-  
8           ment, or loss of services or benefits to the public, that  
9           are excessive in relation to the benefits to the public  
10          that may be provided by non-Federal licensees; and

11          (4) are most likely to have the greatest potential  
12          for productive uses and public benefits under the Act  
13          if allocated for commercial uses.

14          (b) *MINIMUM AMOUNT OF SPECTRUM REC-*  
15          *OMMENDED.*—

16          (1) *OVERALL RECOMMENDATION.*—In accordance  
17          with the provisions of this section, the Secretary shall  
18          recommend for reallocation, for use other than by  
19          Federal Government stations under section 305 of the  
20          Act (47 U.S.C. 305), at least 200 megahertz of fre-  
21          quencies identified under subsection (a) that are lo-  
22          cated below 5 gigahertz. At least one-half of such fre-  
23          quencies shall be located below 3 gigahertz.

24          (2) *MIXED USES PERMITTED TO BE COUNTED.*—  
25          Among the frequencies recommended under this sec-

1        *tion for reallocation, the Secretary may include fre-*  
2        *quencies and frequency bands that are to be partially*  
3        *retained for use by Federal Government stations but*  
4        *that are also recommended to be reallocated under the*  
5        *Act for use by non-Federal stations, except that—*

6                *(A) such mixed-use frequencies and fre-*  
7                *quency bands may not count toward more than*  
8                *one-half of the 200 megahertz minimum required*  
9                *by paragraph (1);*

10               *(B) such mixed-use frequencies and fre-*  
11               *quency bands may not be so counted unless the*  
12               *assignments of the frequencies to Federal Govern-*  
13               *ment stations under section 305 of the Act (47*  
14               *U.S.C. 305) are limited by geographic area, by*  
15               *time, or by other means so as to guarantee that*  
16               *the potential use to be made by such Federal*  
17               *Government stations is substantially less (as*  
18               *measured by geographic area, time, or otherwise)*  
19               *than the potential use to be made by non-Federal*  
20               *stations; and*

21               *(C) the operational sharing permitted under*  
22               *this paragraph shall be subject to coordination*  
23               *procedures that the Commission and the Sec-*  
24               *retary shall jointly establish and implement to*  
25               *ensure against harmful interference.*

1           (c) *CONSIDERATION OF CRITERIA FOR IDENTIFICA-*  
2 *TION.—*

3           (1) *NEEDS OF THE FEDERAL GOVERNMENT.—In*  
4 *determining whether a frequency meets the criteria*  
5 *specified in subsection (a)(2), the Secretary shall—*

6                   (A) *consider whether the frequency is used*  
7 *to provide a communications service that is or*  
8 *could be made available from a commercial car-*  
9 *rier or other vendor;*

10                   (B) *seek to promote—*

11                           (i) *the maximum practicable reliance*  
12 *on commercially available substitutes;*

13                           (ii) *the sharing of frequencies (as per-*  
14 *mitted under subsection (b)(2));*

15                           (iii) *the development and use of new*  
16 *communications technologies; and*

17                           (iv) *the use of nonradiating commu-*  
18 *nications systems where practicable; and*

19                   (C) *seek to avoid—*

20                           (i) *serious degradation of Federal Gov-*  
21 *ernment services and operations;*

22                           (ii) *excessive costs to the Federal Gov-*  
23 *ernment and users of Federal Government*  
24 *services; and*



1                   (iii) excessive disruption of existing use  
2                   of Federal Government frequencies by ama-  
3                   teur radio licensees.

4                   (2) FEASIBILITY OF USE.—In determining  
5                   whether a frequency meets the criteria specified in  
6                   subsection (a)(3), the Secretary shall—

7                   (A) assume that the frequency will be as-  
8                   signed by the Commission under section 303 of  
9                   the Act (47 U.S.C. 303) within 15 years;

10                  (B) assume reasonable rates of scientific  
11                  progress and growth of demand for telecommuni-  
12                  cations services;

13                  (C) seek to include frequencies which can be  
14                  used to stimulate the development of new tech-  
15                  nologies; and

16                  (D) consider the immediate and recurring  
17                  costs to reestablish services displaced by the  
18                  reallocation of spectrum.

19                  (3) COMMERCIAL USE.—In determining whether  
20                  a frequency meets the criteria specified in subsection  
21                  (a)(4), the Secretary shall consider—

22                  (A) the extent to which equipment is avail-  
23                  able that is capable of utilizing such frequency;

1           (B) the proximity of frequencies that are al-  
2 ready assigned for commercial or other non-Fed-  
3 eral use;

4           (C) the extent to which, in general, commer-  
5 cial users could share the frequency with ama-  
6 teur radio licensees; and

7           (D) the activities of foreign governments in  
8 making frequencies available for experimentation  
9 or commercial assignments in order to support  
10 their domestic manufacturers of equipment.

11 (4) OTHER USES.—

12           (A) APPLICABILITY OF CRITERIA.—The cri-  
13 teria specified by subsection (a) shall be deemed  
14 not to be met for any purpose under this subtitle  
15 with regard to any frequency assignment to, or  
16 any frequency assignment used by, a Federal  
17 power agency for the purpose of withdrawing  
18 that assignment.

19           (B) MIXED USE ELIGIBILITY.—The fre-  
20 quencies assigned to any Federal power agency  
21 may only be eligible for mixed use under sub-  
22 section (b)(2) in geographically separate areas,  
23 but in those cases where a frequency is to be  
24 shared by an affected Federal power agency and  
25 a non-Federal user, such use by the non-Federal

1           user shall not cause harmful interference to the  
2           affected Federal power agency or adversely affect  
3           the reliability of its power system.

4           (C) *DEFINITION.*—As used in this para-  
5           graph, the term “Federal power agency” means  
6           the Tennessee Valley Authority, the Bonneville  
7           Power Administration, the Western Area Power  
8           Administration, or the Southwestern Power Ad-  
9           ministration.

10          (d) *PROCEDURE FOR IDENTIFICATION OF*  
11 *REALLOCABLE BANDS OF FREQUENCIES.*—

12           (1) *REPORT IDENTIFYING 30 MEGAHERTZ FOR*  
13 *IMMEDIATE REALLOCATION.*—Within 6 months after  
14 the date of enactment of this Act, the Secretary shall  
15 prepare and submit to the President and the Congress  
16 a report that recommends for immediate reallocation  
17 no less than 30 megahertz of frequencies identified  
18 under subsection (a). None of the frequencies covered  
19 by such report may be allocated for mixed use as de-  
20 scribed in subsection (b)(2). Not less than one-half of  
21 such frequencies shall be located below 3 gigahertz.

22           (2) *PRELIMINARY REPORT ON OTHER*  
23 *REALLOCABLE FREQUENCIES.*—Within 6 months after  
24 the date of enactment of this Act, the Secretary shall  
25 prepare, make publicly available, and submit to the

1        *President and the Congress a preliminary report that*  
2        *recommends for reallocation at least 170 megahertz of*  
3        *frequencies identified under subsection (a), other than*  
4        *those recommended for immediate reallocation under*  
5        *paragraph (1).*

6            (3) *PUBLIC COMMENT; CHANGES TO REPORT.—*  
7        *The Secretary shall receive public comment on the*  
8        *preliminary report required by paragraph (2) and*  
9        *shall, based upon the comments, make such changes to*  
10       *the report as are warranted to meet the objectives of*  
11       *this section.*

12           (4) *DIRECT DISCUSSIONS.—The Secretary shall*  
13       *encourage and provide opportunity for direct discus-*  
14       *sions among commercial representatives and Federal*  
15       *Government users of the spectrum to aid the Sec-*  
16       *retary in determining which frequencies to rec-*  
17       *ommend for reallocation. The Secretary shall provide*  
18       *notice to the public of any such discussions, including*  
19       *the name or names of any businesses or other persons*  
20       *represented in such discussions, and shall provide the*  
21       *public with an opportunity to comment on the results*  
22       *of any such negotiations prior to the submission of*  
23       *the final report required by paragraph (5).*

24           (5) *FINAL REPORT ON OTHER REALLOCABLE*  
25       *FREQUENCIES.—Within 18 months after the date of*

1       enactment of this Act, the Secretary shall prepare and  
2       submit to the President and the Congress a final re-  
3       port that recommends the reallocation of at least 170  
4       megahertz of frequencies as described in paragraph  
5       (2). Not less than one-half of such frequencies shall be  
6       located below 3 gigahertz.

7               (6) *LIMITATION ON REALLOCATION.*—None of the  
8       frequencies recommended for reallocation in the re-  
9       ports required by this subsection shall have been rec-  
10      ommended, prior to the date of enactment of this Act,  
11      for reallocation to non-Federal use by international  
12      agreement.

13              (e) *TIMETABLE FOR REALLOCATION AND LIMITA-*  
14      *TION.*—The Secretary shall, as part of the reports required  
15      by paragraphs (1) and (2) of subsection (d), include a time-  
16      table that recommends dates by which the President shall  
17      withdraw or limit assignments of the frequencies specified  
18      in the reports. In setting the recommended effectived dates,  
19      the Secretary shall—

20              (1) consider the need to reallocate frequencies as  
21      early as possible, taking into account the require-  
22      ments of section 406;

23              (2) consider the useful remaining life of equip-  
24      ment that has been purchased or contracted for pur-  
25      chase to operate on identified frequencies;

1           (3) consider the need to coordinate frequency use  
2           with other nations; and

3           (4) take into account the relationship between the  
4           costs to the Federal Government of changing to dif-  
5           ferent frequencies and the benefits that may be ob-  
6           tained from commercial and other non-Federal uses of  
7           the reassigned frequencies.

8   **SEC. 4005. WITHDRAWAL OR LIMITATION OF ASSIGNMENT**  
9                           **TO FEDERAL GOVERNMENT STATIONS.**

10          (a) *IN GENERAL.*—The President shall—

11               (1) within 12 months after receipt of the report  
12               required by section 404(d)(1), withdraw the assign-  
13               ment to a Federal Government station of any fre-  
14               quency in the frequencies recommended by that report  
15               for immediate reallocation;

16               (2) by the effective date recommended by the Sec-  
17               retary under section 404(e) (except as provided in  
18               subsection (b)(4) of this section), withdraw or limit  
19               the assignment to a Federal Government station of  
20               any frequency which the report required by section  
21               404(d)(3) recommends be reallocated or made avail-  
22               able for mixed use on such recommended effective  
23               date;

1           (3) *assign or reassign other frequencies to Fed-*  
2 *eral Government stations as necessary to adjust to*  
3 *such withdrawal or limitation of assignments; and*

4           (4) *transmit a notice and description to the*  
5 *Commission and each House of Congress of the ac-*  
6 *tions taken under this subsection.*

7           (b) *EXCEPTIONS.—*

8           (1) *AUTHORITY TO SUBSTITUTE.—If the Presi-*  
9 *dent determines that a circumstance described in*  
10 *paragraph (2) exists, the President—*

11           (A) *may substitute an alternative frequency*  
12 *for the frequency that is subject to such deter-*  
13 *mination and withdraw (or limit) the assign-*  
14 *ment of that alternative frequency in the manner*  
15 *required by subsection (a); and*

16           (B) *shall submit a statement of the reasons*  
17 *for taking the action described in subparagraph*  
18 *(A) to the Committee on Energy and Commerce*  
19 *of the House of Representatives and the Commit-*  
20 *tee on Commerce, Science, and Transportation of*  
21 *the Senate.*

22           (2) *GROUND FOR SUBSTITUTION.—Each of the*  
23 *following subparagraphs describes a circumstance re-*  
24 *ferred to in paragraph (1):*

1           (A) *The reassignment would seriously jeopardize the national defense interests of the United States.*

2  
3  
4           (B) *The frequency proposed for reassignment is uniquely suited to meeting important governmental needs.*

5  
6  
7           (C) *The reassignment would seriously jeopardize public health or safety.*

8  
9           (D) *The reassignment will result in costs to the Federal Government that are excessive in relation to the benefits that may be obtained from commercial or other non-Federal uses of the reassigned frequency.*

10  
11  
12  
13  
14           (E) *The reassignment will disrupt the existing use of a Federal Government band of frequencies by amateur radio licensees.*

15  
16  
17           (3) *CRITERIA FOR SUBSTITUTED FREQUENCIES.—For purposes of paragraph (1), a frequency may not be substituted for a frequency identified and recommended under section 404 for reallocation, unless the substituted frequency also meets each of the criteria specified by section 404(a).*

18  
19  
20  
21  
22  
23           (4) *DELAYS IN IMPLEMENTATION.—If the President determines that any action cannot be completed by the effective date recommended by the Secretary*

24  
25



1     *pursuant to section 404(e), or that such an action by*  
2     *such date would result in a frequency being unused*  
3     *as a consequence of the Commission's plan under sec-*  
4     *tion 404(b), the President may—*

5             *(A) withdraw or limit the assignment to*  
6             *Federal Government stations on a later date that*  
7             *is consistent with such plan, except that the*  
8             *President shall notify each Committee specified*  
9             *in paragraph (1)(B) and the Commission of the*  
10            *reason that withdrawal or limitation at a later*  
11            *date is required; or*

12            *(B) substitute alternative frequencies pursu-*  
13            *ant to this subsection.*

14     *(c) COSTS OF WITHDRAWING FREQUENCIES ASSIGNED*  
15     *TO THE FEDERAL GOVERNMENT.—*

16            *(1) REIMBURSEMENT AUTHORIZED.—Any Fed-*  
17            *eral agency, or non-Federal entity operating on behalf*  
18            *of a Federal agency, whose operation is displaced*  
19            *from a frequency pursuant to this section may be re-*  
20            *imbursed, from revenues received pursuant to section*  
21            *408, not more than the incremental costs such agency*  
22            *or entity incurs (in such amounts as are provided in*  
23            *advance in an appropriations Act) that are directly*  
24            *attributable to the displacement from the frequency.*  
25            *The estimates of these costs shall be prepared by the*

1 *affected agency, in consultation with the Department*  
2 *of Commerce.*

3 (2) *AUTHORIZATION OF APPROPRIATIONS.—*

4 *There are authorized to be appropriated to the af-*  
5 *ected Federal agencies such sums as may be nec-*  
6 *essary to carry out the purposes of this subsection.*

7 (d) *EXISTING AUTHORITY RETAINED.—*

8 (1) *ADDITIONAL REALLOCATION.—Nothing in*  
9 *this subtitle prevents or limits additional reallocation*  
10 *of spectrum from the Federal Government to the com-*  
11 *mercial or other sectors.*

12 (2) *IMPLEMENTATION OF NEW TECHNOLOGIES*  
13 *AND SERVICES.—Notwithstanding any other provision*  
14 *of this subtitle—*

15 (A) *the Secretary may at any time allow*  
16 *frequencies allocated on a primary basis for Fed-*  
17 *eral Government use to be used by non-Federal*  
18 *licensees on a mixed-use basis for the purpose of*  
19 *facilitating the prompt implementation of new*  
20 *technologies or services; and*

21 (B) *the Commission shall expedite and give*  
22 *priority to the allocation of any frequencies iden-*  
23 *tified pursuant to subparagraph (A), and any*  
24 *associated licensing.*

1 **SEC. 4006. ALLOCATION AND ASSIGNMENT OF FRE-**  
2 **QUENCIES BY THE COMMISSION.**

3 (a) *ALLOCATION AND ASSIGNMENT OF IMMEDIATELY*  
4 *AVAILABLE FREQUENCIES.*—*With respect to the frequencies*  
5 *made available for immediate reallocation pursuant to sec-*  
6 *tion 405(a)(1), the Commission, not later than 18 months*  
7 *after the date of enactment of this Act, shall issue rules to*  
8 *allocate such frequencies and shall propose rules to assign*  
9 *such frequencies.*

10 (b) *ALLOCATION AND ASSIGNMENT OF REMAINING*  
11 *AVAILABLE FREQUENCIES.*—*With respect to the frequencies*  
12 *made available for reallocation pursuant to section*  
13 *405(a)(2), the Commission shall, not later than 1 year after*  
14 *receipt of the final report identified in section 404(d)(4),*  
15 *prepare, in consultation with the Assistant Secretary of*  
16 *Commerce for Communications and Information, submit to*  
17 *the President and the Congress, and implement, a plan for*  
18 *the allocation and assignment under the Act of such fre-*  
19 *quencies. Such plan shall—*

20 (1) *not propose the immediate allocation and as-*  
21 *signment of all such frequencies but, taking into ac-*  
22 *count the timetable recommended by the Secretary*  
23 *pursuant to section 404(e), shall propose—*

24 (A) *gradually to allocate and assign the fre-*  
25 *quencies remaining, after making the reservation*  
26 *required by subparagraph (B), over the course of*

1           10 years beginning on the date of submission of  
2           such plan; and

3                   (B) to reserve a significant portion of such  
4           frequencies for distribution beginning after the  
5           end of such 10-year period;

6           (2) contain appropriate provisions to ensure the  
7           availability of frequencies for (A) new technologies  
8           and services in accordance with the policies of section  
9           7 of the Act (47 U.S.C. 157) and (B) the safety of life  
10          and property in accordance with the policies of sec-  
11          tion 1 of the Act (47 U.S.C. 151);

12           (3) address (A) the feasibility of reallocating por-  
13          tions of the spectrum from current commercial and  
14          other non-Federal uses to provide for more efficient  
15          use of the spectrum, and (B) innovation and market-  
16          place developments that may affect the relative effi-  
17          ciencies of different spectrum allocations;

18           (4) not prevent the Commission from allocating  
19          frequencies, and assigning licenses to use frequencies,  
20          not included in the plan; and

21           (5) not preclude the Commission from making  
22          changes to the plan in future proceedings.

23          (c) AMENDMENT TO THE ACT.—Section 303 of the Act  
24          (47 U.S.C. 303) is amended by adding at the end the follow-  
25          ing new subsection:

1       “(v) *Have authority to assign licenses to use the fre-*  
 2 *quencies reallocated from United States Government use to*  
 3 *non-United States Government use pursuant to the Emerg-*  
 4 *ing Telecommunications Technologies Act of 1993; except*  
 5 *that any such assignment shall be made expressly subject*  
 6 *to the right of the President to reclaim such frequencies*  
 7 *under section 7 of such Act.”.*

8       **SEC. 4007. AUTHORITY TO RECLAIM REASSIGNED FRE-**  
 9                                   **QUENCIES.**

10       (a) *AUTHORITY OF PRESIDENT.*—*Subsequent to the*  
 11 *withdrawal of assignment to Federal Government stations*  
 12 *pursuant to section 405, the President may reclaim reas-*  
 13 *signed frequencies for reassignment to Federal Government*  
 14 *stations in accordance with this section.*

15       (b) *PROCEDURE FOR RECLAIMING FREQUENCIES.*—

16               (1) *UNALLOCATED FREQUENCIES.*—*If the fre-*  
 17 *quencies to be reclaimed have not been allocated or as-*  
 18 *signed by the Commission pursuant to the Act, the*  
 19 *President shall follow the procedures for substitution*  
 20 *of frequencies established by section 405(b) of this sub-*  
 21 *title.*

22               (2) *ALLOCATED FREQUENCIES.*—*If the fre-*  
 23 *quencies to be reclaimed have been allocated or as-*  
 24 *signed by the Commission, the President shall follow*  
 25 *the procedures for substitution of frequencies estab-*

1        *lished by section 405(b) of this subtitle, except that the*  
2        *notification required by section 405(b)(1)(B) shall in-*  
3        *clude—*

4                *(A) a timetable to accommodate an orderly*  
5                *transition for displaced licensees to obtain new*  
6                *frequencies and equipment necessary for its utili-*  
7                *zation; and*

8                *(B) an estimate of the cost of displacing*  
9                *spectrum uses licensed by the Commission.*

10        *(c) COSTS OF RECLAIMING FREQUENCIES; APPROPRIA-*  
11        *TIONS AUTHORIZED.—The Federal Government shall bear*  
12        *all costs of reclaiming frequencies pursuant to this section,*  
13        *including the cost of equipment which is rendered unusable,*  
14        *the cost of relocating operations to a different frequency,*  
15        *and any other costs that are directly attributable to the re-*  
16        *claiming of the frequency pursuant to this section. There*  
17        *are authorized to be appropriated such sums as may be nec-*  
18        *essary to carry out the purposes of this section.*

19        *(d) EFFECTIVE DATE OF RECLAIMED FRE-*  
20        *QUENCIES.—The Commission shall not withdraw licenses*  
21        *for any reclaimed frequencies until the end of the fiscal year*  
22        *following the fiscal year in which the President's notifica-*  
23        *tion is received.*

24        *(e) EFFECT ON OTHER LAW.—Nothing in this section*  
25        *shall be construed to limit or otherwise affect the authority*

1 *of the President under section 706 of the Act (47 U.S.C.*  
2 *606).*

3 **SEC. 4008. COMPETITIVE BIDDING.**

4 (a) *COMPETITIVE BIDDING.*—

5 (1) *IN GENERAL.*—

6 (A) *FIVE-YEAR AUTHORIZATION.*—*The Com-*  
7 *mission shall, during fiscal years 1994 through*  
8 *1998, use the competitive bidding process author-*  
9 *ized under the amendment made by subsection*  
10 *(b) to grant all radio spectrum licenses for which*  
11 *two or more mutually exclusive applications*  
12 *have been filed, including the 200 megahertz of*  
13 *spectrum made available to the Commission*  
14 *under this subtitle, and including the licenses is-*  
15 *ssued for a personal communications service es-*  
16 *tablished pursuant to the proceeding entitled*  
17 *“Amendment to the Commission’s Rules to Es-*  
18 *tablish New Personal Communications Services”,*  
19 *or any successor proceeding, except for those li-*  
20 *ceses identified in subparagraphs (A) through*  
21 *(E) of section 309(j)(4) of the Act and those li-*  
22 *ceses that the Commission determines should in*  
23 *the public interest be issued by comparative*  
24 *hearing under section 309(a) through (f) of the*  
25 *Act. To the extent possible, and consistent with*

1       *the purposes of this subtitle, the Commission*  
2       *shall seek to ensure that revenues received pursu-*  
3       *ant to the competitive bidding process are re-*  
4       *ceived before the end of fiscal year 1998.*

5               *(B) EXPIRATION OF REQUIREMENTS.—The*  
6       *requirements of subparagraph (A) shall expire*  
7       *either—*

8                       *(i) upon a determination by the Sec-*  
9                       *retary of the Treasury that competitive bid-*  
10                      *ding has resulted in or is reasonably ex-*  
11                      *pected to result in the receipt of*  
12                      *\$7,200,000,000 by the end of fiscal year*  
13                      *1998, or*

14                      *(ii) at the end of fiscal year 1998,*  
15                      *whichever is earlier.*

16               *(C) REPORT TO PRESIDENT AND CON-*  
17       *GRESS.—The Commission shall prepare, in con-*  
18       *sultation with the Assistant Secretary of Com-*  
19       *merce for Communications and Information,*  
20       *and submit to the President and the Congress,*  
21       *not later than March 31, 1997, and March 31,*  
22       *1999, reports on the use of competitive bidding*  
23       *under subparagraph (A). Such reports shall ex-*  
24       *amine, in addition to any other matters deemed*



1           *appropriate by the Commission, whether and to*  
2           *what extent—*

3                     *(i) competitive bidding significantly*  
4                     *improved the efficiency and effectiveness of*  
5                     *the process for granting radio spectrum*  
6                     *licenses;*

7                     *(ii) competitive bidding facilitated the*  
8                     *introduction of new spectrum-based tech-*  
9                     *nologies and the entry of new companies*  
10                    *into the telecommunications market;*

11                    *(iii) the needs of rural spectrum users*  
12                    *were adequately addressed in the competi-*  
13                    *tive bidding process;*

14                    *(iv) small businesses and minority-*  
15                    *owned businesses were able to participate*  
16                    *successfully in the competitive bidding proc-*  
17                    *ess; and*

18                    *(v) statutory changes are needed to im-*  
19                    *prove the competitive bidding process.*

20            (2) *RETENTION OF REVENUES.*—*Notwithstand-*  
21            *ing paragraph (6) of section 309(j) of the Act, as*  
22            *added by this subtitle, the salaries and expenses ac-*  
23            *count of the Commission shall retain as an offsetting*  
24            *collection such sums as may be necessary from the re-*  
25            *ceipts received pursuant to such section for the costs*

1       of developing and implementing the program required  
2       by subsection (a)(1)(A). Such offsetting collections  
3       shall be available for obligation subject to the terms  
4       and conditions of the receiving appropriations ac-  
5       count, and shall be deposited in such accounts on a  
6       quarterly basis. Any funds appropriated to the Com-  
7       mission for fiscal years 1994 through 1998 for the  
8       purpose of assigning licenses using random selection  
9       under section 309(i) of the Act shall be used by the  
10      Commission to implement section 309(j) of the Act.

11      (b) *COMPETITIVE BIDDING AUTHORIZATION.*—Section  
12      309 of the Act (47 U.S.C. 309) is amended by adding at  
13      the end the following new subsection:

14      “(j)(1) Subject to the exemptions and conditions set  
15      forth in the other provisions of this subsection, if there are  
16      two or more mutually exclusive applications for any con-  
17      struction permit or initial license which will involve any  
18      use of the electromagnetic spectrum, the Commission shall  
19      have authority to use competitive bidding in the granting  
20      of such construction permit or initial license.

21      “(2)(A) The Commission shall, within 6 months after  
22      the date of enactment of the Emerging Telecommunications  
23      Technologies Act of 1993 and following public notice and  
24      comment proceedings, issue rules establishing competitive  
25      bidding procedures under this subsection. Such rules shall

1 *include safeguards to protect the public interest in the use*  
2 *of the spectrum and shall ensure the opportunity for suc-*  
3 *cessful participation by small businesses and minority-*  
4 *owned businesses.*

5       “(B)(i) *In the rules issued pursuant to subparagraph*  
6 *(A), the Commission shall require potential bidders to file*  
7 *a first-stage application indicating an intent to participate*  
8 *in the competitive bidding process and containing such*  
9 *other information as the Commission finds necessary. After*  
10 *conducting the bidding, the Commission shall require the*  
11 *winning bidder to file a second-stage application. After deter-*  
12 *mining that such application is acceptable for filing and*  
13 *that the winning bidder is qualified as described in clause*  
14 *(ii), the Commission shall grant the permit or license to*  
15 *the winning bidder.*

16       “(ii) *No permit or license shall be granted to a win-*  
17 *ning bidder pursuant to clause (i) unless the Commission*  
18 *determines that such winning bidder is qualified pursuant*  
19 *to section 308(b) and subsection (a) of this section, on the*  
20 *basis of the information contained in the first-stage and sec-*  
21 *ond-stage applications submitted pursuant to clause (i).*

22       “(iii) *Each participant in the competitive bidding*  
23 *process shall be subject to the schedule of charges contained*  
24 *in section 8.*

1       “(C) In the rules issued pursuant to subparagraph (A),  
2 the Commission, in addition to other actions it finds nec-  
3 essary to implement competitive bidding fairly and  
4 effectively, shall—

5               “(i) establish the method of bidding (including  
6 but not limited to sealed bids) and the basis for pay-  
7 ment (such as installment or lump sum payments,  
8 royalties on future income, a combination thereof, or  
9 other reasonable forms of payment specified by the  
10 Commission); and

11              “(ii) establish other appropriate conditions on  
12 such permits and licenses that serve the public  
13 interest.

14       “(3)(A)(i) If the Commission decides to use competitive  
15 bidding to grant two or more national, regional, or local  
16 licenses per market in a terrestrial service that will compete  
17 with telephone exchange service provided by a qualified  
18 common carrier, the Commission shall designate one such  
19 license per market as a rural program license.

20              “(ii) The Commission shall define the geographic  
21 boundaries of the rural program license to correspond to  
22 the geographic area of the telephone exchange service by  
23 which the qualified common carrier became eligible for the  
24 rural program license under subparagraph (E)(ii).

1       “(B)(i) Except as provided in subparagraph (D), the  
2 Commission shall either grant a rural program license to  
3 the qualified common carrier providing telephone exchange  
4 service in the area covered by such license, or grant a license  
5 to a consortium of such qualified carriers.

6       “(ii) No qualified common carrier that receives a rural  
7 program license shall be eligible to—

8               “(I) receive any other license to provide the same  
9 service in such area; or

10              “(II) own any equity interest in, become a credi-  
11 tor of, or otherwise become affiliated with any entity  
12 that holds a license to provide the same service in  
13 such area.

14       “(iii) Any qualified common carrier that receives a  
15 rural program license shall (I) provide to all other licensees  
16 providing the same service in such area the same quality  
17 of access to its wire network that it provides itself, and (II)  
18 shall interconnect its wireless service with the wireless serv-  
19 ice provided by another licensee providing the same service  
20 on the same frequency in a different geographic area. Such  
21 other licensee shall provide an equivalent interconnection  
22 with the wireless service of such rural program licensee.

23       “(iv) The Commission may establish other rules or  
24 conditions for the award of a rural program license, consist-  
25 ent with the intent of this paragraph.

1       “(C)(i) Upon the grant of a rural program license to  
2 a qualified common carrier, such carrier shall pay a fee  
3 (in lump sum or installment payments, in royalties on fu-  
4 ture income, in a combination thereof, or on any other rea-  
5 sonable basis specified by the Commission) equal to the  
6 value of such license. The value of such license shall be the  
7 average of the amounts paid by persons granted licenses  
8 through competitive bidding to provide the same service in  
9 such area, except that the Commission shall determine the  
10 value of such license by any reasonable means when the geo-  
11 graphic area served by the rural program license is not con-  
12 gruent with the geographic area served by the other license  
13 or licenses. The Commission shall ensure that the total  
14 amount paid by qualified common carriers for all the li-  
15 censes issued to them under the rural program shall equal  
16 the total value, as determined under clause (ii), of such li-  
17 censes.

18       “(ii) The Commission shall determine the total value  
19 of the licenses issued under the rural program to qualified  
20 common carriers by first adding the amounts paid for the  
21 licenses not subject to the rural program, and dividing that  
22 sum by the number of licenses per market that are not sub-  
23 ject to the rural program. The Commission shall then sub-  
24 tract from the amount found in the previous calculation  
25 the total amount paid for the licenses issued for the non-

1 *rural areas under bidding subject to the rural program and*  
2 *the total amount paid for licenses issued pursuant to sub-*  
3 *paragraph (D). The amount remaining shall be the total*  
4 *value of all the licenses issued under the rural program to*  
5 *qualified common carriers.*

6       “(D) *If no qualified common carrier applies for a*  
7 *rural program license in a particular market and the Com-*  
8 *mission awards the non-rural program licenses through*  
9 *competitive bidding, the rural program shall not apply for*  
10 *that particular market and the Commission shall use com-*  
11 *petitive bidding to award the licenses for the former rural*  
12 *program areas, either separately or as part of larger license*  
13 *areas.*

14       “(E) *For purposes of this paragraph—*

15               “(i) *the term ‘rural area’ means any geographic*  
16 *area that does not include either—*

17                       “(I) *any incorporated place of 10,000 in-*  
18 *habitants or more, or any part thereof; or*

19                       “(II) *any territory, incorporated or unin-*  
20 *corporated, included in an urbanized area (as*  
21 *defined by the Bureau of the Census as of the*  
22 *date of enactment of the Emerging Telecommuni-*  
23 *cations Technologies Act of 1993); and*

24               “(ii) *the term ‘qualified common carrier’ means*  
25 *a common carrier that—*

1           “(I) either provides telephone exchange serv-  
2           ice by wire in a rural area, provides telephone  
3           exchange service by wire to less than 10,000 sub-  
4           scribers, or is a telephone utility whose income  
5           accrues to a State or political subdivision there-  
6           of; and

7           “(II) submits an application for a rural  
8           program license that meets the standards estab-  
9           lished by the Commission to determine ability to  
10          provide the service covered by the license.

11          “(F) The provisions of subparagraph (A)(ii) do not  
12          limit the Commission’s discretion to determine, for licenses  
13          issued other than under this paragraph, the size of any  
14          market area or the number of licensees for any service.

15          “(4) The competitive bidding authority provided to the  
16          Commission in paragraph (1) shall not—

17               “(A) because of the need to avoid excessive service  
18               disruption, extend to license renewals and modifica-  
19               tions;

20               “(B) because of the essential services they pro-  
21               vide, extend to licenses reserved for the United States  
22               Government and State or local government entities;

23               “(C) because of their public service obligations,  
24               extend to licenses to provide amateur operator serv-  
25               ices, over-the-air terrestrial radio and television



1 *broadcast services, public safety services, and radio*  
2 *astronomy services;*

3 *“(D) because they do not involve mutually exclu-*  
4 *sive applications, extend to private radio end-user li-*  
5 *enses, including Specialized Mobile Radio Service*  
6 *(SMRS), maritime, and aeronautical end-user*  
7 *licenses;*

8 *“(E) because of the need to avoid excessive serv-*  
9 *ice disruption, extend to any license grant to a non-*  
10 *Federal licensee being moved from its current fre-*  
11 *quency assignment to a different one by the Commis-*  
12 *sion in order to make spectrum available for new*  
13 *technologies; and*

14 *“(F) extend to any other service, class of services,*  
15 *or assignments that the Commission determines, after*  
16 *conducting public notice and comment proceedings,*  
17 *should be exempt from competitive bidding because of*  
18 *public interest factors warranting an exemption to*  
19 *the extent the Commission determines the use of com-*  
20 *petitive bidding would jeopardize appropriate treat-*  
21 *ment of those factors.*

22 *“(5) No provision of this subsection or of the Emerging*  
23 *Telecommunications Technologies Act of 1993 shall be con-*  
24 *strued, in any way, to—*

1           “(A) alter spectrum allocation criteria and pro-  
2           cedures established by the other provisions of this Act;

3           “(B) allow the Commission to consider potential  
4           revenues from competitive bidding when making deci-  
5           sions concerning spectrum allocation;

6           “(C) diminish the authority of the Commission  
7           under the other provisions of this Act to regulate or  
8           reclaim spectrum licenses;

9           “(D) grant any right to a spectrum licensee dif-  
10          ferent from the rights awarded to licensees who ob-  
11          tained their license through assignment methods other  
12          than competitive bidding; or

13          “(E) prevent the Commission from awarding li-  
14          censes to those persons who make significant contribu-  
15          tions to the development of a new telecommunications  
16          service or technology.

17          “(6) Moneys received from competitive bidding pursu-  
18          ant to this subsection shall be deposited in the general fund  
19          of the Treasury.”

20          (c) STATE AND LOCAL TAX TREATMENT OF LICENSES  
21          AND PERMITS.—Title VII of the Act (47 U.S.C. 601 et seq.)  
22          is amended by adding at the end the following new section:

1 **“SEC. 714. STATE AND LOCAL TAX TREATMENT OF LI-**  
2 **CENSES AND PERMITS.**

3 *“A license or permit issued by the Commission under*  
4 *this Act shall not be treated as the property of the licensee*  
5 *for property tax purposes, or other similar tax purposes,*  
6 *by any State or local government entity.”.*

7 **SEC. 4009. REGULATORY PARITY.**

8 *(a) AMENDMENT.—Section 332 of the Act (47 U.S.C.*  
9 *332) is amended—*

10 *(1) by striking “PRIVATE LAND” from the head-*  
11 *ing of the section; and*

12 *(2) by amending subsection (c) to read as*  
13 *follows:*

14 *“(c)(1)(A) A person engaged in the provision of com-*  
15 *mercial mobile services shall, insofar as such person is so*  
16 *engaged, be treated as a common carrier for purposes of*  
17 *this Act, except that the Commission may waive the require-*  
18 *ments of sections 203, 204, 205, and 214, and the 30-day*  
19 *notice provision of section 309(a), for commercial mobile*  
20 *services and such other provisions of title II as the Commis-*  
21 *sion may, consistent with the public interest, specify by*  
22 *rule. In prescribing any such rule, the Commission may*  
23 *not waive for commercial mobile services the requirements*  
24 *of section 201, 202, 206, 208, 209, 215(c), 216, 217, 220*  
25 *(d) or (e), 223, 225, 226 (a), (b), (c), (d), (e), (f), (g), or*  
26 *(i), 227, or 228, or any other provision that is necessary*

1 *in order to ensure that the charges, practices, classifications,*  
2 *or regulations for or in connection with commercial mobile*  
3 *services are just and reasonable and are not unjustly or un-*  
4 *reasonably discriminatory or that is otherwise in the public*  
5 *interest.*

6       “(B) Upon reasonable request of any person providing  
7 commercial mobile service, the Commission shall order a  
8 common carrier to establish physical connections with such  
9 service pursuant to section 201. Except to the extent that  
10 the Commission is required to respond to such a request,  
11 this subparagraph shall not be construed as a limitation  
12 or expansion of the Commission’s authority to order inter-  
13 connection under this Act.

14       “(2) A person engaged in private land mobile service  
15 shall not, insofar as such person is so engaged, be treated  
16 as a common carrier for any purpose under this Act. A  
17 common carrier shall not provide any dispatch service on  
18 any frequency allocated for common carrier service, except  
19 to the extent that such dispatch service is provided on sta-  
20 tions licensed by the Commission in the Specialized Mobile  
21 Radio Service prior to May 24, 1993, or is provided on  
22 stations licensed in the domestic public land mobile radio  
23 service before January 1, 1982. The Commission may by  
24 regulation terminate, in whole or in part, the prohibition

1 *contained in the preceding sentence if the commission deter-*  
2 *mines that such termination will service the public interest.*

3       “(3)(A) *Notwithstanding sections 2(b) and 221(b), no*  
4 *State or local government shall have any authority to regu-*  
5 *late the entry of or the rates charged by any commercial*  
6 *mobile service or any private land mobile service, except*  
7 *that this paragraph shall not prohibit a State from regulat-*  
8 *ing the other terms and conditions of commercial mobile*  
9 *services. Nothing in this subparagraph shall exempt provid-*  
10 *ers of commercial mobile services (where such services are*  
11 *a substitute for land line telephone exchange service for a*  
12 *substantial portion of the communications within such*  
13 *State) from requirements imposed by a State commission*  
14 *on all providers of telecommunications services necessary to*  
15 *ensure the continued availability of telephone exchange serv-*  
16 *ice at affordable rates.*

17       “(B) *Notwithstanding subparagraph (A), a State may*  
18 *petition the Commission for authority to regulate the rates*  
19 *for any commercial mobile service if such State dem-*  
20 *onstrates that (i) such service is a substitute for land line*  
21 *telephone exchange service for a substantial portion of the*  
22 *communications within such State, or (ii) market condi-*  
23 *tions with respect to such services fail to protect subscribers*  
24 *adequately from unjust and unreasonable rates or rates that*  
25 *are unjustly or unreasonably discriminatory. The Commis-*

1 *sion shall provide reasonable opportunity for public com-*  
2 *ment in response to such petition, and shall, within 9*  
3 *months after the date of its submission, grant or deny such*  
4 *petition. If the Commission grants such petition, the Com-*  
5 *mission shall authorize the State to exercise under State*  
6 *law such authority over rates, for such periods of time, as*  
7 *the Commission deems necessary to ensure that such rates*  
8 *are just and reasonable and not unjustly or unreasonably*  
9 *discriminatory.*

10       “(C) *If a State has in effect on June 1, 1993, any regu-*  
11 *lation concerning the rates for any commercial mobile serv-*  
12 *ice, such State may, no later than 1 year after the date*  
13 *of enactment of the Emerging Telecommunications Tech-*  
14 *nologies Act of 1993, petition the Commission requesting*  
15 *that the State be authorized to continue exercising authority*  
16 *over such rates. The State’s existing regulation shall, not-*  
17 *withstanding subparagraph (A), remain in effect until the*  
18 *Commission issues a final order granting or denying such*  
19 *petition. The Commission shall review such petition in ac-*  
20 *cordance with the procedures and schedule established in*  
21 *subparagraph (B), and shall grant such petition if the State*  
22 *satisfies the showing required under subparagraph (B)(i)*  
23 *or (B)(ii). If the Commission grants such petition, the Com-*  
24 *mission shall authorize the State to exercise under the State*  
25 *law such authority over rates, for such period of time, as*

1 *the Commission deems necessary to ensure that such rates*  
2 *are just and reasonable and not unjustly or unreasonably*  
3 *discriminatory.*

4       “(D) After a reasonable period of time, as determined  
5 by the Commission, has elapsed from the issuance of an  
6 order under subparagraph (B) or (C), any interested party  
7 may petition the Commission for an order that the exercise  
8 of authority by a State pursuant to such subparagraph is  
9 no longer necessary to ensure that the rates for commercial  
10 mobile services are just and reasonable and not unjustly  
11 or unreasonably discriminatory. The Commission shall pro-  
12 vide reasonable opportunity for public comment in response  
13 to such petition, and shall, within 9 months after the date  
14 of its submission, grant or deny such petition in whole or  
15 in part.

16       “(4) Nothing in this subsection shall be construed to  
17 alter or affect the regulatory treatment required by title IV  
18 of the Communications Satellite Act of 1962 of the corpora-  
19 tion authorized by title III of such Act.

20       “(5) The Commission shall continue to determine  
21 whether the provision of space segment capacity by satellite  
22 systems to providers of commercial mobile services shall be  
23 treated as common carriage.

24       “(6) The provisions of section 310(b) shall not apply  
25 to any lawful foreign ownership in a provider of commer-

1 *cial mobile services prior to May 24, 1993, if that provider*  
2 *was not regulated as a common carrier prior to the date*  
3 *of enactment of the Emerging Telecommunications Tech-*  
4 *nologies Act of 1993 and is deemed to be a common carrier*  
5 *under this Act.*

6       “(7) As part of any proceeding under this subsection  
7 the Commission (i) shall consider in such proceeding the  
8 ability of new entrants to compete in the services to which  
9 such proceeding relates, and (ii) shall have the flexibility  
10 to amend, modify, or forbear from any regulation of new  
11 entrants under this subsection, or, consistent with the public  
12 interest, take other appropriate action, to provide a full op-  
13 portunity for new entrants to compete in such services.

14       “(8) For purposes of this section—

15               “(A) the term ‘commercial mobile service’ means  
16 any mobile service (as defined in section 3(n)) that,  
17 as specified by regulation by the Commission, is pro-  
18 vided for profit and makes interconnected service  
19 available (i) to the public or (ii) to such broad classes  
20 of eligible users as to be effectively available to a sub-  
21 stantial portion of the public;

22               “(B) the term ‘interconnected service’ means  
23 service that is interconnected with the public switched  
24 network (as such term is defined by regulation by the



1       *Commission) or service for which interconnection*  
2       *pursuant to paragraph (1)(B) is pending; and*

3               “(C) the term ‘private land mobile service’  
4       *means any mobile service (as defined in section 3(n))*  
5       *that is not a commercial mobile service under sub-*  
6       *paragraph (A).”.*

7       **(b) CONFORMING AMENDMENTS.—**

8               **(1) DEFINITION OF MOBILE SERVICE.—***Section 3*  
9       *of the Act (47 U.S.C. 153) is amended—*

10              **(A) in subsection (n)—**

11                      **(i) by inserting “(1)” immediately**  
12                      **after “and includes”; and**

13                      **(ii) by inserting immediately before the**  
14                      **period at the end the following: “; (2) a mo-**  
15                      **bile service which provides a regularly**  
16                      **interacting group of base, mobile, portable,**  
17                      **and associated control and relay stations**  
18                      **(whether licensed on an individual, coopera-**  
19                      **tive, or multiple basis) for private one-way**  
20                      **or two-way land mobile radio communica-**  
21                      **tions by eligible users over designated areas**  
22                      **of operation, and (3) any service for which**  
23                      **a license is required in a personal commu-**  
24                      **nications service established pursuant to the**  
25                      **proceeding entitled ‘Amendment to the Com-**

1           *mission's Rules to Establish New Personal*  
2           *Communications Services' (GEN Docket No.*  
3           *90-314; ET Docket No. 92-100), or any*  
4           *successor proceeding; but such term does not*  
5           *include any rural radio service as defined*  
6           *by the Commission and does not include the*  
7           *provision, by a local exchange carrier, of*  
8           *telephone exchange service by radio instead*  
9           *of by wire"; and*

10           *(B) by striking subsection (gg).*

11           (2) *REGULATION OF INTRASTATE COMMUNICA-*  
12           *TIONS.—Section 2(b) of the Act (47 U.S.C. 152(b)) is*  
13           *amended by inserting "and section 332" immediately*  
14           *after "inclusive,".*

15           (c) *RULEMAKING SCHEDULE; EFFECTIVE DATE.—*

16           (1) *RULEMAKING REQUIRED.—Within 1 year*  
17           *after the date of enactment of this Act, the Commis-*  
18           *sion shall—*

19           (A) *issue such modifications or termi-*  
20           *nations of its regulations as are necessary to im-*  
21           *plement the amendments made by subsection (a);*

22           (B) *make such other modifications of such*  
23           *regulations as may be necessary to promote par-*  
24           *ity in the regulatory treatment of providers of all*

1           *commercial mobile services that offer services*  
2           *that are substantially similar; and*

3           *(C) include in such modifications and ter-*  
4           *minations such provisions as are necessary to*  
5           *provide for an orderly transition to the regu-*  
6           *latory treatment required by such amendments.*

7           *(2) EFFECTIVE DATE.—The amendments made*  
8           *by subsection (a) shall be effective 1 year after such*  
9           *date of enactment, except that—*

10           *(A) section 332(c)(1)(A) of the Act, as added*  
11           *by such amendments, shall take effect upon such*  
12           *date of enactment; and*

13           *(B) any person that provides private land*  
14           *mobile services before such date of enactment*  
15           *shall continue to be treated as a provider of pri-*  
16           *vate land mobile service until 3 years after such*  
17           *date of enactment.*

18   **SEC. 4010. DEADLINES FOR PCS ORDERS AND LICENSING.**

19           *The Commission shall—*

20           *(1) within 180 days after the date of enactment*  
21           *of this Act, issue a final report and order (A) in the*  
22           *matter entitled “Redevelopment of Spectrum to En-*  
23           *courage Innovation in the Use of New Telecommuni-*  
24           *cations Technologies” (ET Docket No. 92–9); and (B)*  
25           *in the matter entitled “Amendment of the Commis-*

1     *sion's Rules to Establish New Personal Communica-*  
2     *tions Services" (GEN Docket No. 90-314; ET Docket*  
3     *No. 92-100); and*

4             *(2) within 270 days after such date of enact-*  
5     *ment, commence issuing licenses and permits in the*  
6     *personal communications service.*

7     **SEC. 4011. DEFINITIONS.**

8     *As used in this subtitle:*

9             *(1) The term "allocation" means an entry in the*  
10     *National Table of Frequency Allocations of a given*  
11     *frequency band for the purpose of its use by one or*  
12     *more radiocommunication services.*

13             *(2) The term "assignment" means an authoriza-*  
14     *tion given to a station licensee to use specific fre-*  
15     *quencies or channels in a particular geographic area.*

16             *(3) The term "commercial carrier" means any*  
17     *entity that uses a facility licensed by the Federal*  
18     *Communications Commission pursuant to the Com-*  
19     *munications Act of 1934 for hire or for its own use,*  
20     *but does not include Federal Government stations li-*  
21     *icensed pursuant to section 305 of the Act (47 U.S.C.*  
22     *305).*

23             *(4) The term "Commission" means the Federal*  
24     *Communications Commission.*

1           (5) The term “Secretary” means the Secretary of  
2           Commerce.

3           (6) The term “the Act” means the Communica-  
4           tions Act of 1934 (47 U.S.C. 151 et seq.).

## 5           **Subtitle B—Vessel Tonnage Duties**

### 6           **SEC. 4051. EXTENSION OF VESSEL TONNAGE DUTIES.**

7           (a) *EXTENSION OF DUTIES.*—Section 36 of the Act of  
8           August 5, 1909 (36 Stat. 111; 46 App. U.S.C. 121), is  
9           amended—

10           (1) by striking “and 1995,” each place it ap-  
11           pears and inserting in lieu thereof “1995, 1996, 1997,  
12           and 1998,”;

13           (2) by striking “place,” and inserting in lieu  
14           thereof “place;”; and

15           (3) by striking “port, not, however, to include  
16           vessels in distress or not engaged in trade” and in-  
17           serting in lieu thereof “port. However, neither duty  
18           shall be imposed on vessels in distress or not engaged  
19           in trade”.

20           (b) *CONFORMING AMENDMENT.*—The Act of March 8,  
21           1910 (36 Stat. 234; 46 App. U.S.C. 132), is amended by  
22           striking “and 1995,” and inserting in lieu thereof “1995,  
23           1996, 1997, and 1998.”.

24           (c) *TECHNICAL CORRECTION.*—

1           (1) *CORRECTION.*—Section 10402(a) of the Om-  
2           nibus Budget Reconciliation Act of 1990 (104 Stat.  
3           1388–398) is amended by striking “in the second  
4           paragraph”.

5           (2) *EFFECTIVE DATE.*—The amendment made by  
6           paragraph (1) shall be effective on and after Novem-  
7           ber 5, 1990.

8           **TITLE V—COMMITTEE ON EN-**  
9           **ERGY AND NATURAL RE-**  
10          **SOURCES**

11          **Subtitle A—Recreation and**  
12          **Commercial Use Fees**

13          **SEC. 5001. ADMISSION FEES.**

14          Section 4(a) of the Land and Water Conservation  
15          Fund Act of 1965 (16 U.S.C. 460l–6a(a)), is amended:

16               (1) by inserting in the first sentence of the first  
17               paragraph after the words “National Park System”  
18               the words “and for fiscal years 1994 through 1998,  
19               the Bureau of Land Management” and by inserting  
20               after the words “National Recreation Areas” the  
21               words “, and for fiscal years 1994 through 1998, Na-  
22               tional Monuments, National Volcanic Monuments,  
23               National Scenic Areas, and areas of concentrated  
24               public use”; and

1           (2) *by adding at the end the following new para-*  
2 *graph:*

3           “(13) *For the purposes of this subsection, ‘areas*  
4 *of concentrated public use’ shall meet each of the fol-*  
5 *lowing criteria:*

6           “(A) *be managed primarily for outdoor*  
7 *recreation purposes;*

8           “(B) *provide facilities and services nec-*  
9 *essary to accommodate heavy public use;*

10          “(C) *contain at least one major recreation*  
11 *attraction including, but not limited to, a lake,*  
12 *river, historical site, or geologic feature; and*

13          “(D) *provide public access such that admis-*  
14 *sion fees can be efficiently collected at one or*  
15 *more centralized locations.’’.*

16 **SEC. 5002. RECREATION USE FEES.**

17          (a) *IN GENERAL.*—*The first sentence of section 4(b)*  
18 *of the Land and Water Conservation Fund Act of 1965 (16*  
19 *U.S.C. 4601–6a(b)) is amended by striking out ‘‘visitors’*  
20 *centers,’’ and all that follows down through the period at*  
21 *the end thereof and inserting the following: ‘‘scenic drives,*  
22 *or toilet facilities: Provided, That in no event shall there*  
23 *be any charge for the use of any campground not having*  
24 *a majority of the following: tent or trailer spaces, picnic*  
25 *tables, drinking water, access road, refuse containers, toilet*

1 facilities, fee collection by an employee or agent of the Fed-  
2 eral agency operating the facility, reasonable visitor protec-  
3 tion, and simple devices for containing a campfire (where  
4 campfires are permitted). For purposes of this subsection,  
5 the term ‘specialized outdoor recreation site’ includes but  
6 shall not be limited to campgrounds, swimming sites, boat  
7 launch facilities, and managed parking lots.”

8 (b) COSTS OF COLLECTION.—Section 4(i) of the Land  
9 and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-  
10 6a(i)) is amended by inserting “(A)” after “(1)” and by  
11 adding the following at the end of paragraph (1):

12 “(B) Notwithstanding subparagraph (A), in any  
13 fiscal year, the Secretary of Agriculture and the Sec-  
14 retary of the Interior may withhold from the special  
15 account established under subparagraph (A) such por-  
16 tion of all receipts the fees collected in that fiscal year  
17 under this section as such Secretary determines to be  
18 equal to the additional fee collection costs for that fis-  
19 cal year. The amounts so withheld shall be retained  
20 by the Secretary of Agriculture or the Secretary of the  
21 Interior and shall be available, without further ap-  
22 propriation, for expenditure by the Secretary con-  
23 cerned in the fiscal year in which collected to cover  
24 such additional fee collection costs. The Secretary con-  
25 cerned shall deposit in the special account established



1        *pursuant to subparagraph (A) any amounts so re-*  
2        *tained which remain unexpended and unobligated at*  
3        *the end of such fiscal year. For the purposes of this*  
4        *subparagraph, for any fiscal year, the term ‘addi-*  
5        *tional fee collection costs’ means those costs for per-*  
6        *sonnel and infrastructure directly associated with the*  
7        *collection fees imposed under this section which exceed*  
8        *the costs for personnel and infrastructure directly as-*  
9        *sociated with the collection of such fees during fiscal*  
10       *year 1993.’.*

11       *(c) COMMERCIAL TOUR USE FEES.—(1) For fiscal*  
12       *years 1994 through 1998, in the case of each unit of the*  
13       *National Park System for which an admission fee is*  
14       *charged under section 4 of the Land and Water Conserva-*  
15       *tion Fund Act of 1965 (16 U.S.C. 460l-4), the Secretary*  
16       *of the Interior shall establish, by October 1, 1993, a com-*  
17       *mercial tour use fee to be imposed on each vehicle entering*  
18       *the unit for the purpose of providing commercial tour serv-*  
19       *ices within the unit. Fee revenue derived from such commer-*  
20       *cial tour use fees shall be deposited into the special account*  
21       *established under section 4(i) of the Land and Water Con-*  
22       *servation Fund Act of 1965.*

23       *(2) The Secretary shall establish the amount of fee per*  
24       *entry as follows:*

1           (A) \$25 per vehicle with a passenger capacity of  
2           25 persons or less, and

3           (B) \$50 per vehicle with a passenger capacity of  
4           more than 25 persons.

5           (3) The commercial tour use fee imposed under this  
6 subsection shall not apply to either of the following:

7           (A) Any vehicle transporting organized school  
8           groups or outings conducted for educational purposes  
9           by schools or other bona fide educational  
10          institutions.

11          (B) Any vehicle entering a park system unit  
12          pursuant to a contract issued under the Act of Octo-  
13          ber 9, 1965 (16 U.S.C. 20–20g) entitled “An Act re-  
14          lating to the establishment of concession policies in  
15          the areas administered by the National Park Service  
16          and for other purposes.”.

17          (d) *NON-FEDERAL GOLDEN EAGLE PASSPORT*  
18 *SALES.*—Section 4(a)(1)(A) of the Land and Water Con-  
19 *servation Fund Act of 1965 (16 U.S.C. 460l–6a(a)(1)(A))*  
20 *is amended by redesignating the paragraph as 4(a)(1)(A)(i)*  
21 *and adding at the end thereof the following new paragraph:*

22          “(ii) For fiscal years 1994 through 1998, the Secretary  
23          of the Interior and the Secretary of Agriculture may author-  
24          ize businesses, non-profit entities, and other organizations  
25          to sell and collect fees for the Golden Eagle Passport subject

1 *to such conditions as the Secretaries may jointly prescribe.*  
2 *The Secretaries shall develop detailed guidelines for pro-*  
3 *motional advertising of non-Federal Golden Eagle Passport*  
4 *sales and shall monitor compliance with such guidelines.*  
5 *The Secretaries may authorize the sellers to maintain an*  
6 *inventory of Golden Eagle Passports for periods not to ex-*  
7 *ceed 6 months, and to withhold amounts up to, but not ex-*  
8 *ceeding 7 per centum of the fees of the gross fees collected*  
9 *from the sale of such passports as reimbursement for actual*  
10 *expenses of the sales.”.*

11 **SEC. 5002A. EXTENSION OF AUTHORITY TO COLLECT FEE.**

12 *The third undesignated paragraph under the heading*  
13 *“ADMINISTRATIVE PROVISIONS” in chapter VII of*  
14 *title I of Public Law 98–63 (97 Stat. 329) is amended by*  
15 *striking paragraph (3).*

16 **SEC. 5003. RADIO AND TELEVISION COMMUNICATION SITE**  
17 **FEES.**

18 *(a) Notwithstanding any other provision of law, the*  
19 *Secretary of Agriculture and the Secretary of the Interior*  
20 *(hereinafter referred to as “the Secretaries”), shall assess*  
21 *and collect charges for utilization of radio and television*  
22 *communications sites located on Federal lands adminis-*  
23 *tered by the Forest Service or the Bureau of Land Manage-*  
24 *ment at such rates as the Forest Service and the Bureau*  
25 *of Land Management shall establish or at such modified*

1 rates as are established pursuant to the provisions of sub-  
2 section (b) of this section.

3 (b) The schedule of charges established under this sec-  
4 tion shall be reviewed by the Forest Service and the Bureau  
5 of Land Management on an annual basis, and shall be ad-  
6 justed by the Forest Service and the Bureau of Land Man-  
7 agement to reflect changes in the Consumer Price Index.  
8 Increases or decreases in charges shall apply to all cat-  
9 egories of charges, but any increase or decrease shall not  
10 total less than 3 percent or more than 5 percent of the  
11 charge assessed to the user in the preceding year. The Bu-  
12 reau of Land Management and the Forest Service shall  
13 transmit to the Congress notification of any such adjust-  
14 ment not later than 60 days before the effective date of such  
15 adjustment.

16 (1) Under the schedule of charges established  
17 under the section, if any radio or television commu-  
18 nications site user is to be charged an amount that  
19 is greater than \$1,000 more than the amount such  
20 site user pays to the Bureau of Land Management or  
21 the Forest Service as of January 1, 1993, then during  
22 the first year in which the schedule of charges is in  
23 effect, such site user shall pay an amount equal to the  
24 amount it paid to the Bureau of Land Management  
25 or the Forest Service as of January 1, 1993 plus

1       *\$1,000. Each year thereafter, such site user shall pay*  
2       *the full amount under the schedule of charges, as*  
3       *modified pursuant to the subsection.*

4             (2) *Under the schedule of charges established*  
5       *under this section, if any radio or television commu-*  
6       *nications site user is to be charged an amount that*  
7       *is less than the amount such site user paid to the Bu-*  
8       *reau of Land Management or the Forest Service as of*  
9       *January 1, 1993, such site user shall continue to pay*  
10       *the higher amount until such time as the charge to*  
11       *the site user in the schedule of charges equals or ex-*  
12       *ceeds that amount, as modified pursuant to this sub-*  
13       *section.*

14             (c)(1) *If the radio or television communications site*  
15       *user is permitted under the terms of its site use authoriza-*  
16       *tion from the Bureau of Land Management or the Forest*  
17       *Service to grant access to the site to additional users, then*  
18       *the radio or television communications site user shall pay*  
19       *annually to the Bureau of Land Management or the Forest*  
20       *Service an amount equal to 25 percent of the gross income*  
21       *it receives from each such additional user during that year.*

22             (2) *Authorizations to radio and television communi-*  
23       *cations site users shall require such site users to provide the*  
24       *Bureau of Land Management or the Forest Service with*  
25       *a certified list which identifies all additional users of such*

1 sites and all gross revenues received from such additional  
2 users. The Bureau of Land Management and the Forest  
3 Service shall not require any additional user of a radio or  
4 television communications site to obtain a separate author-  
5 ization to use such a site.

6 (d)(1) The Secretaries shall prescribe appropriate rules  
7 and regulations to carry out the provisions of this section.

8 (2) Ten years after the date of enactment of this sec-  
9 tion, the Secretaries shall establish a broad-based advisory  
10 group, including representatives from the radio and tele-  
11 vision broadcast industry, to review the schedule of charges  
12 and other acceptable criteria for determining fair market  
13 value for radio and television communications site users.  
14 The advisory group shall report its findings to the Congress  
15 no later than 1 year after it is established.

16 (e)(1) Until modified pursuant to subsection (b) of this  
17 section, the schedule of charges for television communica-  
18 tions site users which the Secretaries shall prescribe pursu-  
19 ant to subsection (a) of this section shall be as listed in  
20 exhibit 3, (television rental fee schedule) in the report of  
21 the radio and television broadcast use fee advisory commit-  
22 tee dated December 1992.

23 (2) Until modified pursuant to subsection (b) of this  
24 section, the schedule of charges for radio communications  
25 site users which the Secretaries shall prescribe pursuant to

1 subsection (a) of this section shall be as listed in exhibit  
2 4, (radio rental fee schedule) in the report of the radio and  
3 television broadcast use fee advisory committee dated De-  
4 cember 1992.

5 (f)(1) The Secretaries are directed to jointly establish  
6 a broad-based advisory group comprised of representatives  
7 from the non-broadcast communications industry (users of  
8 both private and public communication sites) and the two  
9 agencies to review recommendations on acceptable criteria  
10 for determining fair market values and next best alternative  
11 use.

12 (2) The advisory group shall review the methodology  
13 used in any previous studies and reach concurrence on such  
14 methodology.

15 (3) The advisory group shall also assess the validity  
16 of the results of such studies, taking into account all reason-  
17 able options for the establishment of fair market values and  
18 next best alternative use.

19 (4) The advisory group shall report its findings to the  
20 Committee on Energy and Natural Resources of the United  
21 States Senate and the Committee on Natural Resources of  
22 the United States House of Representatives within one year  
23 after the enactment of this Act.

1           **Subtitle B—Hardrock Mining**  
2                           **Claim Maintenance Fee**

3   **SEC. 5101. FEE.**

4           (a) *Except as provided in section 2511(e)(2) of the En-*  
5 *ergy Policy Act of 1992, for each unpatented mining claim,*  
6 *mill or tunnel site on federally owned lands, whether located*  
7 *before or after enactment of this Act, each claimant shall*  
8 *pay to the Secretary of the Interior, on or before August*  
9 *31 of each year, for years 1994 through 1998, a claim main-*  
10 *tenance fee of \$100 per claim to hold such unpatented min-*  
11 *ing claim, mill or tunnel site for the assessment year begin-*  
12 *ning at noon on the next day, September 1. Such claim*  
13 *maintenance fee shall be in lieu of the assessment work re-*  
14 *quirement contained in the Mining Law of 1872 (30 U.S.C.*  
15 *28–28e) and the related filing requirements contained in*  
16 *section 314(a) and (c) of the Federal Land Policy and Man-*  
17 *agement Act of 1976 (43 U.S.C. 1744(a) and (c)).*

18           (b)(1) *The claim maintenance fee required under this*  
19 *section shall be waived for a claimant who certifies in writ-*  
20 *ing to the Secretary that on the date the payment was due,*  
21 *the claimant and all related parties—*

22                           (A) *held not more than 10 mining claims, mill*  
23 *sites, or tunnel sites, or any combination thereof, on*  
24 *public lands; and*



1           (B) have performed assessment work required  
2           under the Mining Law of 1872 (30 U.S.C. 28–28e) to  
3           maintain the mining claims held by the claimant and  
4           such related parties for the assessment year ending on  
5           noon of September 1 of the calendar year in which  
6           payment of the claim maintenance fee was due.

7           (2) For purposes of paragraph (1), with respect to any  
8           claimant, the term “all related parties” means—

9                   (A) the spouse and dependent children (as de-  
10                  fined in section 152 of the Internal Revenue Code of  
11                  1986), of the claimant; or

12                   (B) a person affiliated with the claimant, in-  
13                  cluding—

14                           (i) a person controlled by, controlling, or  
15                           under common control with the claimant; or

16                           (ii) a subsidiary or parent company or cor-  
17                           poration of the claimant.

18           (c)(1) The Secretary shall adjust the fees required by  
19           this section to reflect changes in the Consumer Price Index  
20           published by the Bureau of Labor Statistics of the Depart-  
21           ment of Labor every 5 years after the date of enactment  
22           of this Act, or more frequently if the Secretary determines  
23           an adjustment to be reasonable.

1       (2) *The Secretary shall provide claimants notice of*  
2 *any adjustment made under this subsection not later than*  
3 *July 1 of any year in which the adjustment is made.*

4       (3) *A fee adjustment under this section shall begin to*  
5 *apply the calendar year following the calendar year in*  
6 *which it is made.*

7       (d) *Monies received under this section shall be depos-*  
8 *ited as miscellaneous receipts in the Treasury.*

9       **SEC. 5102. LOCATION.**

10       (a) *Notwithstanding any provision of law, for every*  
11 *unpatented mining claim, mill or tunnel site located after*  
12 *the date of enactment of this subtitle and before September*  
13 *30, 1998, the locator shall, at the time the location notice*  
14 *is recorded with the Bureau of Land Management, pay to*  
15 *the Secretary of the Interior a location fee, in addition to*  
16 *the fee required by section 5101, of \$25.00 per claim.*

17       (b) *Moneys received under this section shall be depos-*  
18 *ited as miscellaneous receipts in the Treasury.*

19       **SEC. 5103. CO-OWNERSHIP.**

20       *The co-ownership provisions of the Mining Law of*  
21 *1872 (30 U.S.C. 28–28e) will remain in effect except that*  
22 *the annual claim maintenance fee, where applicable, shall*  
23 *replace applicable assessment requirements and expendi-*  
24 *tures.*

1 **SEC. 5104. FAILURE TO PAY.**

2 *Failure to pay the claim maintenance fee as required*  
3 *by section 5101 of this subtitle shall conclusively constitute*  
4 *a forfeiture of the unpatented mining claim, mill or tunnel*  
5 *site by the claimant and the claim shall be deemed null*  
6 *and void by operation of law.*

7 **SEC. 5105. OTHER REQUIREMENTS.**

8 *(a) Nothing in this subtitle shall change or modify the*  
9 *requirements of section 314(b) of the Federal Land Policy*  
10 *and Management Act of 1976 (43 U.S.C. 1744(b)), or the*  
11 *requirements of section 314(c) of the Federal Land Policy*  
12 *and Management Act of 1976 (43 U.S.C. 1744(c)) related*  
13 *to filings required by section 314(b), which remain in effect.*

14 *(b) The third sentence of 2324 of the Revised Statutes*  
15 *(30 U.S.C. 28) is amended by inserting after “On each*  
16 *claim located after the 10th day of May, 1972,” the follow-*  
17 *ing: “that is eligible for a waiver under section 5101 of the*  
18 *Omnibus Budget Reconciliation Act of 1993,”.*

19 **SEC. 5106. REGULATIONS.**

20 *The Secretary of the Interior shall promulgate rules*  
21 *and regulations to carry out the purposes of this subtitle*  
22 *as soon as practicable after the date of enactment of this*  
23 *subtitle.*

1 **Subtitle C—Commonwealth of**  
2 **Northern Mariana Islands**  
3 **Agreement**

4 **SEC. 5201. COMMONWEALTH OF NORTHERN MARIANA IS-**  
5 **LANDS AGREEMENT.**

6 *Public Law 94–241 (90 Stat. 263), as amended, is fur-*  
7 *ther amended by striking “law” in subsection 4(b) and in-*  
8 *serting in lieu thereof the following: “law: Provided, That*  
9 *for fiscal years 1994 through 1998, payments shall be lim-*  
10 *ited to the amounts and for the purposes set forth in the*  
11 *Agreement of the Special Representatives on Future Federal*  
12 *Financial Assistance of the Northern Mariana Islands, exe-*  
13 *cuted on December 17, 1992 between the special representa-*  
14 *tive of the President and the special representatives of the*  
15 *Governor of the Northern Mariana Islands: Provided fur-*  
16 *ther, That after 1998, the amount shall continue at the an-*  
17 *nual amount of \$27.720 million.*

18 **Subtitle D—Mineral Receipts**

19 **SEC. 5301. AMENDMENT TO THE MINERAL LEASING ACT.**

20 *Section 35 of the Mineral Leasing Act, as amended (30*  
21 *U.S.C. 191) is amended as follows:*

22 *(1) by deleting the last sentence and redesignat-*  
23 *ing the remaining language as subsection (a);*

24 *(2) by amending subsection (a) by inserting the*  
25 *words “and, subject to the provisions of subsection*

1       (b),” between the words “United States;” and “50 per  
2       centum”;

3               (3) by adding a new subsection (b) as follows:

4       “(b)(1) In calculating the amount to be paid to States  
5       during any fiscal year under this section or under any  
6       other provision of law requiring payment to a State of any  
7       revenues derived from the leasing of any onshore lands or  
8       interest in land owned by the United States for the produc-  
9       tion of the same types of minerals leasable under this Act  
10       or of geothermal steam, 50 per centum of the portion of  
11       the enacted appropriation of the Department of the Interior  
12       and any other agency during the preceding fiscal year allo-  
13       cable to the administration of all laws providing for the  
14       leasing of any onshore lands or interest in land owned by  
15       the United States for the production of the same types of  
16       minerals leasable under this Act or of geothermal steam,  
17       and in enforcing such laws, shall be deducted from the re-  
18       ceipts derived under those laws in approximately equal  
19       amounts each month (subject to paragraph (4)) prior to the  
20       division and distribution of such receipts between the States  
21       and the United States.

22       “(2) The proportion of the deduction provided in para-  
23       graph (1) allocable to each State shall be determined by di-  
24       viding the monies disbursed to the State during the preced-  
25       ing fiscal year derived from onshore mineral leasing re-

1 *ferred to in paragraph (1) in that State by the total money*  
2 *disbursed to States during the preceding fiscal year from*  
3 *such onshore mineral leasing in all States.*

4       “(3) *In the event the deduction apportioned to any*  
5 *State under this subsection exceeds 50 per centum of the*  
6 *Secretary of the Interior’s estimate of the amounts attrib-*  
7 *utable to onshore mineral leasing referred to in paragraph*  
8 *(1) within that State during the preceding fiscal year, the*  
9 *deduction from receipts received from leases in that State*  
10 *shall be limited to such estimated amounts and the total*  
11 *amount to be deducted from such onshore mineral leasing*  
12 *receipts shall be reduced accordingly.*

13       “(4) *If the amount otherwise deductible under this sub-*  
14 *section in any month from the portion of receipts to be dis-*  
15 *tributed to a State exceeds the amount payable to the State*  
16 *during that month, any amount exceeding the amount pay-*  
17 *able shall be carried forward and deducted amounts payable*  
18 *to the State in subsequent months. If any amount remains*  
19 *to be carried forward at the end of the fiscal year, such*  
20 *amount shall not be deducted from any disbursements in*  
21 *any subsequent fiscal year.*

22       “(5) *All deductions to be made pursuant to this sub-*  
23 *section shall be made in full during the fiscal year in which*  
24 *such deductions were incurred.*

1       “(6) All amounts deducted under this subsection from  
2 monies otherwise payable to a State shall be credited to mis-  
3 cellaneous receipts in the Treasury.”.

4       **SEC. 5302. CONFORMING AMENDMENTS.**

5       (a) Section 6 of the Mineral Leasing Act for Acquired  
6 Lands, as amended (30 U.S.C. 355), is amended by adding  
7 the following words “Subject to the provisions of 30 U.S.C.  
8 191(b),” at the beginning of the first sentence.

9       (b) Section 5(a) of the Geothermal Steam Act, as  
10 amended (30 U.S.C. 1019), is amended by adding the words  
11 “Subject to the provisions of 30 U.S.C. 191(b),” at the be-  
12 ginning of that section.

13       **TITLE VI—COMMITTEE ON ENVI-**  
14       **RONMENT       AND       PUBLIC**  
15       **WORKS**

16       **SEC. 6001. NUCLEAR REGULATORY COMMISSION ANNUAL**  
17       **CHARGES.**

18       Section 6101(a)(3) of the Omnibus Budget Reconcili-  
19 ation Act of 1990 (42 U.S.C. 2214(a)(3)) is amended by  
20 striking “September 30, 1995” and inserting “September  
21 30, 1998”.

22       **SEC. 6002. CORPS OF ENGINEERS RECREATION USER FEES.**

23       (a) *IN GENERAL.*—Section 210 of the Flood Control  
24 Act of 1968 (16 U.S.C. 460d–3) is amended—

25               (1) by inserting “(a)” before “No entrance”;

1           (2) *by striking the second sentence; and*

2           (3) *by adding at the end the following new sub-*  
3 *section:*

4           “(b)(1) *Except as provided in paragraph (2), notwith-*  
5 *standing section 4(b) of the Land and Water Conservation*  
6 *Fund Act of 1965 (16 U.S.C. 460l–6a(b)), the Secretary of*  
7 *the Army may charge fees for the use of developed recreation*  
8 *sites and facilities, including campsites, swimming beaches,*  
9 *and boat launching ramps.*

10          “(2) *The Secretary may not charge fees for the use or*  
11 *provision of drinking water, wayside exhibits, general pur-*  
12 *pose roads, overlook sites, toilet facilities, or general visitor*  
13 *information.*

14          “(3) *Fees collected under this subsection shall be depos-*  
15 *ited into the special account established in the Treasury of*  
16 *the United States for the Army Corps of Engineers under*  
17 *section 4(i) of the Land and Water Conservation Fund Act*  
18 *of 1965 (16 U.S.C. 460l–6a(i)).”.*

19          (b) *CONFORMING AMENDMENT.—Section 4(b) of the*  
20 *Land and Water Conservation Fund Act of 1965 (16 U.S.C.*  
21 *460l–6a(b)) is amended by striking the second sentence.*



1 **TITLE VII—FINANCE COMMITTEE**  
2 **RECONCILIATION PROVI-**  
3 **SIONS RELATING TO MEDI-**  
4 **CARE, MEDICAID, AND OTHER**  
5 **PROGRAMS**

6 **SEC. 7000. AMENDMENTS TO SOCIAL SECURITY ACT; REF-**  
7 **ERENCES; TABLE OF CONTENTS.**

8 (a) *AMENDMENTS TO SOCIAL SECURITY ACT.*—Except  
9 as otherwise specifically provided, whenever in this title an  
10 amendment is expressed in terms of an amendment to or  
11 repeal of a section or other provision, the reference shall  
12 be considered to be made to that section or other provision  
13 of the Social Security Act.

14 (b) *REFERENCES TO OBRA.*—In this title, the terms  
15 “OBRA–1986”, “OBRA–1987”, “OBRA–1989”, and  
16 “OBRA–1990” refer to the Omnibus Budget Reconciliation  
17 Act of 1986 (Public Law 99–509), the Omnibus Budget Rec-  
18 onciliation Act of 1987 (Public Law 100–203), the Omnibus  
19 Budget Reconciliation Act of 1989 (Public Law 101–239),  
20 and the Omnibus Budget Reconciliation Act of 1990 (Public  
21 Law 101–508), respectively.

22 (c) *REFERENCES TO OMNIBUS BUDGET RECONCILI-*  
23 *ATION ACT OF 1993.*—Any reference in this title (or in any  
24 amendment made by this title) to the Omnibus Budget Rec-

1 *conciliation Act of 1993 shall be deemed to be a reference*  
 2 *to this title.*

3 *(d) TABLE OF CONTENTS.—The table of contents of*  
 4 *this title is as follows:*

*Sec. 7000. Amendments to Social Security Act; references; table of contents.*

*Subtitle A—Medicare*

*PART I—PROVISIONS RELATING TO PART A*

*Sec. 7101. Payment updates for inpatient hospital services.*

*Sec. 7102. Loss of regional referral center status.*

*Sec. 7103. Medicare-dependent, small rural hospital payment extension.*

*Sec. 7104. Elimination of return on equity for proprietary skilled nursing facilities.*

*Sec. 7105. Skilled nursing facility cost limits.*

*PART II—PROVISIONS RELATING TO PART B*

*SUBPART A—PHYSICIANS' SERVICES*

*Sec. 7201. Reduction in default update for conversion factor for 1994.*

*Sec. 7202. Reduction in performance standard rate of increase and increase in maximum reduction permitted in default update and classification of primary care services as a separate category of services.*

*Sec. 7203. Phased-in reduction in practice expense relative value units for certain services.*

*Sec. 7204. Limitation on payment for the anesthesia care team.*

*Sec. 7205. Separate payment for interpretation of electrocardiograms.*

*Sec. 7206. Payments for new physicians and practitioners.*

*Sec. 7207. Extra-billing limits.*

*SUBPART B—OUTPATIENT HOSPITAL SERVICES AND AMBULATORY SURGICAL SERVICES*

*Sec. 7221. Extension of 10 percent reduction in payments for capital-related costs of outpatient hospital services.*

*Sec. 7222. Extension of reduction in payments for other costs of outpatient hospital services.*

*Sec. 7223. Reduction in payments for intraocular lenses.*

*SUBPART C—DURABLE MEDICAL EQUIPMENT*

*Sec. 7231. Revisions to payment rules for durable medical equipment.*

*Sec. 7232. Treatment of nebulizers and aspirators.*

*Sec. 7233. Payment for surgical dressings.*

*Sec. 7234. Payments for tens devices.*

*SUBPART D—PART B PREMIUM*

*Sec. 7251. Part B premium.*

## SUBPART E—OTHER PROVISIONS

*Sec. 7261. Payments for clinical diagnostic laboratory tests.*

## PART III—PROVISIONS RELATING TO PARTS A AND B

*Sec. 7301. Payments for direct graduate medical education costs.*

*Sec. 7302. Revision of home health agency cost limits.*

*Sec. 7303. Medicare as secondary payer.*

*Sec. 7304. Extension of self-referral ban to additional specified services.*

*Sec. 7305. Reduction in payment for erythropoietin.*

## Subtitle B—Medicaid Program

## PART I—PROGRAM SAVINGS PROVISIONS

## SUBPART A—REPEAL OF MANDATE

*Sec. 7401. Personal care services furnished outside the home as optional benefit.*

## SUBPART B—OUTPATIENT PRESCRIPTION DRUGS

*Sec. 7411. Permitting prescription drug formularies under State plans.*

*Sec. 7412. Elimination of special exemption from prior authorization for new drugs.*

*Sec. 7413. Modifications to drug rebate program.*

## SUBPART C—RESTRICTIONS ON DIVESTITURE OF ASSETS AND ESTATE RECOVERY

*Sec. 7421. Medicaid estate recoveries.*

*Sec. 7422. Transfers of assets.*

*Sec. 7423. Treatment of certain trusts.*

## SUBPART D—IMPROVEMENT IN IDENTIFICATION AND COLLECTION OF THIRD PARTY PAYMENTS

*Sec. 7431. Liability of third parties to pay for care and services.*

*Sec. 7432. Medical child support.*

*Sec. 7433. Offset of payment obligations relating to medical assistance against overpayments of State and Federal income taxes.*

## SUBPART E—ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS

*Sec. 7441. Assuring proper payments to disproportionate share hospitals.*

## SUBPART F—ANTI-FRAUD AND ABUSE PROVISIONS

*Sec. 7451. Application of medicare rules limiting certain physician referrals.*

## PART II—OTHER MEDICAID PROVISIONS

*Sec. 7501. Extension of demonstration project on the effect of allowing States to extend medicaid coverage to certain low-income families.*

## Subtitle C—Income Security Programs

*Sec. 7601. Matching of State administrative costs.*

*Sec. 7602. State paternity establishment programs.*

*Sec. 7603. Fees for Federal administration of State supplementary payments.*

*Subtitle D—Miscellaneous Provisions**PART I—TRADE PROVISIONS*

*Sec. 7701. Extension of authority to levy customs user fees.*

*Sec. 7702. Extension of, and authorization of appropriations for, trade adjustment assistance program.*

*PART II—IMPROVED ACCESS TO CHILDHOOD IMMUNIZATIONS*

*Sec. 7801. Reimbursement to vaccine manufacturers.*

*Sec. 7802. State option to provide that certain payments under AFDC are conditioned on receipt of immunizations.*

*PART III—DISCLOSURE PROVISIONS*

*Sec. 7901. Disclosure of return information for administration of certain veterans programs.*

*Sec. 7902. Disclosure of return information to carry out income contingent repayment of student loans.*

*Sec. 7903. Use of return information for income verification under certain housing assistance programs.*

*Sec. 7904. Use of return information for health coverage clearinghouse.*

*PART IV—OTHER PROVISIONS*

*Sec. 7950. Disallowance of interest on certain overpayments of tax.*

*Sec. 7951. Fees for applications for alcohol labeling and formula reviews.*

*Sec. 7952. Use of Harbor Maintenance Trust Fund amounts for administrative expenses.*

*Sec. 7953. Increase in presidential election campaign fund check-off.*

*Sec. 7954. Increase in public debt limit.*

1                   ***Subtitle A—Medicare***

2                   ***PART I—PROVISIONS RELATING TO PART A***

3                   ***SEC. 7101. PAYMENT UPDATES FOR INPATIENT HOSPITAL***

4                   ***SERVICES.***

5                   (a) *REDUCTION.*—

6                   (1) *PPS HOSPITALS.*—

7                   (A) *IN GENERAL.*—*Section 1886(b)(3)(B)(i)*

8                   (42 U.S.C. 1395ww(b)(3)(B)(i)) *is amended—*

9                   (i) *in the matter preceding subclause*

10                  (I), *by striking “fiscal year” and inserting*

11                  “particular time period”,

- 1                   (ii) in subclause (VIII), by inserting  
2                   “and the 3 succeeding months” after “fiscal  
3                   year 1993”,
- 4                   (iii) in subclause (IX)—
- 5                         (I) by striking “fiscal year”,
- 6                         (II) by inserting “minus 2.18 per-  
7                         centage points” after “market basket  
8                         percentage increase” the first place it  
9                         appears, and
- 10                        (III) by striking “plus 1.5 per-  
11                        centage points” and inserting “minus  
12                        .68 percentage point”,
- 13                   (iv) in subclause (X)—
- 14                         (I) by striking “fiscal year”,
- 15                         (II) by inserting “minus 2.27 per-  
16                         centage points” after “market basket  
17                         percentage increase”, and
- 18                         (III) by striking “and” at the  
19                         end,
- 20                   (v) in subclause (XI)—
- 21                         (I) by striking “for fiscal year  
22                         1996 and each subsequent fiscal year”  
23                         and inserting “for 1996”,

1                   (ii) by inserting “minus 2.0 per-  
2                   centage points” after “market basket  
3                   percentage increase”, and

4                   (iii) by striking the period and  
5                   inserting a comma, and

6                   (vi) by adding at the end the following  
7                   new subclauses:

8                   “(XII) for 1997, the market basket percentage in-  
9                   crease minus 1.0 percentage point for hospitals in all  
10                  areas, and

11                  “(XIII) for 1998 and each subsequent year, the  
12                  market basket percentage increase for hospitals in all  
13                  areas.”.

14                  (B) ADJUSTMENT OF LABOR AND NON-  
15                  LABOR PORTIONS OF STANDARDIZED  
16                  AMOUNTS.—Section 1886(d)(3)(A) (42 U.S.C.  
17                  1395ww(d)(3)(A)) is amended by adding at the  
18                  end the following new clause:

19                  “(vi) For discharges occurring on or after  
20                  January 1, 1995, the Secretary shall adjust the  
21                  ratio of the labor portion to non-labor portion of  
22                  each average standardized amount to equal such  
23                  ratio for the national average standardized  
24                  amount.”.

1           (2)           OTHER           HOSPITALS.—Section  
2           1886(b)(3)(B)(ii) (42 U.S.C. 1395ww(b)(3)(B)(ii)) is  
3           amended—

4                   (A) by striking “, (C), (D),”

5                   (B) by striking “and” at the end of  
6           subclause (III),

7                   (C) by striking subclause (IV) and inserting  
8           the following new subclauses:

9                   “(IV) fiscal years 1988 through 1993 and the 3  
10           succeeding months, is the market basket percentage  
11           increase,

12                   “(V) 1994, is 75 percent of the difference between  
13           the market basket percentage increase and 1.0 per-  
14           centage point,

15                   “(VI) 1995 through 1997, is the market basket  
16           percentage increase minus 1.0 percentage points, and

17                   “(VII) 1998 and each subsequent year, is the  
18           market basket percentage increase.”.

19           (3) SOLE COMMUNITY AND MEDICARE-DEPEND-  
20           ENT, SMALL RURAL HOSPITALS.—

21                   (A) IN GENERAL.—Section 1886(b)(3)(B)  
22           (42 U.S.C. 1395ww(b)(3)(B)) is amended by  
23           adding at the end the following new clause:

1       “(iv) For purposes of subparagraphs (C) and (D), the  
2 applicable percentage increase for discharges occurring dur-  
3 ing—

4               “(I) cost reporting periods beginning in fiscal  
5 year 1986 through fiscal year 1993 and the 3 succeed-  
6 ing months, is the increase specified in clause (ii),

7               “(II) for 1994, is 75 percent of the difference be-  
8 tween the market basket percentage increase and 2.0  
9 percentage points,

10              “(III) for 1995, is the market basket percentage  
11 increase, minus 2.0 percentage points, and

12              “(IV) for 1996 and each subsequent year, is the  
13 increase described in clause (i) for such year.

14 For purposes of subclause (I), the annual update applied  
15 for a cost reporting period beginning during calendar year  
16 1993 is adjusted to reflect only the time period occurring  
17 from the beginning of the hospital’s cost reporting period  
18 through December 31, 1993.”.

19                       (B) TARGET AMOUNT ADJUSTMENT.—

20                       (i) SOLE COMMUNITY HOSPITAL.—Sec-  
21 tion 1886(b)(3)(C) (42 U.S.C.  
22 1395ww(b)(3)(C)) is amended—

23                               (I) in clause (i)(II), by striking  
24 “or”,

25                               (II) in clause (ii)—



1                   (aa) by inserting “or portion  
2 of a cost reporting period occur-  
3 ring before December 31, 1993,”  
4 before “the target amount”,

5                   (bb) by striking “subpara-  
6 graph (B)(ii)” and inserting  
7 “subparagraph (B)(iv)”, and

8                   (cc) by striking the period at  
9 the end and inserting a comma,  
10 and

11                   (dd) by adding at the end the  
12 following new clauses:

13                   “(iii) with respect to discharges occurring in  
14 1994, the target amount for the cost reporting period  
15 beginning in 1993 increased by the applicable per-  
16 centage increase under subparagraph (B)(iv), or

17                   “(iv) with respect to discharges occurring in  
18 1995 and each subsequent year, the target amount for  
19 the preceding year increased by the applicable per-  
20 centage increase under subparagraph (B)(iv).”.

21                   (ii) *MEDICARE-DEPENDENT, SMALL*  
22 *RURAL HOSPITAL.—Section 1886(b)(3)(D)*  
23 *(42 U.S.C. 1395ww(b)(3)(D)) is amended—*  
24 *(I) in clause (i)(II), by striking*  
25 *“or”,*

1 (II) in clause (ii)—

2 (aa) by inserting “or portion  
3 of a cost reporting period occur-  
4 ring before December 31, 1993,”  
5 before “the target amount”,

6 (bb) by striking “subpara-  
7 graph (B)(ii)” and inserting  
8 “subparagraph (B)(iv)”, and

9 (cc) by striking the period at  
10 the end and inserting “; or” and

11 (dd) by adding at the end the  
12 following new clause:

13 “(iii) with respect to discharges occurring in  
14 1994, the target amount for the cost reporting period  
15 beginning in 1993 increased by the applicable per-  
16 centage increase under subparagraph (B)(iv).”.

17 (4) DELAY IN INCREASE IN DISPROPORTIONATE  
18 SHARE PAYMENTS FOR CERTAIN URBAN HOSPITALS.—  
19 Section 1886(d)(5)(F)(vii)(II) (42 U.S.C.  
20 1395ww(d)(5)(F)(vii)(II)) is amended—

21 (A) in subdivision (b), by striking “Septem-  
22 ber 30, 1993” and inserting “December 31,  
23 1993”, and

24 (B) in subdivision (c), by striking “October  
25 1, 1993” and inserting “January 1, 1994”.

1           (5) *REGIONAL FLOOR EXTENDED.*—Section  
2     1886(d)(1)(A) (42 U.S.C. 1395ww(d)(1)(A)) is  
3     amended—

4                     (i) in clause (ii), by striking “or” at  
5     the end;

6                     (ii) in clause (iii), by striking “Sep-  
7     tember 30, 1993, ” and inserting “December  
8     31, 1993”; and

9                     (iii) by adding at the end the following  
10    new clause:

11                    “(iv) beginning on and after January 1, 1994,  
12    is equal to the national adjusted DRG prospective  
13    payment rate determined under paragraph (3) for  
14    such discharges.”.

15    (b) *CONFORMING AMENDMENTS.*—

16           (1) Section 1886(b)(3)(B)(iii) (42 U.S.C.  
17    1395ww(b)(3)(B)(iii)) is amended—

18                     (A) by inserting “beginning in” after “cost  
19    reporting periods”,

20                     (B) by striking “fiscal year” the first place  
21    it appears and inserting “particular time pe-  
22    riod”,

23                     (C) by striking “or fiscal year” the first  
24    and second place it appears, and

1           (D) by striking “cost reporting period or  
2           fiscal year” and inserting “period”.

3           (2) The first sentence in the matter in section  
4           1886(d)(3) (42 U.S.C. 1395ww(d)(3)) preceding sub-  
5           paragraph (A) is amended by inserting “or calendar”  
6           after “fiscal” the first place it appears.

7           (3) Section 1886(d)(3)(A)(ii) (42 U.S.C.  
8           1395ww(d)(3)(A)(ii)) is amended—

9           (A) by striking “1994,” and inserting  
10           “1992, in the 15-month period beginning on Oc-  
11           tober 1, 1992, and in 1994,” and

12           (B) by striking “fiscal year” the second and  
13           third place it appears and inserting “time pe-  
14           riod”.

15           (4) Section 1886(d)(3)(A)(iii) (42 U.S.C.  
16           1395ww(d)(3)(A)(iii)) is amended by striking “the  
17           fiscal year beginning on October 1, 1994” and insert-  
18           ing “1995”.

19           (5) Section 1886(d)(3)(A)(iv) (42 U.S.C.  
20           1395ww(d)(3)(A)(iv)) is amended—

21           (A) by striking “fiscal year beginning on or  
22           after October 1, 1995” and inserting “year be-  
23           ginning on or after January 1, 1996”,

24           (B) by striking “and within each region”,  
25           and

1           (C) by striking “fiscal” each place it ap-  
2           pears.

3           (6) Section 1886(d)(3)(D) (42 U.S.C.  
4           1395ww(d)(3)(D)) is amended—

5           (A) by inserting “or calendar” after “fiscal”  
6           each place it appears, and

7           (B) by inserting “for each fiscal year  
8           through 1993” after “and shall establish”.

9           (7) Section 1886(d)(3)(E) (42 U.S.C.  
10          1395ww(d)(3)(E)) is amended—

11          (A) in the second sentence, by striking “Oc-  
12          tober 1, 1993” and inserting “January 1, 1994”,  
13          and

14          (B) in the last sentence, by inserting “or  
15          calendar” after “fiscal” the first and last place  
16          it appears.

17          (8)(A) Section 1886(d)(4)(C)(iii) (42 U.S.C.  
18          1395ww(d)(4)(C)(iii)) is amended—

19          (i) by inserting “or calendar” after “fiscal”  
20          the first place it appears, and

21          (ii) by deleting “fiscal” the third place it  
22          appears.

23          (B) The requirements of paragraphs (3)(E) and  
24          (4)(C)(iii) of section 1886(d) of the Social Security  
25          Act (42 U.S.C. 1395ww(d)(4)(C)(iii)) shall be applied

1       *on a 15-month basis for the period beginning on Octo-*  
2       *ber 1, 1992, and ending on December 31, 1993.*

3             (9) *Section 1886(d)(4)(E) is (42 U.S.C.*  
4       *1395ww(d)(4)(E)) is amended by striking “October 1,*  
5       *1993” and inserting “January 1, 1994”.*

6             (10)(A) *Section 1886(d)(5)(A)(iv) (42 U.S.C.*  
7       *1395ww(d)(5)(A)(iv)) is amended by inserting “or*  
8       *calendar” after “fiscal”.*

9             (B) *The requirement of section 1886(d)(5)(A)(iv)*  
10       *of the Social Security Act (42 U.S.C.*  
11       *1395ww(d)(5)(A)(iv)) shall be applied on a 15-month*  
12       *basis for the period beginning on October 1, 1992,*  
13       *and ending on December 31, 1993.*

14            (11) *Section 1886(d)(5)(B)(i) (42 U.S.C.*  
15       *1395ww(d)(5)(B)(i)) is amended by striking “or, if*  
16       *applicable, the amount determined under paragraph*  
17       *(1)(A)(iii)” and inserting “or, the amount determined*  
18       *under paragraphs (1)(A)(iii) or (1)(A)(iv), as appli-*  
19       *cable”.*

20            (12) *Section 1886(d)(5)(E)(ii) (42 U.S.C.*  
21       *1395ww(d)(5)(E)(ii)) is amended by inserting “or*  
22       *calendar” after “fiscal”.*

23            (13) *Section 1886(d)(6) (42 U.S.C.*  
24       *1395ww(d)(5)(6)) is amended by striking “the Sep-*

1        *tember 1 before each fiscal year (beginning with fiscal*  
2        *year 1984)” and inserting “December 1 each year”.*

3            (14) *The matter in section 1886(d)(9)(A) (42*  
4        *U.S.C. 1395ww(d)(9)(A)) preceding clause (i) is*  
5        *amended by striking “fiscal year” and inserting*  
6        *“particular time period”.*

7            (15) *Section 1886(d)(9)(C)(i) (42 U.S.C.*  
8        *1395ww(d)(9)(C)(i)) is amended—*

9                    (A) *by striking “fiscal year” the first place*  
10                   *it appears and inserting “time period”, and*

11                   (B) *by striking “fiscal years” and inserting*  
12                   *“time periods”.*

13            (16) *Subparagraphs (A) and (B) of section*  
14        *1886(e)(3) (42 U.S.C. 1395ww(e)(3)) are each amend-*  
15        *ed by striking “that fiscal year” and inserting “the*  
16        *coming fiscal or calendar year”.*

17            (17) *The first sentence of section 1886(e)(4)(A)*  
18        *(42 U.S.C. 1395ww(e)(4)(A)) is amended by inserting*  
19        *“or calendar” after “fiscal” the first and last place it*  
20        *appears.*

21            (18) *Section 1886(e)(4)(B) (42 U.S.C.*  
22        *1395ww(e)(4)(B)) is amended by inserting “or cal-*  
23        *endar” after “fiscal”.*

24            (19) *Section 1886(e)(5)(A) (42 U.S.C.*  
25        *1395ww(e)(5)(A)) is amended by striking “that fiscal*

1     *year” and inserting “the coming fiscal or calendar*  
2     *year”.*

3             *(20) The second and third sentences of section*  
4     *1886(e)(5) (42 U.S.C. 1395ww(e)(5)) are each amend-*  
5     *ed by inserting “or calendar” after “fiscal” each place*  
6     *it appears.*

7     **SEC. 7102. LOSS OF REGIONAL REFERRAL CENTER STATUS.**

8             *(a) CONTINUATION OF OTHER URBAN PAYMENT RATE*  
9     *THROUGH CALENDAR YEAR 1994.—Effective on the date of*  
10    *the enactment of this Act, any hospital that was classified*  
11    *as a regional referral center under section 1886(d)(5)(C)*  
12    *of the Social Security Act as of September 30, 1992, shall*  
13    *continue to be paid under this subsection the standardized*  
14    *amount for hospitals located in other urban areas for dis-*  
15    *charges occurring before the earlier of—*

16             *(1) January 1, 1995, or*

17             *(2) the reclassification of such hospital as an*  
18    *urban hospital under section 1886(d)(10)(C) of such*  
19    *Act.*

20             *(b) PERMITTING HOSPITALS TO DECLINE RECLASSI-*  
21    *FICATION.—If any hospital fails to qualify as a rural refer-*  
22    *ral center under section 1886(d)(5)(C) of the Social Secu-*  
23    *rity Act as a result of a decision by the Medicare Geo-*  
24    *graphic Classification Review Board under section*  
25    *1886(d)(10) of such Act to reclassify the hospital as being*



1 *located in an urban area for fiscal year 1993 or fiscal year*  
2 *1994, the Secretary of Health and Human Services shall—*

3 *(1) notify such hospital of such failure to qual-*  
4 *ify,*

5 *(2) provide an opportunity for such hospital to*  
6 *decline such reclassification, and*

7 *(3) if the hospital declines such reclassification,*  
8 *administer the Social Security Act (other than section*  
9 *1886(d)(8)(D)) for such fiscal year as if the decision*  
10 *by the Review Board had not occurred.*

11 *(c) REQUIRING LUMP-SUM RETROACTIVE PAYMENT*  
12 *FOR HOSPITALS LOSING CLASSIFICATION.—*

13 *(1) IN GENERAL.—In the case of any regional re-*  
14 *ferral center described in subsection (a), the Secretary*  
15 *of Health and Human Services shall make a lump-*  
16 *sum payment to the center equal to the difference be-*  
17 *tween—*

18 *(A) the aggregate payment made to the cen-*  
19 *ter under section 1886 of the Social Security Act*  
20 *(excluding outlier payments under subsection*  
21 *(d)(5)(A) of such section) during the period of*  
22 *applicability described in paragraph (2), and*

23 *(B) the aggregate payment that would have*  
24 *been made to the center under such section if,*  
25 *during the period of applicability, the center had*

1           *been paid as if subsection (a) of this section had*  
2           *been in effect.*

3           (2) *PERIOD OF APPLICABILITY.*—*In paragraph*  
4           (1), the “*period of applicability*” is the period that  
5           *begins on October 1, 1992, and ends on the date of*  
6           *the enactment of this Act.*

7   **SEC. 7103. MEDICARE-DEPENDENT, SMALL RURAL HOS-**  
8           **PITAL PAYMENT EXTENSION.**

9           (a) *EXTENSION OF ADDITIONAL PAYMENTS.*—

10           (1) *IN GENERAL.*—*Section 1886(d)(5)(G) (42*  
11           *U.S.C. 1395ww(d)(5)(G)) is amended—*

12                   (A) *in clause (i)—*

13                           (i) *by inserting “(or portion thereof)”*  
14                           *after “cost reporting period” in the matter*  
15                           *preceding subclause (I), and*

16                           (ii) *by striking “March 31, 1993,” and*  
17                           *all that follows and inserting: “January 1,*  
18                           *1995, in the case of a subsection (d) hos-*  
19                           *pital which is a medicare-dependent, small*  
20                           *rural hospital, payment under paragraph*  
21                           *(1)(A) shall be equal to the sum of the*  
22                           *amount determined under clause (ii) and*  
23                           *the amount determined under clause (iii) or*  
24                           *(iv) of paragraph (1)(A).”;*

1           (B) by redesignating clauses (ii) and (iii)  
2           as clauses (iii) and (iv); and

3           (C) by inserting after clause (i) the follow-  
4           ing new clause:

5           “(ii) The amount determined under this clause is—

6           “(I) for discharges occurring during the first 3  
7           12-month cost reporting periods that begin on or after  
8           April 1, 1990, the amount by which the hospital’s tar-  
9           get amount for the cost reporting period (as defined  
10          in subsection (b)(3)(D)) exceeds the amount deter-  
11          mined under clause (iii) or (iv) paragraph (1)(A);  
12          and

13          “(II) for discharges occurring during any subse-  
14          quent cost reporting period (or portion thereof), 50  
15          percent of the amount by which the hospital’s target  
16          amount for the cost reporting period (as defined in  
17          subsection (b)(3)(D)) exceeds the amount determined  
18          under clause (iii) or (iv) of paragraph (1)(A).”.

19          (2) *EFFECTIVE DATE.*—The amendments made  
20          by paragraph (1) shall be effective as if included in  
21          the amendment made by section 6003(f) of OBRA-  
22          1989.

23          (b) *PERMITTING HOSPITALS TO DECLINE RECLASSI-*  
24          *FICATION.*—If any hospital fails to qualify as a medicare-  
25          dependent, small rural hospital under section

1 1886(d)(5)(G)(i) of the Social Security Act as a result of  
2 a decision by the Medicare Geographic Classification Re-  
3 view Board under section 1886(d)(10) of such Act to reclas-  
4 sify the hospital as being located in an urban area for fiscal  
5 year 1993 or fiscal year 1994 the Secretary of Health and  
6 Human Services shall—

7 (1) notify such hospital of such failure to qual-  
8 ify,

9 (2) provide an opportunity for such hospital to  
10 decline such reclassification, and

11 (3) if the hospital declines such reclassification,  
12 administer the Social Security Act (other than section  
13 1886(d)(8)(D)) for such fiscal year as if the decision  
14 by the Review Board had not occurred.

15 (c) *REQUIRING LUMP-SUM RETROACTIVE PAYMENT.*—

16 (1) *IN GENERAL.*—In the case of a hospital treat-  
17 ed as a medicare-dependent, small rural hospital  
18 under section 1886(d)(5)(G) of the Social Security  
19 Act, the Secretary of Health and Human Services  
20 shall make a lump-sum payment to the hospital equal  
21 to the difference between—

22 (A) the aggregate payment made to the hos-  
23 pital under section 1886 of such Act (excluding  
24 outlier payments under subsection (d)(5)(A) of

1           *such section) during the period of applicability*  
2           *described in paragraph (2), and*

3                   *(B) the aggregate payment that would have*  
4           *been made to the hospital under such section if,*  
5           *during the period of applicability, section*  
6           *1886(d)(5)(G) of such Act had been applied as*  
7           *if—*

8                           *(i) the reference in clause (i) to “March*  
9                           *31, 1993,” had been deemed a reference to*  
10                           *“January 1, 1995,”; and*

11                           *(ii) the amendments made by sub-*  
12                           *section (a) had been in effect.*

13           (2) *PERIOD OF APPLICABILITY.—In paragraph*  
14           *(1), the “period of applicability” is, with respect to*  
15           *a hospital, the period that begins on the first day of*  
16           *the hospital’s first 12-month cost reporting period*  
17           *that begins after April 1, 1992, and ends on the date*  
18           *of the enactment of this Act.*

19   **SEC. 7104. ELIMINATION OF RETURN ON EQUITY FOR PRO-**  
20                   **PRIETARY SKILLED NURSING FACILITIES.**

21           (a) *REPEAL OF REQUIREMENT FOR RETURN ON EQ-*  
22           *UITY.—(1) Section 1861(v)(1)(B) (42 U.S.C.*  
23           *1395x(v)(1)(B)) is amended to read as follows:*

1       “(B) In the case of extended care services, the regula-  
2 tions under subparagraph (A) shall not include provision  
3 for specific recognition of a return on equity capital.”.

4       (2) Section 1878(f)(2) (42 U.S.C. 1395oo(f)(2)) is  
5 amended by striking “the rate of return on equity capital  
6 established by regulation pursuant to section 1861(v)(1)(B)  
7 and in effect at the time” and inserting “the average of  
8 the rates of interest on obligations issued for purchase by  
9 the Federal Hospital Insurance Trust Fund for each of the  
10 months any part of which is included in the cost reporting  
11 period in which”.

12       (3) Section 1881(b)(2)(C) (42 U.S.C. 1395rr(b)(2)(C))  
13 is amended by striking all that follows “capital” up to the  
14 period.

15       (b) *EFFECTIVE DATE.*—The amendments made by sub-  
16 section (a) apply to portions of cost reporting periods occur-  
17 ring on or after October 1, 1993.

18 **SEC. 7105. SKILLED NURSING FACILITY COST LIMITS.**

19       (a) *SKILLED NURSING FACILITY COST LIMITS.*—

20               (1) *IN GENERAL.*—Section 1888(a) (42 U.S.C.  
21 1395yy(a)) is amended by striking “112 percent of  
22 the mean” and inserting “110 percent of the median”  
23 each place it appears.

1           (2) *EFFECTIVE DATE.*—*The amendments made*  
2           *by paragraph (1) shall apply to cost reporting peri-*  
3           *ods beginning on or after October 1, 1993.*

4           (b) *SKILLED NURSING FACILITY WAGE INDEX.*—*Not*  
5           *later than 1 year after the date of the enactment of this*  
6           *Act, the Secretary of Health and Human Services shall*  
7           *begin to collect data on employee compensation and paid*  
8           *hours of employment in skilled nursing facilities for the*  
9           *purpose of constructing a skilled nursing facility wage*  
10          *index adjustment to the routine service cost limits required*  
11          *under section 1888(a) of the Social Security Act.*

12          (c) *PROPAC REPORT.*—*The Prospective Payment As-*  
13          *essment Commission shall, by March 31, 1994, study and*  
14          *report to the Congress on the impact of applying the routine*  
15          *per diem cost limits for skilled nursing facilities on a re-*  
16          *gional basis.*

17           **PART II—PROVISIONS RELATING TO PART B**

18                   **Subpart A—Physicians’ Services**

19           **SEC. 7201. REDUCTION IN DEFAULT UPDATE FOR CONVER-**  
20                   **SION FACTOR FOR 1994.**

21           *Section 1848(d)(3)(A) (42 U.S.C. 1395w-4(d)(3)(A))*  
22           *is amended—*

23                   (1) *in clause (i), by striking “clause (iii)” and*  
24                   *inserting “clauses (iii) and (iv)”, and*

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

3                           “(iv) *ADJUSTMENT IN PERCENTAGE IN-*  
 4 *CREASE FOR 1994.—In applying clause (i)*  
 5 *for services (other than primary care serv-*  
 6 *ices) furnished in 1994, the percentage in-*  
 7 *crease in the appropriate update index shall*  
 8 *be reduced by—*

9                                   “(I) *8 percentage points for sur-*  
 10 *gical services (as defined for purposes*  
 11 *of subsection (j)(1)), and*

12   “(II) *4.4 percentage points for*  
 13 *other services.”.*

14 **SEC. 7202. REDUCTION IN PERFORMANCE STANDARD RATE**  
 15 **OF INCREASE AND INCREASE IN MAXIMUM**  
 16 **REDUCTION PERMITTED IN DEFAULT UPDATE**  
 17 **AND CLASSIFICATION OF PRIMARY CARE**  
 18 **SERVICES AS A SEPARATE CATEGORY OF**  
 19 **SERVICES.**

20           (a) *REDUCTION IN PERFORMANCE STANDARD FAC-*  
 21 *TOR.—Section 1848(f)(2)(B) (42 U.S.C. 1395w-4(f)(2)(B))*  
 22 *is amended to read as follows:*

23                                   “(B) *PERFORMANCE STANDARD FACTOR.—*

24   *For purposes of subparagraph (A)—*



1                   “(i) *IN GENERAL.*—*Except as provided*  
2                   *in clause (ii), the performance standard fac-*  
3                   *tor—*

4                               “(I) *for 1993 is 2 percentage*  
5                               *points,*

6                               “(II) *for 1994 is 3½ percentage*  
7                               *points, and*

8                               “(III) *for each succeeding year is*  
9                               *4 percentage points.*

10                   “(ii) *PRIMARY CARE SERVICES.*—*The*  
11                   *performance standard factor for primary*  
12                   *care services (as defined in section*  
13                   *1842(i)(4)) is 0 percentage points.”.*

14                   (b) *INCREASE IN MAXIMUM REDUCTION PERMITTED IN*  
15                   *DEFAULT UPDATE.*—*Section 1848(d)(3)(B)(ii) (42 U.S.C.*  
16                   *1395w-4(d)(3)(B)(ii)) is amended—*

17                               (1) *in subclause (II), by striking “or 1995”, and*

18                               (2) *in subclause (III), by striking “3” and in-*  
19                   *serting “5”.*

20                   (c) *CLASSIFICATION OF PRIMARY CARE SERVICES AS*  
21                   *SEPARATE CATEGORY OF SERVICES.*—

22                               (1) *IN GENERAL.*—*Section 1848(j)(1) (42 U.S.C.*  
23                   *1395w-4(j)(1)) is amended by inserting “, primary*  
24                   *care services (as defined in section 1842(i)(4)),” after*  
25                   *“Secretary”).*

1           (2) *EFFECTIVE DATE.*—*The amendment made by*  
2 *paragraph (1) shall apply—*

3                   (A) *to volume performance standard rates of*  
4 *increase established under section 1848(f) of the*  
5 *Social Security Act for fiscal years beginning on*  
6 *or after October 1, 1993, and*

7                   (B) *to updates in the conversion factors for*  
8 *physicians' services established under section*  
9 *1848(d) of such Act for physicians' services to be*  
10 *furnished in calendar years beginning after*  
11 *1995.*

12 **SEC. 7203. PHASED-IN REDUCTION IN PRACTICE EXPENSE**

13                   **RELATIVE VALUE UNITS FOR CERTAIN SERV-**  
14                   **ICES.**

15           (a) *IN GENERAL.*—*Section 1848(c)(2) (42 U.S.C.*  
16 *1395w-4(c)(2)) is amended by adding at the end the follow-*  
17 *ing new subparagraph:*

18                   “(E) *REDUCTION IN PRACTICE EXPENSE*  
19 *RELATIVE VALUE UNITS FOR CERTAIN SERV-*  
20 *ICES.*—

21                   “(i) *IN GENERAL.*—*Subject to clause*  
22 *(ii), the Secretary shall reduce the practice*  
23 *expense relative value units applied to serv-*  
24 *ices described in clause (iii) furnished in—*

1           “(I) 1994, by 25 percent of the  
2           number by which the number of prac-  
3           tice expense relative value units (deter-  
4           mined for 1994 without regard to this  
5           subparagraph) exceeds the number of  
6           work relative value units determined  
7           for 1994,

8           “(II) 1995, by an additional 25  
9           percent of such excess, and

10          “(III) 1996, by an additional 25  
11          percent of such excess.

12          “(ii) *FLOOR ON REDUCTIONS.*—The  
13          practice expense relative value units for a  
14          physician’s service shall not be reduced  
15          under this subparagraph to a number less  
16          than 110 percent of the number of work rel-  
17          ative value units.

18          “(iii) *SERVICES COVERED.*—For pur-  
19          poses of clause (i), the services described in  
20          this clause are physicians’ services that are  
21          not described in clause (iv) and for which—

22                 “(I) there are work relative value  
23                 units, and

24                 “(II) the number of practice ex-  
25                 pense relative value units (determined

1                   for 1994) exceeds 110 percent of the  
2                   number of work relative value units  
3                   (determined for such year).

4                   “(iv) *EXCLUDED SERVICES.*—For pur-  
5                   poses of clause (iii), the services described in  
6                   this clause are services which the Secretary  
7                   determines at least 75 percent of which are  
8                   provided under this title in an office set-  
9                   ting.”.

10               (b) *DEVELOPMENT OF RESOURCE-BASED METHODOLOGY FOR PRACTICE EXPENSES.*—

12                   (1) *The Secretary of Health and Human Serv-*  
13                   *ices shall develop a methodology for implementing in*  
14                   *1997 a resource-based system for determining practice*  
15                   *expense relative value units for each physician’s serv-*  
16                   *ice.*

17                   (2) *The Secretary shall transmit a report by*  
18                   *June 30, 1996, on the methodology developed under*  
19                   *paragraph (1) to the Committee on Ways and Means*  
20                   *and the Committee on Energy and Commerce of the*  
21                   *House of Representatives and the Committee on Fi-*  
22                   *nance of the Senate. The report shall include a pres-*  
23                   *entation of data utilized in developing the methodol-*  
24                   *ogy and an explanation of the methodology.*

1 **SEC. 7204. LIMITATION ON PAYMENT FOR THE ANESTHESIA**  
2 **CARE TEAM.**

3 (a) *LIMIT ON PAYMENT TO A PHYSICIAN FOR MEDICAL*  
4 *DIRECTION.*—

5 (1) *IN GENERAL.*—Section 1848(a) (42 U.S.C.  
6 1395w-4(a)) is amended by adding at the end the fol-  
7 lowing new paragraph:

8 “(5) *SPECIAL RULE FOR MEDICAL DIRECTION.*—

9 “(A) *IN GENERAL.*—With respect to physi-  
10 cians’ services furnished on or after January 1,  
11 1994, and consisting of medical direction of 2, 3,  
12 or 4 concurrent anesthesia cases, the fee schedule  
13 amount to be applied shall not exceed one-half of  
14 the amount described in subparagraph (B).

15 “(B) *AMOUNT.*—The amount described in  
16 this subparagraph, for a physician’s medical di-  
17 rection of the performance of anesthesia services,  
18 is the following percentage of the fee schedule  
19 amount otherwise applicable under this section if  
20 the anesthesia services were personally performed  
21 by the physician alone:

22 “(i) *For services furnished during*  
23 *1994, 120 percent.*

24 “(ii) *For services furnished during*  
25 *1995, 115 percent.*

1                   “(iii) For services furnished during  
2                   1996, 110 percent.

3                   “(iv) For services furnished during  
4                   1997, 105 percent.

5                   “(v) For services furnished after 1997,  
6                   100 percent.”.

7                   (2) *ELIMINATION OF REDUCTION FOR MEDICAL*  
8                   *DIRECTION OF MULTIPLE NURSE ANESTHETISTS.—*  
9                   *Section 1842(b) (42 U.S.C. 1395u(b)) is amended by*  
10                  *striking paragraph (13).*

11                  (b) *PAYMENT TO A CERTIFIED REGISTERED NURSE*  
12                  *ANESTHETIST FOR MEDICALLY DIRECTED SERVICES.—*  
13                  *Subparagraph (B) of section 1833(l)(4) (42 U.S.C.*  
14                  *1395l(l)(4)) is amended—*

15                   (1) *in clause (i), by inserting “and before Janu-*  
16                   *ary 1, 1994,” after “1991,”;*

17                   (2) *in clause (ii)—*

18                   (A) *by adding “and” at the end of subclause*  
19                   *(II),*

20                   (B) *by striking the comma at the end of*  
21                   *subclause (III) and inserting a period, and*

22                   (C) *by striking subclauses (IV) through*  
23                   *(VII); and*

24                   (3) *by adding at the end the following new*  
25                   *clause:*

1       “(iii) In the case of services of a certified registered  
 2 nurse anesthetist who is medically directed or medically su-  
 3 pervised by a physician which are furnished on or after  
 4 January 1, 1994, the fee schedule amount shall be 50 per-  
 5 cent of the amount described in section 1848(a)(5)(B) with  
 6 respect to the physician.”.

7       **SEC. 7205. SEPARATE PAYMENT FOR INTERPRETATION OF**  
 8                                   **ELECTROCARDIOGRAMS.**

9       (a) *IN GENERAL.*—Paragraph (3) of section 1848(b)  
 10 (42 U.S.C. 1395w-4(b)) is amended to read as follows:

11                   “(3) *TREATMENT OF INTERPRETATION OF ELEC-*  
 12                   *TROCARDIOGRAMS.*—The Secretary—

13                   “(A) shall make separate payment under  
 14 this section for the interpretation of electro-  
 15 cardiograms performed or ordered to be per-  
 16 formed as part of or in conjunction with a visit  
 17 to or a consultation with a physician, and

18                   “(B) shall adjust the relative values estab-  
 19 lished for visits and consultations under sub-  
 20 section (c) so as not to include relative value  
 21 units for interpretations of electrocardiograms in  
 22 the relative value for visits and consultations.”.

23       (b) *ASSURING BUDGET NEUTRALITY.*—Section  
 24 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)), as amended by sec-

1 *tion 7203(a), is further amended by adding at the end the*  
2 *following new subparagraph:*

3                   “(F) *BUDGET NEUTRALITY ADJUST-*  
4 *MENTS.—The Secretary—*

5                   “(i) *shall reduce the relative values for*  
6 *all services (other than anesthesia services)*  
7 *established under this paragraph (and, in*  
8 *the case of anesthesia services, the conver-*  
9 *sion factor established by the Secretary for*  
10 *such services) by such percentage as the Sec-*  
11 *retary determines to be necessary so that,*  
12 *beginning in 1996, the amendment made by*  
13 *section 7205(a) of the Omnibus Budget Rec-*  
14 *onciliation Act of 1993 would not result in*  
15 *expenditures under this section that exceed*  
16 *the amount of such expenditures that would*  
17 *have been made if such amendment had not*  
18 *been made, and*

19                   “(ii) *shall reduce the amounts deter-*  
20 *mined under subsection (a)(2)(B)(ii)(I) by*  
21 *such percentage as the Secretary determines*  
22 *to be required to assure that, taking into ac-*  
23 *count the reductions made under clause (i),*  
24 *the amendment made by section 7205(a) of*  
25 *the Omnibus Budget Reconciliation Act of*



1           *1993 would not result in expenditures*  
2           *under this section in 1994 that exceed the*  
3           *amount of such expenditures that would*  
4           *have been made if such amendment had not*  
5           *been made.”.*

6           (c) *CONFORMING AMENDMENTS.*—*Section 1848 (42*  
7 *U.S.C. 1395w-4) is amended—*

8           (1) *in subsection (a)(2)(B)(ii)(I), by inserting*  
9           *“and as adjusted under subsection (c)(2)(F)(ii)” after*  
10           *“for 1994”;*

11           (2) *in subsection (c)(2)(A)(i), by adding at the*  
12           *end the following: “Such relative values are subject to*  
13           *adjustment under subparagraph (F)(i).”;* and

14           (3) *in subsection (i)(1)(B), by adding at the end*  
15           *“including adjustments under subsection (c)(2)(F).”.*

16           (d) *EFFECTIVE DATE.*—*The amendments made by this*  
17 *section shall apply to services furnished on or after January*  
18 *1, 1994.*

19 ***SEC. 7206. PAYMENTS FOR NEW PHYSICIANS AND PRACTI-***  
20 ***TIONERS.***

21           (a) *EQUAL TREATMENT OF NEW PHYSICIANS AND*  
22 *PRACTITIONERS.*—(1) *Section 1848(a) (42 U.S.C. 1395w-*  
23 *4(a)), as amended by section 7204(a), is further amended*  
24 *by striking paragraph (4) and by redesignating paragraph*  
25 *(5) as paragraph (4).*

1       (2) *Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is*  
2 *amended by striking subparagraph (F).*

3       (b) *BUDGET NEUTRALITY ADJUSTMENT.—Notwith-*  
4 *standing any other provision of law, the Secretary of*  
5 *Health and Human Services shall reduce the following val-*  
6 *ues and amounts for 1994 (to be applied for that year and*  
7 *subsequent years) by such uniform percentage as the Sec-*  
8 *retary determines to be required to assure that the amend-*  
9 *ments made by subsection (a) will not result in expendi-*  
10 *tures under part B of title XVIII of the Social Security*  
11 *Act in 1994 that exceed the amount of such expenditures*  
12 *that would have been made if such amendments had not*  
13 *been made:*

14           (1) *The relative values established under section*  
15 *1848(c) of such Act for services (other than anesthesia*  
16 *services) and, in the case of anesthesia services, the*  
17 *conversion factor established under section 1848 of*  
18 *such Act for such services.*

19           (2) *The amounts determined under section*  
20 *1848(a)(2)(B)(ii)(I) of such Act.*

21           (3) *The prevailing charges or fee schedule*  
22 *amounts to be applied under such part for services of*  
23 *a health care practitioner (as defined in section*  
24 *1842(b)(4)(F)(ii)(I) of such Act, as in effect before the*  
25 *date of the enactment of this Act).*

1       (c) *CONFORMING AMENDMENTS.*—Section 1848 (42  
2 U.S.C. 1395w-4), as amended by section 7205(c), is amend-  
3 ed—

4           (1) in subsection (a)(2)(B)(ii)(I), by inserting  
5 “and under section 7206(b) of the Omnibus Budget  
6 Reconciliation Act of 1993” after “subsection  
7 (c)(2)(F)(ii)”;

8           (2) in subsection (c)(2)(A)(i), by inserting “and  
9 section 7206(b) of the Omnibus Budget Reconciliation  
10 Act of 1993” after “under subparagraph (F)(i)”; and

11           (3) in subsection (i)(1)(B), by inserting “and  
12 section 7206(b) of the Omnibus Budget Reconciliation  
13 Act of 1993” after “under subsection (c)(2)(F)”.

14       (d) *EFFECTIVE DATE.*—The amendments made by  
15 subsection (a) shall apply to services furnished on or after  
16 January 1, 1994.

17 **SEC. 7207. EXTRA-BILLING LIMITS.**

18       (a) *ENFORCEMENT AND UNIFORM APPLICATION.*—

19           (1) *ENFORCEMENT.*—Paragraph (1) of section  
20 1848(g) (42 U.S.C. 1395w-4(g)) is amended to read  
21 as follows:

22           “(1) *LIMITATION ON ACTUAL CHARGES.*—

23           “(A) *IN GENERAL.*—In the case of a  
24 nonparticipating physician or nonparticipating  
25 supplier or other person (as defined in section

1           1842(i)(2)) who does not accept payment on an  
2           assignment-related basis for a physician's service  
3           furnished with respect to an individual enrolled  
4           under this part, the following rules apply:

5                   “(i) APPLICATION OF LIMITING  
6                   CHARGE.—No person may bill or collect an  
7                   actual charge for the service in excess of the  
8                   limiting charge described in paragraph (2)  
9                   for such service.

10                   “(ii) NO LIABILITY FOR EXCESS  
11                   CHARGES.—No person is liable for payment  
12                   of any amounts billed for the service in ex-  
13                   cess of such limiting charge.

14                   “(iii) CORRECTION OF EXCESS  
15                   CHARGES.—If such a physician, supplier,  
16                   or other person bills, but does not collect, an  
17                   actual charge for a service in violation of  
18                   clause (i), the physician, supplier, or other  
19                   person shall reduce on a timely basis the ac-  
20                   tual charge billed for the service to an  
21                   amount not to exceed the limiting charge for  
22                   the service.

23                   “(iv) REFUND OF EXCESS COLLEC-  
24                   TIONS.—If such a physician, supplier, or  
25                   other person collects an actual charge for a

1           *service in violation of clause (i), the physi-*  
2           *cian, supplier, or other person shall provide*  
3           *on a timely basis a refund to the individual*  
4           *charged in the amount by which the amount*  
5           *collected exceeded the limiting charge for the*  
6           *service. The amount of such a refund shall*  
7           *be reduced to the extent the individual has*  
8           *an outstanding balance owed to the physi-*  
9           *cian.*

10           “(B) *SANCTIONS.—If a physician, supplier,*  
11           *or other person—*

12                   “(i) *knowingly and willfully bills or*  
13                   *collects for services in violation of subpara-*  
14                   *graph (A)(i) on a repeated basis, or*

15                   “(ii) *fails to comply with clause (iii)*  
16                   *or (iv) of subparagraph (A) on a timely*  
17                   *basis,*

18           *the Secretary may apply sanctions against the*  
19           *physician, supplier, or other person in accord-*  
20           *ance with paragraph (2) of section 1842(j). In*  
21           *applying this subparagraph, paragraph (4) of*  
22           *such section applies in the same manner as such*  
23           *paragraph applies to such section and any ref-*  
24           *erence in such section to a physician is deemed*

1           also to include a reference to a supplier or other  
2           person under this subparagraph.

3           “(C) *TIMELY BASIS.*—For purposes of this  
4           paragraph, a reduction or refund under clauses  
5           (iii) and (iv) of subparagraph (A) shall be treat-  
6           ed as done on a timely basis if the reduction or  
7           refund is made not later than 30 days after the  
8           date the physician, supplier, or other person is  
9           notified by the carrier under this part of such  
10          violation and of the requirements of subpara-  
11          graph (A).”.

12          (2) *UNIFORM APPLICATION OF EXTRA-BILLING*  
13          *LIMITS TO PHYSICIANS’ SERVICES.*—

14           (A) *IN GENERAL.*—Section 1848(g)(2)(C)  
15           (42 U.S.C. 1395w-4(g)(2)(C)) is amended by in-  
16           serting “or for nonparticipating suppliers or  
17           other persons” after “nonparticipating physi-  
18           cians”.

19           (B) *CONFORMING DEFINITION.*—Section  
20           1842(i)(2) (42 U.S.C. 1395u(i)(2)) is amended—

21           (i) by striking “, and the term” and  
22           inserting “; the term”, and

23           (ii) by inserting before the period at  
24           the end the following: “; and the term  
25           ‘nonparticipating supplier or other person’

1           *means a supplier or other person (excluding*  
2           *a provider of services) that is not a partici-*  
3           *pating physician or supplier (as defined in*  
4           *subsection (h)(1))”.*

5           (3) *ADDITIONAL CONFORMING AMENDMENTS.—*

6           *Section 1848 (42 U.S.C. 1395w-4) is amended—*

7           (A) *in subsection (a)(3)—*

8                 (i) *by inserting “AND SUPPLIERS”*  
9                 *after “PHYSICIANS” in the heading,*

10                (ii) *by inserting “or a*  
11                *nonparticipating supplier or other person”*  
12                *after “nonparticipating physician”, and*

13                (iii) *by adding at the end the follow-*  
14                *ing: “In the case of physicians’ services (in-*  
15                *cluding services which the Secretary ex-*  
16                *cludes pursuant to subsection (j)(3)) of a*  
17                *nonparticipating physician, supplier, or*  
18                *other person for which payment is made*  
19                *under this part on a basis other than the fee*  
20                *schedule amount, the payment shall be*  
21                *based on 95 percent of the payment basis*  
22                *for such services furnished by a participat-*  
23                *ing physician, supplier, or other person.”;*

24                (B) *in subsection (g)(1)(A), as amended by*  
25                *subsection (a), in the matter before clause (i), by*

1           inserting “(including services which the Sec-  
2           retary excludes pursuant to subsection (j)(3))”  
3           after “a physician’s service”;

4           (C) in subsection (g)(2)(D), by inserting  
5           “(or, if payment under this part is made on a  
6           basis other than the fee schedule under this sec-  
7           tion, 95 percent of the other payment basis)”  
8           after “subsection (a)”;

9           (D) in subsection (g)(3)(B)—

10           (i) by inserting after the first sentence  
11           the following: “No person is liable for pay-  
12           ment of any amounts billed for such a serv-  
13           ice in violation of the preceding sentence.”,  
14           and

15           (ii) in the last sentence, by striking  
16           “previous sentence” and inserting “first  
17           sentence”;

18           (E) in subsection (h)—

19           (i) by inserting “or nonparticipating  
20           supplier or other person furnishing physi-  
21           cians’ services (as defined in section  
22           1848(j)(3))” after “physician” the first  
23           place it appears,



1                   (ii) by inserting “, supplier, or other  
2                   person” after “physician” the second place  
3                   it appears, and

4                   (iii) by inserting “, suppliers, and  
5                   other persons” after “physicians” the second  
6                   place it appears; and

7                   (F) in subsection (j)(3), by inserting “, ex-  
8                   cept for purposes of subsections (a)(3), (g), and  
9                   (h),” after “tests and”.

10           (b) CLARIFICATION OF MANDATORY ASSIGNMENT  
11 RULES FOR CERTAIN PRACTITIONERS.—

12           (1) IN GENERAL.—Section 1842(b) (42 U.S.C.  
13           1395u(b)) is amended by adding at the end the fol-  
14           lowing new paragraph:

15           “(19)(A) Payment for any service furnished by a prac-  
16           titioner described in subparagraph (C) and for which pay-  
17           ment may be made under this part on a reasonable charge  
18           or fee schedule basis may only be made under this part on  
19           an assignment-related basis.

20           “(B) A practitioner described in subparagraph (C) or  
21           other person may not bill (or collect any amount from) the  
22           individual or another person for any service described in  
23           subparagraph (A), except for deductible and coinsurance  
24           amounts applicable under this part. No person is liable for  
25           payment of any amounts billed for such a service in viola-

1 *tion of the previous sentence. If a practitioner or other per-*  
2 *son knowingly and willfully bills (or collects an amount)*  
3 *for such a service in violation of such sentence, the Sec-*  
4 *retary may apply sanctions against the practitioner or*  
5 *other person in the same manner as the Secretary may*  
6 *apply sanctions against a physician in accordance with*  
7 *subsection (j)(2) in the same manner as such section applies*  
8 *with respect to a physician. Paragraph (4) of subsection*  
9 *(j) shall apply in this subparagraph in the same manner*  
10 *as such paragraph applies to such section.*

11 *“(C) A practitioner described in this subparagraph is*  
12 *any of the following:*

13 *“(i) A physician assistant, nurse practitioner, or*  
14 *clinical nurse specialist (as defined in section*  
15 *1861(aa)(5)).*

16 *“(ii) A certified registered nurse anesthetist (as*  
17 *defined in section 1861(bb)(2)).*

18 *“(iii) A certified nurse-midwife (as defined in*  
19 *section 1861(gg)(2)).*

20 *“(iv) A clinical social worker (as defined in sec-*  
21 *tion 1861(hh)(1)).*

22 *“(v) A clinical psychologist (as defined by the*  
23 *Secretary for purposes of section 1861(ii)).*

24 *“(D) For purposes of this paragraph, a service fur-*  
25 *nished by a practitioner described in subparagraph (C) in-*

1 *cludes any services and supplies furnished as incident to*  
2 *the service as would otherwise be covered under this part*  
3 *if furnished by a physician or as incident to a physician's*  
4 *service."*

5 (2) *CONFORMING AMENDMENTS.—*

6 (A) *Section 1833 (42 U.S.C. 1395l) is*  
7 *amended—*

8 (i) *in subsection (l)(5), by striking sub-*  
9 *paragraph (B) and redesignating subpara-*  
10 *graph (C) as subparagraph (B);*

11 (ii) *by striking subsection (p); and*

12 (iii) *in subsection (r), by striking*  
13 *paragraph (3) and redesignating paragraph*  
14 *(4) as paragraph (3).*

15 (B) *Section 1842(b)(12) (42 U.S.C.*  
16 *1395u(b)(12)) is amended by striking subpara-*  
17 *graph (C).*

18 (c) *INFORMATION ON EXTRA-BILLING LIMITS.—*

19 (1) *PART OF EXPLANATION OF MEDICARE BENE-*  
20 *FITS.—Section 1842(h)(7) (42 U.S.C. 1395u(h)(7)) is*  
21 *amended—*

22 (A) *by striking "and" at the end of sub-*  
23 *paragraph (B),*

24 (B) *in subparagraph (C), by striking "shall*  
25 *include",*

1           (C) in subparagraph (C), by striking the  
2           period at the end and inserting “, and”, and

3           (D) by adding at the end the following new  
4           subparagraph:

5           “(D) in the case of services for which the billed  
6           amount exceeds the limiting charge imposed under  
7           section 1848(g), information regarding such applica-  
8           ble limiting charge (including information concerning  
9           the right to a refund under section  
10          1848(g)(1)(A)(iv)).”.

11          (2) DETERMINATIONS BY CARRIERS.—Subpara-  
12          graph (G) of section 1842(b)(3) (42 U.S.C.  
13          1395u(b)(3)) is amended to read as follows:

14          “(G) will, for a service that is furnished with re-  
15          spect to an individual enrolled under this part, that  
16          is not paid on an assignment-related basis, and that  
17          is subject to a limiting charge under section  
18          1848(g)—

19                 “(i) determine, prior to making payment,  
20                 whether the amount billed for such service ex-  
21                 ceeds the limiting charge applicable under sec-  
22                 tion 1848(g)(2);

23                 “(ii) notify the physician, supplier, or other  
24                 person periodically (but not less often than once  
25                 every 30 days) of determinations that amounts

1           *billed exceeded such applicable limiting charges;*  
2           *and*

3                   “(iii) provide for prompt response to in-  
4                   *quiries of physicians, suppliers, and other per-*  
5                   *sons concerning the accuracy of such limiting*  
6                   *charges for their services;”.*

7           (d) *REPORT ON CHARGES IN EXCESS OF LIMITING*  
8 *CHARGE.—Section 1848(g)(6)(B) (42 U.S.C. 1395w-*  
9 *4(g)(6)(B)) is amended by inserting “the extent to which*  
10 *actual charges exceed limiting charges, the number and*  
11 *types of services involved, and the average amount of excess*  
12 *charges and” after “report to the Congress”.*

13           (e) *MISCELLANEOUS AND TECHNICAL AMENDMENTS.—*  
14 *Section 1833 (42 U.S.C. 1395l) is amended—*

15                   (1) *in subsection (a)(1)—*

16                           (A) *by striking “and” before “(N)”;*

17                           (B) *with respect to the matter inserted by*  
18                   *section 4155(b)(2)(B) of OBRA-1990—*

19                                   (i) *by striking “(M)” and inserting “,*  
20                                   *and (O)”;* and

21                                   (ii) *by transferring and inserting it*  
22                                   *(as amended) immediately before the semi-*  
23                                   *colon at the end;*

24                                   (C) *by striking “and” before “(O)”, and*

1           (D) by inserting before the semicolon at the  
2 end the following: “; and (P) with respect to  
3 services described in clauses (i), (ii) and (iv) of  
4 section 1861(s)(2)(K), the amounts paid are sub-  
5 ject to the provisions of section 1842(b)(12)”;  
6 and

7           (2) in subsection (h)(5)(D)—

8           (A) by striking “paragraphs (2) and (3)”  
9 and by inserting “paragraph (2)”, and

10           (B) by adding at the end the following:  
11 “Paragraph (4) of such section shall apply in  
12 this subparagraph in the same manner as such  
13 paragraph applies to such section.”.

14       (f) *EFFECTIVE DATES.*—

15           (1) *ENFORCEMENT AND UNIFORM APPLICATION;*  
16 *MISCELLANEOUS AND TECHNICAL AMENDMENTS.*—The  
17 amendments made by subsections (a) and (e) shall  
18 apply to services furnished on or after the date of the  
19 enactment of this Act; except that the amendments  
20 made by subsection (a) shall not apply to services of  
21 a nonparticipating supplier or other person furnished  
22 before January 1, 1994.

23           (2) *PRACTITIONERS.*—The amendments made by  
24 subsection (b) shall apply to services furnished on or  
25 after January 1, 1994.

1           (3) *EOMBs.*—The amendments made by sub-  
 2           section (c)(1) shall apply to explanations of benefits  
 3           provided on or after January 1, 1994.

4           (4) *CARRIER DETERMINATIONS.*—The amend-  
 5           ments made by subsection (c)(2) shall apply to con-  
 6           tracts as of January 1, 1994.

7           (5) *REPORT.*—The amendment made by sub-  
 8           section (d) shall apply to reports for years beginning  
 9           after 1993.

10           ***Subpart B—Outpatient Hospital Services and***  
 11                           ***Ambulatory Surgical Services***

12           ***SEC. 7221. EXTENSION OF 10 PERCENT REDUCTION IN PAY-***  
 13                           ***MENTS FOR CAPITAL-RELATED COSTS OF***  
 14                           ***OUTPATIENT HOSPITAL SERVICES.***

15           Section 1861(v)(1)(S)(ii)(I) (42 U.S.C.  
 16           1395x(v)(1)(S)(ii)(I)) is amended by striking “fiscal year  
 17           1992, 1993, 1994, or 1995” and inserting “fiscal years 1992  
 18           through 1998”.

19           ***SEC. 7222. EXTENSION OF REDUCTION IN PAYMENTS FOR***  
 20                           ***OTHER COSTS OF OUTPATIENT HOSPITAL***  
 21                           ***SERVICES.***

22           Section 1861(v)(1)(S)(ii)(II) (42 U.S.C.  
 23           1395x(v)(1)(S)(ii)(II)) is amended by striking “, 1992,  
 24           1993, 1994, or 1995” and inserting “through 1998”.

1 **SEC. 7223. REDUCTION IN PAYMENTS FOR INTRAOCULAR**  
2 **LENSES.**

3 (a) *PAYMENT FOR INTRAOCULAR LENS.*—Section  
4 4151(c)(3) of OBRA-1990 is amended—

5 (1) by striking “center” and all that follows and  
6 inserting “center—

7 “(A) on or after the date of the enactment  
8 of this Act and on or before December 31, 1993,  
9 shall be equal to \$200; and

10 “(B) on or after January 1, 1994, and on  
11 or before December 31, 1998, shall be equal to  
12 \$150.”; and

13 (2) in the heading, by striking “2-YEAR FREEZE  
14 IN ALLOWANCE” and inserting “ALLOWANCE”.

15 (b) *CONFORMING AMENDMENTS.*—

16 (1) *PAYMENT AMOUNTS FOR SERVICES FUR-*  
17 *NISHED IN AMBULATORY SURGICAL CENTERS.*—(A)(i)  
18 *Section 1833(i)(2)(A)(i) (42 U.S.C. 1395l(i)(2)(A)(i))*  
19 *is amended by striking the comma at the end and in-*  
20 *serting the following: “, as determined in accordance*  
21 *with a survey (based upon a representative sample of*  
22 *procedures and facilities) taken not later than Janu-*  
23 *ary 1, 1995, and every 5 years thereafter, of the ac-*  
24 *tual audited costs incurred by such centers in provid-*  
25 *ing such services.”.*



1           (ii) *The second sentence of section 1833(i)(1) (42*  
2 *U.S.C. 1395l(i)(1)) is amended by striking the period*  
3 *and inserting the following: “, in consultation with*  
4 *appropriate trade and professional organizations.”.*

5           (B) *Section 4151(c)(3) of OBRA–1990, as*  
6 *amended in subsection (a), is amended by striking*  
7 *“for the insertion of an intraocular lens” and insert-*  
8 *ing “for an intraocular lens inserted”.*

9           (2) *ADJUSTMENTS TO PAYMENT AMOUNTS FOR*  
10 *NEW TECHNOLOGY INTRAOCULAR LENSES.—(A) Not-*  
11 *withstanding section 4151(c)(3) of OBRA–1990 (as*  
12 *amended by subsection (a)), the Secretary of Health*  
13 *and Human Services (in this paragraph referred to*  
14 *as the “Secretary”) shall, not later than 1 year after*  
15 *the date of the enactment of this Act, develop and im-*  
16 *plement a process under which interested parties may*  
17 *request review by the Secretary of the appropriateness*  
18 *of the reimbursement amount provided under section*  
19 *1833(i)(2)(A)(iii) of the Social Security Act with re-*  
20 *spect to a class of new technology intraocular lenses.*  
21 *For purposes of the preceding sentence, an intraocular*  
22 *lens may not be treated as a new technology intra-*  
23 *ocular lens unless it has been approved by the Food*  
24 *and Drug Administration.*

1           (B) In determining whether to provide an ad-  
2           justment of payment with respect to a particular lens  
3           under subparagraph (A), the Secretary shall take into  
4           account whether use of the lens is likely to result in  
5           reduced risk of intraoperative or postoperative com-  
6           plication or trauma, accelerated postoperative recov-  
7           ery, reduced induced astigmatism, improved post-  
8           operative visual acuity, more stable postoperative vi-  
9           sion, or other comparable clinical advantages.

10           (C) The Secretary shall publish notice in the  
11           Federal Register from time to time (but no less often  
12           than once each year) of a list of the requests that the  
13           Secretary has received for review under this sub-  
14           section, and shall provide for a 30-day comment pe-  
15           riod on the lenses that are the subjects of the requests  
16           contained in such notice. The Secretary shall publish  
17           a notice of the determinations with respect to intra-  
18           ocular lenses listed in the notice within 90 days after  
19           the close of the comment period.

20           (D) Any adjustment of a payment amount (or  
21           payment limit) made under this paragraph shall be-  
22           come effective not later than 30 days after the date on  
23           which the notice with respect to the adjustment is  
24           published under subparagraph (C).

1           (3) *BLEND AMOUNTS FOR AMBULATORY SUR-*  
2 *GICAL CENTER PAYMENTS.*—

3           (A) *IN GENERAL.*—*Subclauses (I) and (II)*  
4 *of section 1833(i)(3)(B)(ii) (42 U.S.C.*  
5 *1395l(i)(3)(B)(ii)) are each amended—*

6                   (i) *by striking “for reporting” and in-*  
7 *serting “for portions of cost reporting”; and*

8                   (ii) *by striking “and on or before” and*  
9 *inserting “and ending on or before”.*

10           (B) *EFFECTIVE DATE.*—*The amendments*  
11 *made by subparagraph (A) shall take effect as if*  
12 *included in the enactment of OBRA–1990.*

13           ***Subpart C—Durable Medical Equipment***

14 ***SEC. 7231. REVISIONS TO PAYMENT RULES FOR DURABLE***  
15 ***MEDICAL EQUIPMENT.***

16           (a) *BASING NATIONAL PAYMENT LIMITS ON MEDIAN*  
17 *OF LOCAL PAYMENT AMOUNTS.*—

18           (1) *INEXPENSIVE AND ROUTINELY PURCHASED*  
19 *ITEMS; ITEMS REQUIRING FREQUENT AND SUBSTAN-*  
20 *TIAL SERVICING.*—(A) *Paragraphs (2)(C)(i)(II) and*  
21 *(3)(C)(i)(II) of section 1834(a) (42 U.S.C. 1395m(a))*  
22 *are each amended—*

23                   (i) *by striking “1992” the first place it ap-*  
24 *pears and inserting “1992, 1993, and 1994”;*

25                   *and*

1           (ii) by striking “1992” the second place it  
2           appears and inserting “the year”.

3           (B) Paragraphs (2)(C)(ii) and (3)(C)(ii) of sec-  
4           tion 1834(a) (42 U.S.C. 1395m(a)) are each amend-  
5           ed—

6           (i) by striking “and” at the end of  
7           subclause (I);

8           (ii) by redesignating subclause (II) as (IV);  
9           and

10          (iii) by inserting after subclause (I) the fol-  
11          lowing new subclauses:

12                   “(II) for 1992 and 1993, the  
13                   amount determined under this clause  
14                   for the preceding year increased by the  
15                   covered item update for such subse-  
16                   quent year,

17                   “(III) for 1994, the local payment  
18                   amount determined under clause (i) for  
19                   such item or device for that year, ex-  
20                   cept that the national limited payment  
21                   amount may not exceed 100 percent of  
22                   the median of all local payment  
23                   amounts determined under such clause  
24                   for such item for that year and may  
25                   not be less than 85 percent of the me-

1                    *dian of all local payment amounts de-*  
2                    *termined under such clause for such*  
3                    *item or device for that year, and”.*

4                    (2) MISCELLANEOUS DEVICES AND ITEMS.—*Sec-*  
5                    *tion 1834(a)(8) (42 U.S.C. 1395m(a)(8)) is amend-*  
6                    *ed—*

7                    (A) *in subparagraph (A)(ii)(III), by strik-*  
8                    *ing “1992” and inserting “1992, 1993, and*  
9                    *1994”;* and

10                    (B) *in subparagraph (B)—*

11                    (i) *by striking “and” at the end of*  
12                    *clause (i),*

13                    (ii) *by redesignating clause (ii) as (iv),*  
14                    *and*

15                    (iii) *by inserting after clause (i) the*  
16                    *following new clauses:*

17                    “(ii) *for 1992 and 1993, the amount*  
18                    *determined under this subparagraph for the*  
19                    *preceding year increased by the covered*  
20                    *item update for such subsequent year;*

21                    “(iii) *for 1994, the local purchase price*  
22                    *computed under subparagraph (A)(ii) for*  
23                    *the item for the year, except that such na-*  
24                    *tional limited purchase price may not ex-*  
25                    *ceed 100 percent of the median of all local*

1            *purchase prices computed for the item*  
2            *under such subparagraph for the year and*  
3            *may not be less than 85 percent of the me-*  
4             *dian of all local purchase prices computed*  
5            *under such subparagraph for the item for*  
6            *the year; and”.*

7            (3) *OXYGEN AND OXYGEN EQUIPMENT.*—*Section*  
8            *1834(a)(9) (42 U.S.C. 1395m(a)(9)) is amended—*

9            (A) *in subparagraph (A)(ii)(II), by striking*  
10            *“1991 and 1992” and inserting “1991, 1992,*  
11            *1993, and 1994”;* and

12            (B) *in subparagraph (B)—*

13            (i) *by striking “and” at the end of*  
14            *clause (i),*

15            (ii) *by redesignating clause (ii) as (iv),*  
16            *and*

17            (iii) *by inserting after clause (i) the*  
18            *following new clauses:*

19            *“(ii) for 1992 and 1993, the amount*  
20            *determined under this subparagraph for the*  
21            *preceding year increased by the covered*  
22            *item update for such subsequent year;*

23            *“(iii) for 1994, the local monthly pay-*  
24            *ment rate computed under subparagraph*  
25            *(A)(ii) for the item for the year, except that*

1           *such national limited monthly payment*  
2           *rate may not exceed 100 percent of the me-*  
3           *edian of all local monthly payment rates*  
4           *computed for the item under such subpara-*  
5           *graph for the year and may not be less than*  
6           *85 percent of the median of all local month-*  
7           *ly payment rates computed for the item*  
8           *under such subparagraph for the year;*  
9           *and”.*

10           **(b) PAYMENT FOR PROSTHETIC DEVICES AND**  
11 **ORTHOTICS AND PROSTHETICS.—**

12           **(1) IN GENERAL.—***Section 1834(h)(2) (42 U.S.C.*  
13 *1395m(h)(2)) is amended—*

14                   **(A)** *in subparagraph (A)(ii)(II), by striking*  
15 *“1992 or 1993” and inserting “1992, 1993, or*  
16 *1994”;*

17                   **(B)** *in subparagraph (B)(ii), by striking*  
18 *“each subsequent year” and inserting “1993”;*

19                   **(C)** *in subparagraph (C)(iv), by striking*  
20 *“regional purchase price computed under sub-*  
21 *paragraph (B)” and inserting “national limited*  
22 *purchase price computed under subparagraph*  
23 *(E)”;*

24                   **(D)** *in subparagraph (D)(ii), by striking “a*  
25 *subsequent year” and inserting “1993”; and*

1           (E) by adding at the end the following new  
2 subparagraph:

3           “(E) COMPUTATION OF NATIONAL LIMITED  
4 PURCHASE PRICE.—With respect to the furnish-  
5 ing of a particular item in a year, the Secretary  
6 shall compute a national limited purchase  
7 price—

8           “(i) for 1994, equal to the local pur-  
9 chase price computed under subparagraph  
10 (A)(ii)(II) for the item for the year, except  
11 that such national limited purchase price  
12 may not exceed 100 percent of the median  
13 of all local purchase prices for the item  
14 computed under such subparagraph for the  
15 year, and may not be less than 85 percent  
16 of the median of all local purchase prices  
17 for the item computed under such subpara-  
18 graph for the year; and

19           “(ii) for each subsequent year, equal to  
20 the amount determined under this subpara-  
21 graph for the preceding year increased by  
22 the applicable percentage increase for such  
23 subsequent year.”.



1           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to items furnished on or after January*  
3 *1, 1994.*

4 ***SEC. 7232. TREATMENT OF NEBULIZERS AND ASPIRATORS.***

5           (a) *IN GENERAL.*—*Section 1834(a)(3)(A) (42 U.S.C.*  
6 *1395m(a)(3)(A)) is amended by striking “(such as ventila-*  
7 *tors, aspirators, IPPB machines, and nebulizers)”.*

8           (b) *PAYMENT FOR ACCESSORIES RELATING TO*  
9 *NEBULIZERS AND ASPIRATORS.*—*Section 1834(a)(2)(A)*  
10 *(42 U.S.C. 1395m(a)) is amended—*

11                   (1) *by striking “or” at the end of clause (i),*

12                   (2) *by adding “or” at the end of clause (ii), and*

13                   (3) *by inserting after clause (ii) the following*  
14 *new clause:*

15                                   *“(iii) which is an accessory used in*  
16                                   *conjunction with a nebulizer or aspirator,”.*

17           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
18 *section shall apply to items furnished on or after January*  
19 *1, 1994.*

20 ***SEC. 7233. PAYMENT FOR SURGICAL DRESSINGS.***

21           (a) *IN GENERAL.*—*Section 1834 (42 U.S.C. 1395m)*  
22 *is amended by adding at the end the following new sub-*  
23 *section:*

24                   *“(i) PAYMENT FOR SURGICAL DRESSINGS.—*

1           “(1) *IN GENERAL.*—*Payment under this sub-*  
2 *section for surgical dressings (described in section*  
3 *1861(s)(5)) shall be made in a lump sum amount for*  
4 *the purchase of the item in an amount equal to 80*  
5 *percent of the lesser of—*

6                   “(A) *the actual charge for the item; or*

7                   “(B) *a payment amount determined in ac-*  
8 *cordance with the methodology described in sub-*  
9 *paragraphs (B) and (C) of subsection (a)(2) (ex-*  
10 *cept that in applying such methodology, the na-*  
11 *tional limited payment amount referred to in*  
12 *such subparagraphs shall be initially computed*  
13 *based on local payment amounts using average*  
14 *reasonable charges for the 12-month period end-*  
15 *ing December 31, 1992, increased by the covered*  
16 *item updates described in such subsection for*  
17 *1993 and 1994).*

18           “(2) *EXCEPTIONS.*—*Paragraph (1) shall not*  
19 *apply to surgical dressings that are—*

20                   “(A) *furnished as an incident to a physi-*  
21 *cian’s professional service; or*

22                   “(B) *furnished by a home health agency.*”.

23           (b) *CONFORMING AMENDMENT.*—*Section 1833(a)(1)*  
24 *(42 U.S.C. 1395l(a)(1)), as amended by section 7207(e)(1),*  
25 *is amended—*

1           (1) by striking “and” before “(P)”, and

2           (2) by inserting before the semicolon at the end  
3 the following: “, and (Q) with respect to surgical  
4 dressings, the amounts paid shall be the amounts de-  
5 termined under section 1834(j)”.

6           (c) *EFFECTIVE DATE.*—The amendments made by this  
7 section shall apply to items furnished on or after January  
8 1, 1994.

9   **SEC. 7234. PAYMENTS FOR TENS DEVICES.**

10          (a) *IN GENERAL.*—Section 1834(a)(1)(D) (42 U.S.C.  
11 1395m(a)(1)(D)) is amended by striking “15 percent” the  
12 second place it appears and inserting “45 percent”.

13          (b) *EFFECTIVE DATE.*—The amendment made by sub-  
14 section (a) shall apply to items furnished on or after Janu-  
15 ary 1, 1994.

16                           **Subpart D—Part B Premium**

17   **SEC. 7251. PART B PREMIUM.**

18          Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

19               (1) in paragraph (1)(A), by striking “December  
20 1983 and prior to January 1991 shall be an amount  
21 equal to 50 percent” and inserting “after December  
22 1995 and prior to January 1999 shall be an amount  
23 equal to 50 percent”, and

24               (2) in paragraph (2), by striking “1991” and in-  
25 serting “1998”.

1                   **Subpart E—Other Provisions**

2   **SEC. 7261. PAYMENTS FOR CLINICAL DIAGNOSTIC LABORA-**  
3                   **TORY TESTS.**

4           (a) *LOWER CAP.*—Section 1833(h)(4)(B) (42 U.S.C.  
5 1395l(h)(4)(B)) is amended—

6                   (1) by striking “and” at the end of clause (iii),

7                   (2) in clause (iv), by inserting “and before Janu-  
8           ary 1, 1994,” after “1990,”

9                   (3) by striking the period at the end of clause  
10           (iv) and inserting “, and”, and

11                   (4) by adding at the end the following:

12                   “(v) after December 31, 1993, is equal to 76 per-  
13           cent of the median of all the fee schedules established  
14           for that test for that laboratory setting under para-  
15           graph (1).”.

16           (b) *NO UPDATE FOR 1994 THROUGH 1998.*—Section  
17 1833(h)(2)(A)(ii)(II) (42 U.S.C. 1395l(h)(2)(A)(ii)(III)) is  
18 amended by inserting “1994, 1995, 1996, 1997, and 1998”  
19 after “1988”.

20           **PART III—PROVISIONS RELATING TO PARTS A**  
21                   **AND B**

22   **SEC. 7301. PAYMENTS FOR DIRECT GRADUATE MEDICAL**  
23                   **EDUCATION COSTS.**

24           (a) *WEIGHTING FACTORS.*—Section 1886(h)(4)(C) (42  
25 U.S.C. 1395ww(h)(4)(C)) is amended to read as follows:

1           “(C) *WEIGHTING FACTORS FOR CERTAIN*  
2           *RESIDENTS.—Subject to subparagraph (D), such*  
3           *rules shall provide, in calculating the number of*  
4           *full-time-equivalent residents in an approved*  
5           *residency program—*

6                   “(i) *with respect to residents entering*  
7                   *an approved medical residency training*  
8                   *program before September 1, 1993—*

9                           “(I) *for a resident who is in the*  
10                           *resident’s initial residency period, the*  
11                           *weighting factor is 1.00, and*

12                           “(II) *for a resident who is not in*  
13                           *the resident’s initial residency period,*  
14                           *the weighting factor is .50; and*

15                   “(ii) *with respect to residents entering*  
16                   *an approved medical residency training*  
17                   *program on or after September 1, 1993—*

18                           “(I) *for a resident who is in the*  
19                           *resident’s initial residency period, and*  
20                           *is in—*

21                                   “(aa) *a primary care resi-*  
22                                   *dency, the weighting factor is*  
23                                   *1.10, and*

24                                   “(bb) *any other residency,*  
25                                   *the weighting factor is 0.70, and*

1                   “(II) for a resident who is not in  
2                   the resident’s initial residency period,  
3                   the weighting factor is 0.50.”.

4           (b) INITIAL RESIDENCY PERIOD.—

5               (1) IN GENERAL.—Section 1886(h)(5)(F) (42  
6               U.S.C. 1395ww(h)(5)(F)) is amended by striking  
7               “plus one year”.

8               (2) EFFECTIVE DATE.—The amendment made by  
9               paragraph (1) shall be effective on and after July 1,  
10              1995.

11           (c) PRIMARY CARE RESIDENCY.—Section 1886(h)(5)  
12           (42 U.S.C. 1395ww(h)(5)) is amended by adding at the end  
13           the following new subparagraph:

14                   “(I) PRIMARY CARE RESIDENCY.—The term  
15                   ‘primary care residency’ means a residency  
16                   training program in family medicine, general  
17                   internal medicine, general pediatrics, preventive  
18                   care, geriatric care, or osteopathic general prac-  
19                   tice.”.

20           (d) PREVENTIVE CARE SERVICES AS PART OF INITIAL  
21           RESIDENCY PERIOD.—Section 1886(h)(5)(F)(ii) (42 U.S.C.  
22           1395ww(h)(5)(F)(ii)) is amended by inserting “or a pre-  
23           ventive care residency or fellowship program” after “fellow-  
24           ship program”.

1           (e) *SUCCESSOR EXAMS INCLUDED IN DEFINITION OF*  
2 *FMGEMS EXAMINATION.*—

3           (1) *IN GENERAL.*—Section 1886(h)(5)(E) is  
4 amended by inserting “or any successor examination”  
5 after “Medical Sciences”.

6           (2) *EFFECTIVE DATE.*—The amendment made by  
7 paragraph (1) shall apply as if included in the enact-  
8 ment of the Consolidated Omnibus Budget Reconcili-  
9 ation Act of 1985 (Public Law 99–272).

10          (f) *REPORT BY THE SECRETARY.*—

11           (1) *RECOMMENDATIONS.*—The Secretary shall  
12 make recommendations—

13           (A) concerning the extent to which variation  
14 in the approved FTE per resident amounts  
15 should be reduced;

16           (B) whether the approved FTE per resident  
17 amounts should be adjusted to account for sub-  
18 stantial changes in the operation of an approved  
19 medical residency training program since the  
20 base year calculation; and

21           (C) potential changes in the graduate medi-  
22 cal education payment system that would pro-  
23 mote residency training in nonhospital ambula-  
24 tory site.

1           (2) *REPORT.*—Not later than July 31, 1994, the  
2           Secretary shall deliver a report to Congress which  
3           shall contain recommendations on each of the matters  
4           under paragraph (1).

5   **SEC. 7302. REVISION OF HOME HEALTH AGENCY COST LIM-**  
6                                   **ITS.**

7           (a) *IN GENERAL.*—Section 1861(v)(1)(L) (42 U.S.C.  
8   1395x(v)(1)(L)(i)) is amended—

9                   (1) in clause (i), by striking “for cost reporting  
10           periods” and all that follows through to the period  
11           and inserting “110 percent of the median of the labor-  
12           related and nonlabor per visit costs for home health  
13           agencies.”, and

14                   (2) in clause (ii), by striking “specific basis,”  
15           and all that follows through “agencies.” and inserting  
16           “specific basis.”.

17           (b) *EFFECTIVE DATE.*—The amendments made by sub-  
18           section (a) shall apply to cost reporting periods beginning  
19           on or after October 1, 1993.

20   **SEC. 7303. MEDICARE AS SECONDARY PAYER.**

21           (a) *EXTENSION OF AND MODIFICATIONS TO DATA*  
22           *MATCH PROGRAM.*—(1)(A) Section 1862(b)(5)(C)(iii) (42  
23           U.S.C. 1395y(b)(5)(C)(iii)) is amended by striking “1995”  
24           and inserting “1998”.



1       (B) Section 6103(l)(12)(F) of the Internal Revenue  
2 Code of 1986 is amended—

3           (i) in clause (i), by striking “1995” and insert-  
4 ing “1998”,

5           (ii) in clause (ii)(I), by striking “1994” and in-  
6 serting “1997”, and

7           (iii) in clause (ii)(II), by striking “1995” and  
8 inserting “1998”.

9       (2)(A) Section 6103(l)(12)(B)(i) of the Internal Reve-  
10 nue Code of 1986 is amended by inserting “, above an  
11 amount (if any) specified by the Secretary of Health and  
12 Human Services,” after “section 3401(a)”.

13       (B) The matter in section 6103(l)(12)(B)(ii) of such  
14 Code preceding subclause (I) is amended by inserting “,  
15 above an amount (if any) specified by the Secretary of  
16 Health and Human Services,” after “wages”.

17       (C) The heading to section 6103(l)(12) of such Code  
18 is amended by striking “TAXPAYER IDENTITY” and insert-  
19 ing “RETURN”.

20       (3)(A) Section 6103(l)(12) of the Internal Revenue  
21 Code of 1986, as amended by paragraph (1), is amended—

22           (i) by redesignating subparagraphs (E) and (F)  
23 as subparagraphs (F) and (G), respectively, and

24           (ii) by inserting after subparagraph (D) the fol-  
25 lowing new subparagraph:

1           “(E) *DISCLOSURE CONCERNING ENFORCE-*  
2           *MENT ACTIVITIES.*—*The Secretary shall, upon*  
3           *written request from the Secretary of Health and*  
4           *Human Services, disclose to the Secretary of*  
5           *Health and Human Services the status of any*  
6           *activities undertaken (with respect to persons*  
7           *specified by the Secretary of Health and Human*  
8           *Services) to enforce the requirements of section*  
9           *5000.*”.

10          (B) *Section 6103(l)(12)(D)(i) of such Code is amended*  
11          *by striking “this paragraph” and inserting “subparagraphs*  
12          *(A) through (C)”.*

13          (C) *The heading to section 6103(l)(12) of such Code*  
14          *is amended by inserting “AND FOR FACILITATION OF EN-*  
15          *FORCEMENT OF MEDICARE SECONDARY PAYER REQUIRE-*  
16          *MENTS” before the period.*

17          (D) *Section 1862(b)(5)(C)(i) (42 U.S.C.*  
18          *1395y(b)(5)(C)(i)) is amended by striking*  
19          *“6103(l)(12)(D)(iii)” and inserting “6103(l)(12)(F)(iii)”.*

20          (b) *PERMANENT APPLICATION TO DISABLED ACTIVE*  
21          *INDIVIDUALS.*—*Section 1862(b)(1)(B) (42 U.S.C.*  
22          *1395y(b)(1)(B)) is amended by striking clause (iii).*

23          (c) *APPLICATION OF ESRD RULES TO CERTAIN AGED*  
24          *AND DISABLED BENEFICIARIES AND INCREASE IN MEDI-*  
25          *CARE SECONDARY PAYER COVERAGE FOR ESRD SERVICES*

1 TO 24-MONTHS.—(1) Subparagraphs (A)(iv) and (B)(ii) of  
2 section 1862(b)(1) (42 U.S.C. 1395y(b)(1)) are each amend-  
3 ed—

4 (A) by striking “Clause (i) shall not apply” and  
5 inserting “Subparagraph (C) shall apply instead of  
6 clause (i)”, and

7 (B) by inserting “(without regard to entitlement  
8 under section 226)” after “individual is, or”.

9 (2) Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C))  
10 is amended—

11 (A) in the second sentence, by striking “on or be-  
12 fore January 1, 1996” and inserting before “January  
13 1, 1994”, and

14 (B) by adding at the end the following: “Effec-  
15 tive for items and services furnished on or after Janu-  
16 ary 1, 1994, and before October 1, 1998, (with respect  
17 to periods beginning on or after July 1, 1992), this  
18 subparagraph shall be applied by substituting ‘24-  
19 month’ for ‘12-month’ each place it appears.”.

20 (d) APPLICATION OF EXCISE TAX TO FAILURE TO RE-  
21 IMBURSE FEDERAL GOVERNMENT.—

22 (1) IN GENERAL.—Section 5000(c) of the Inter-  
23 nal Revenue Code of 1986 is amended by striking “of  
24 section 1862(b)(1)” and inserting “of paragraph (1),

1       or with the requirements of paragraph (2), of section  
2       1862(b).”.

3               (2) *EFFECTIVE DATE.*—The amendment made by  
4       paragraph (1) shall apply to demands for repayment  
5       issued after the date of the enactment of this Act.

6               (e) *RETROACTIVE EXEMPTION FOR CERTAIN SITUA-*  
7       *TIONS INVOLVING RELIGIOUS ORDERS.*—Section  
8       1862(b)(1)(D) of the Social Security Act (42 U.S.C.  
9       1395y(b)(1)(D)) applies, with respect to items and services  
10       furnished before October 1, 1989, to any claims that the  
11       Secretary of Health and Human Services had not identified  
12       before that date as subject to the provisions of this sub-  
13       section.

14              (f) *UNIFORM RULES FOR SIZE OF EMPLOYER.*—(1)  
15       Section 1862(b)(1) (42 U.S.C. 1395y(b)(1)) is amended by  
16       adding at the end the following new subparagraph:

17                       “(E) *GENERAL PROVISIONS.*—

18                               “(i) *EXCLUSION OF GROUP HEALTH*  
19       *PLAN OF A SMALL EMPLOYER.*—Subpara-  
20       graphs (A) through (C) shall not apply to  
21       a group health plan unless the plan is a  
22       plan of, or contributed to by, an employer  
23       or employee organization that has 20 or  
24       more individuals in current employment  
25       status for each working day in each of 20

1           or more calendar weeks in the current cal-  
2           endar year or the preceding calendar year.

3           “(ii) *EXCEPTION FOR SMALL EMPLOY-*  
4           *ERS IN MULTIEMPLOYER OR MULTIPLE EM-*  
5           *PLOYER GROUP HEALTH PLANS.*—Subpara-  
6           *graphs (A) through (C) shall not apply with*  
7           *respect to individuals enrolled in a multi-*  
8           *employer or multiple employer group health*  
9           *plan if the coverage of the individuals under*  
10          *the plan is by virtue of current employment*  
11          *status with an employer that does not have*  
12          *20 or more individuals in current employ-*  
13          *ment status for each working day in each of*  
14          *20 or more calendar weeks in the current*  
15          *calendar year or the preceding calendar*  
16          *year; but the exception provided in this*  
17          *clause applies only if the plan elects treat-*  
18          *ment under this clause.*

19          “(iii) *SPECIAL RULES.*—For purposes  
20          of clauses (i) and (ii)—

21                 “(I) *all employees of corporations*  
22                 *which are members of a controlled*  
23                 *group of corporations (within the*  
24                 *meaning of section 1563(a) of the In-*  
25                 *ternal Revenue Code of 1986, deter-*

1            *mined without regard to section*  
2            *1563(a)(4) or section (e)(3)(C) of such*  
3            *Code), shall be treated as employed by*  
4            *a single employer,*

5            *“(II) all employees of trades or*  
6            *businesses (whether or not incor-*  
7            *porated) which are under common con-*  
8            *trol (under regulations prescribed by*  
9            *the Secretary of the Treasury under*  
10           *section 414(c) of such Code) shall be*  
11           *treated as employed by a single em-*  
12           *ployer,*

13           *“(III) all employees of the mem-*  
14           *bers of an affiliated service group (as*  
15           *defined in section 414(m) of such*  
16           *Code) shall be treated as employed by*  
17           *a single employer, and*

18           *“(IV) leased employees (as defined*  
19           *in section 414(n)(2) of such Code) shall*  
20           *be treated as employees of the person*  
21           *for whom they perform services to the*  
22           *extent they are so treated under section*  
23           *414(n) of such Code.*

24           *In applying sections of the Internal Reve-*  
25           *nue Code under this clause, the Secretary*

1           *shall rely upon regulations and decisions of*  
2           *the Secretary of the Treasury respecting*  
3           *such sections.”.*

4           “(iv) *GROUP HEALTH PLAN DE-*  
5           *FINED.—For purposes of this subsection, the*  
6           *term ‘group health plan’ has the meaning*  
7           *given such term in section 5000(b) of the*  
8           *Internal Revenue Code of 1986, without re-*  
9           *gard to section 5000(d) of such Code.*

10           “(v) *CURRENT EMPLOYMENT STATUS*  
11           *DEFINED.—For purposes of this subsection,*  
12           *an individual has ‘current employment sta-*  
13           *tus’ with an employer if the individual is*  
14           *an employee, is the employer, or is associ-*  
15           *ated with the employer in a business rela-*  
16           *tionship.*

17           “(vi) *EMPLOYER DEFINED.—For pur-*  
18           *poses of this subsection, the term ‘employer’*  
19           *includes a self-employed person.”.*

20           (2)(A) *Section 1862(b)(1)(A)(i)(I) (42 U.S.C.*  
21 *1395y(b)(1)(A)(i)(I)) is amended to read as follows:*

22                           “(I) *may not take into account*  
23                           *that an individual (or the individual’s*  
24                           *spouse) who is covered under the plan*  
25                           *by virtue of the individual’s current*

1                    *employment status with an employer is*  
2                    *entitled to benefits under this title*  
3                    *under section 226(a), and”.*

4            (B)    Section    1862(b)(1)(A)(i)(II)    (42    U.S.C.  
5    1395y(b)(1)(A)(i)(II)) *is amended to read as follows:*

6                    “(II) shall provide that any indi-  
7                    *vidual age 65 or over (and the individ-*  
8                    *ual’s spouse age 65 or older) who is*  
9                    *covered under the plan by virtue of the*  
10                   *individual’s current employment status*  
11                   *with an employer shall be entitled to*  
12                   *the same benefits under the plan under*  
13                   *the same conditions as any such indi-*  
14                   *vidual (or spouse) under age 65.”.*

15            (C) Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)),  
16 *as amended by subsection (c)(1), is amended—*

17                    (i) *by striking clauses (ii), (iii), and (v), and*

18                    (ii) *by redesignating clause (iv) as clause (ii).*

19            (3)(A)    Section    1862(b)(1)(B)    (42    U.S.C.  
20    1395y(b)(1)(B)(i)) *is amended—*

21                    (i) *by striking the heading and inserting the fol-*  
22                    *lowing new heading:*

23                    “(B) *DISABLED INDIVIDUALS UNDER GROUP*  
24                    *HEALTH PLANS.—*”, *and*



1           (ii) by striking clause (i) and inserting the fol-  
2           lowing new clause:

3                   “(i) *IN GENERAL.*—A group health plan  
4                   may not take into account that an individual  
5                   (or a member of the individual’s family) who is  
6                   covered under the plan by virtue of the individ-  
7                   ual’s current employment status with an em-  
8                   ployer is entitled to benefits under this title  
9                   under section 226(b).”.

10           (B) Section 1862(b)(1)(B) (42 U.S.C. 1395y(b)(1)(B))  
11           is amended by striking clause (iv).

12           (4) Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C))  
13           is amended—

14                   (A) in the matter preceding clause (i), by strik-  
15                   ing “(as defined in subparagraph (A)(v))”.

16                   (B) by striking “solely” each place it appears,

17                   (C) by striking “by reason of” and inserting  
18                   “under” each place it appears, and

19                   (D) by inserting “or eligible for” after “entitled  
20                   to” the first and last place it appears.

21           (5) The second sentence of section 1862(b)(2)(A) (42  
22           U.S.C. 1395y(b)(2)(A)) is amended by striking “or large  
23           group health plan”.

1        (6)(A) Subsection (a) of section 5000 of the Internal  
2 Revenue Code of 1986 is amended by inserting “(including  
3 a self-employed person)” after “employer”;

4        (B) Subsection (b) of section 5000 of such Code is  
5 amended to read as follows:

6        “(b) GROUP HEALTH PLAN.—The term ‘group health  
7 plan’ means a plan (including a self-insured plan) of, or  
8 contributed to by, an employer (including a self-employed  
9 person) or employee organization to provide health care  
10 (directly or otherwise) to the employees, former employees,  
11 the employer, others associated or formerly associated with  
12 the employer in a business relationship, or their families.”;  
13 and

14        (C) Subsection (c) of section 5000 of such Code by  
15 striking “or large group health plan”.

16        (D) Section 6103(l)(12)(F)(ii) of such Code (as reded-  
17 igned by subsection (a)(3)(A)(i) of this section) is amend-  
18 ed to read as follows:

19                               “(ii) GROUP HEALTH PLAN.—The term  
20                               ‘group health plan’ means any group health  
21                               plan (as defined in section 5000(b)).”.

22        (g) EFFECTIVE DATE.—The amendments made by sub-  
23 sections (c)(1), (d), and (f) apply to items and services fur-  
24 nished after the third calendar month beginning after the  
25 date of enactment of this Act.

1 **SEC. 7304. EXTENSION OF SELF-REFERRAL BAN TO ADDI-**  
2 **TIONAL SPECIFIED SERVICES.**

3 (a) *EXTENSION TO DESIGNATED HEALTH SERV-*  
4 *ICES.—*

5 (1) *IN GENERAL.—Section 1877(h) (42 U.S.C.*  
6 *1395nn(h)) is amended by adding at the end the fol-*  
7 *lowing new paragraph:*

8 “(8) *DESIGNATED HEALTH SERVICES.—The term*  
9 *‘designated health services’ means—*

10 “(A) *clinical laboratory services;*

11 “(B) *physical or occupational therapy serv-*  
12 *ices;*

13 “(C) *radiology or other diagnostic services;*

14 “(D) *radiation therapy services;*

15 “(E) *the furnishing of durable medical*  
16 *equipment;*

17 “(F) *the furnishing of parenteral and en-*  
18 *teral nutrition nutrients, supplies, and equip-*  
19 *ment;*

20 “(G) *home health services; and*

21 “(H) *the furnishing of prosthetics, orthotics,*  
22 *and prosthetic devices.”.*

23 (2) *CONFORMING AMENDMENTS.—Section 1877*  
24 *(42 U.S.C. 1395nn) is amended—*

25 (A) *by striking “clinical laboratory serv-*  
26 *ices” and “CLINICAL LABORATORY SERVICES”*

1           and inserting “designated health services” and  
2           “DESIGNATED HEALTH SERVICES”, respectively,  
3           each place either appears in subsections (a)(1),  
4           (b)(2)(A)(ii), (d)(1), (d)(2), and (d)(3); and  
5           (B) by striking “clinical laboratory service”  
6           and inserting “designated health service” each  
7           place it appears in subsections (g)(1) and  
8           (h)(7)(B).

9           (b) MODIFICATION TO EXCEPTION FOR IN-OFFICE AN-  
10          CILLARY SERVICES.—Section 1877(b)(2) (42 U.S.C.  
11          1395nn(b)(2)) is amended—

12           (1) by inserting “(other than durable medical  
13           equipment and parenteral and enteral nutrition  
14           equipment and supplies)” after “services” the first  
15           place it appears; and

16           (2) in subparagraph (A)(ii)(II), by striking  
17           “centralized provision” and inserting “provision of  
18           some or all”.

19           (c) TREATMENT OF COMPENSATION ARRANGE-  
20          MENTS.—

21           (1) RENTAL OF OFFICE SPACE AND EQUIP-  
22          MENT.—

23           (A) IN GENERAL.—Paragraph (1) of section  
24           1877(e) (42 U.S.C. 1395nn(e)) is amended to  
25           read as follows:

1           “(1) RENTAL OF OFFICE SPACE; RENTAL OF  
2 EQUIPMENT.—

3           “(A) OFFICE SPACE.—Payments made by a  
4 lessee to a lessor for the use of premises if—

5           “(i) the lease is set out in writing,  
6 signed by the parties, and specifies the  
7 premises covered by the lease,

8           “(ii) the space rented or leased is rea-  
9 sonable and necessary for the legitimate  
10 business purposes of the lease or rental and  
11 is used exclusively by the lessee when being  
12 used by the lessee, except that the lessee may  
13 make payments for the use of space consist-  
14 ing of common areas if such payments do  
15 not exceed the lessee’s pro rata share of ex-  
16 penses for such space based upon the ratio  
17 of the space used exclusively by the lessee to  
18 the total amount of space (other than com-  
19 mon areas) occupied by all persons using  
20 such common areas,

21           “(iii) the lease provides for a term of  
22 rental or lease for at least one year,

23           “(iv) the rental charges over the term  
24 of the lease are set in advance, are consist-  
25 ent with fair market value, and are not de-

1           *terminated in a manner that takes into ac-*  
2           *count the volume or value of any referrals*  
3           *or other business generated between the par-*  
4           *ties,*

5           “(v) *the lease would be commercially*  
6           *reasonable even if no referrals were made*  
7           *between the parties,*

8           “(vi) *the lease covers all of the premises*  
9           *leased between the parties for the period of*  
10          *the lease, and*

11          “(vii) *the compensation arrangement*  
12          *meets such other requirements as the Sec-*  
13          *retary may impose by regulation as needed*  
14          *to protect against program or patient abuse.*

15          “(B) *EQUIPMENT.—Payments made by a*  
16          *lessee of equipment to the lessor of the equipment*  
17          *for the use of the equipment if—*

18               “(i) *the lease is set out in writing,*  
19               *signed by the parties, and specifies the*  
20               *equipment covered by the lease,*

21               “(ii) *the equipment rented or leased is*  
22               *reasonable and necessary for the legitimate*  
23               *business purposes of the lease or rental and*  
24               *is used exclusively by the lessee when being*  
25               *used by the lessee,*

1           “(iii) the lease provides for a term of  
2           rental or lease of at least one year,

3           “(iv) the rental charges over the term  
4           of the lease are set in advance, are consist-  
5           ent with fair market value, and are not de-  
6           termined in a manner that takes into ac-  
7           count the volume or value of any referrals  
8           or other business generated between the par-  
9           ties,

10          “(v) the lease would be commercially  
11          reasonable even if no referrals were made  
12          between the parties,

13          “(vi) the lease covers all of the equip-  
14          ment leased between the parties for the pe-  
15          riod of the lease, and

16          “(vii) the compensation arrangement  
17          meets such other requirements as the Sec-  
18          retary may impose by regulation as needed  
19          to protect against program or patient  
20          abuse.”.

21          (B) *CONFORMING AMENDMENT.*—Section  
22          1877(h) (42 U.S.C. 1395nn(h)) is amended by  
23          striking paragraphs (5) and (6) and by redesign-  
24          ating paragraphs (7) and (8) (as added by sub-

1           *section (a)(1)) as paragraphs (5) and (6), respec-*  
2           *tively.*

3           (2) *BONA FIDE EMPLOYMENT RELATIONSHIPS.*—  
4           *Section 1877(e)(2) (42 U.S.C. 1395nn(e)(2)) is*  
5           *amended—*

6                   (A) *by striking “AND SERVICE” and “WITH*  
7                   *HOSPITALS”;*

8                   (B) *by striking “An arrangement” and all*  
9                   *that follows through “if” and inserting “Any*  
10                   *amount paid by an employer to a physician (or*  
11                   *an immediate family member of such physician)*  
12                   *who has a bona fide employment relationship*  
13                   *with the employer for the provision of services*  
14                   *if”;*

15                   (C) *in subparagraphs (A), (B), and (D), by*  
16                   *striking “arrangement” and inserting “employ-*  
17                   *ment relationship”;*

18                   (D) *in subparagraph (C), by striking “hos-*  
19                   *pital” and inserting “employer”;* and

20                   (E) *by adding at the end the following new*  
21                   *flush sentence:*

22                   *“Subparagraph (B)(ii) shall not be construed as pro-*  
23                   *hibiting the payment of remuneration in the form of*  
24                   *a productivity bonus based on services performed per-*



1 *sonally by the physician (or an immediate family*  
2 *member of such physician).”.*

3 (3) *PERSONAL SERVICE ARRANGEMENTS.*—*Sec-*  
4 *tion 1877(e)(3) (42 U.S.C. 1395nn(e)(3)) is amended*  
5 *to read as follows:*

6 “(3) *SERVICE ARRANGEMENTS.*—

7 “(A) *PERSONAL SERVICE ARRANGE-*  
8 *MENTS.*—*Remuneration from an entity under an*  
9 *arrangement if—*

10 “(i) *the arrangement is set out in writ-*  
11 *ing, signed by the parties, and specifies the*  
12 *services covered by the arrangement,*

13 “(ii) *the arrangement covers all of the*  
14 *services to be provided,*

15 “(iii) *the aggregate services contracted*  
16 *for do not exceed those that are reasonable*  
17 *and necessary for the legitimate business*  
18 *purposes of the arrangement,*

19 “(iv) *the term of the arrangement is*  
20 *for at least one year,*

21 “(v) *the compensation to be paid over*  
22 *the term of the arrangement is set in ad-*  
23 *vance, does not exceed fair market value,*  
24 *and is not determined in a manner that*  
25 *takes into account the volume or value of*

1           *any referrals or other business generated be-*  
2           *tween the parties,*

3           “(vi) *the services to be performed under*  
4           *the arrangement do not involve the counsel-*  
5           *ing or promotion of a business arrangement*  
6           *of other activity that violates any State or*  
7           *Federal law, and*

8           “(vii) *the arrangement meets such*  
9           *other requirements as the Secretary may*  
10           *impose by regulation as needed to protect*  
11           *against program or patient abuse.*

12           “(B) *OTHER SERVICE ARRANGEMENTS.—*  
13           *Remuneration from an entity under an arrange-*  
14           *ment if—*

15           “(i) *the arrangement is—*

16           “(I) *for specific identifiable serv-*  
17           *ices as the medical director or as a*  
18           *member of a medical advisory board at*  
19           *the entity pursuant to a requirement of*  
20           *this title,*

21           “(II) *for specific identifiable phy-*  
22           *sicians’ services to be furnished to an*  
23           *individual receiving hospice care if*  
24           *payment for such services may only be*  
25           *made under this title as hospice care,*

1                   “(III) for specific physicians’  
2                   services furnished to a nonprofit blood  
3                   center, or

4                   “(IV) for specific identifiable ad-  
5                   ministrative services (other than direct  
6                   patient care services), but only under  
7                   exceptional circumstances specified by  
8                   the Secretary in regulations;

9                   “(ii) the requirements described in sub-  
10                  paragraphs (B) and (C) of paragraph (2)  
11                  are met with respect to the entity in the  
12                  same manner as they apply to an employer;  
13                  and

14                  “(iii) the arrangement meets such other  
15                  requirements as the Secretary may impose  
16                  by regulation as needed to protect against  
17                  program or patient abuse.”.

18                  (4) HEALTH SERVICES FURNISHED UNDER CER-  
19                  TAIN HOSPITAL ARRANGEMENTS.—Section 1877(e) (42  
20                  U.S.C. 1395nn(e)) is amended by adding at the end  
21                  the following new paragraph:

22                  “(7) CERTAIN GROUP PRACTICE ARRANGEMENTS  
23                  WITH A HOSPITAL.—

24                  “(A) IN GENERAL.—An arrangement be-  
25                  tween a hospital and a group under which des-

1           *ignated health services are provided by the group*  
2           *but are billed by the hospital if—*

3                   “(i) *the group would be a group prac-*  
4                   *tice, but for the fact that it bills for such*  
5                   *services through the hospital;*

6                   “(ii) *with respect to services provided*  
7                   *to an inpatient of the hospital, the arrange-*  
8                   *ment is pursuant to the provision of inpa-*  
9                   *tient hospital services under section*  
10                   *1861(b)(3);*

11                   “(iii) *the arrangement began before*  
12                   *December 19, 1989, and has continued in*  
13                   *effect without interruption since such date;*

14                   “(iv) *the group provides substantially*  
15                   *all of the designated health services fur-*  
16                   *nished under the arrangement to the hos-*  
17                   *pital’s patients;*

18                   “(v) *the arrangement is pursuant to*  
19                   *an agreement that is set out in writing and*  
20                   *that specifies the services to be provided by*  
21                   *the parties and the compensation for serv-*  
22                   *ices provided under the arrangement;*

23                   “(vi) *the compensation paid over the*  
24                   *term of the agreement is consistent with fair*  
25                   *market value and the compensation per*

1            *unit of services is fixed in advance and is*  
2            *not determined in a manner that takes into*  
3            *account the volume or value of any referrals*  
4            *or other business generated between the par-*  
5            *ties;*

6            *“(vii) the compensation is provided*  
7            *pursuant to an agreement which would be*  
8            *commercially reasonable even if no referrals*  
9            *were made to the entity; and*

10           *“(viii) the arrangement between the*  
11           *parties meets such other requirements as the*  
12           *Secretary may impose by regulation as*  
13           *needed to protect against program or pa-*  
14           *tient abuse.”.*

15           *(5) ADDITIONAL EXCEPTION.—Section 1877(e)*  
16           *(42 U.S.C. 1395nn(e)) is further amended by adding*  
17           *at the end the following new paragraph:*

18           *“(8) PAYMENTS BY A PHYSICIAN FOR ITEMS AND*  
19           *SERVICES.—Payments made by a physician—*

20           *“(A) to a laboratory in exchange for the*  
21           *provision of clinical laboratory diagnostic tests,*  
22           *or*

23           *“(B) to an entity as compensation for other*  
24           *items or services if the items or services are fur-*

1           nished at a price that is consistent with fair  
2           market value.”.

3           (6) *REFERRING PHYSICIANS.*—Subparagraph (C)  
4           of section 1877(h)(5) (42 U.S.C. 1395nn(h)(5)), as re-  
5           designated by subsection (c)(1)(B), is amended—

6                   (A) by inserting “a request by a radiologist  
7                   for diagnostic radiology services, and a request  
8                   by a radiation oncologist for radiation therapy,”  
9                   after “examination services,” and

10                   (B) by inserting “, radiologist, or radiation  
11                   oncologist” after “pathologist” the second place it  
12                   appears.

13           (7) *CONFORMING AMENDMENT.*—Section 1877(b)  
14           (42 U.S.C. 1395nn(b)) is amended by striking para-  
15           graph (4) and redesignating paragraph (5) as para-  
16           graph (4).

17           (d) *REQUIREMENTS FOR GROUP PRACTICE.*—

18                   (1) *ADDITIONAL REQUIREMENTS.*—Section  
19                   1877(h)(4) (42 U.S.C. 1395nn(h)(4)) is amended to  
20                   read as follows:

21                           “(4) *GROUP PRACTICE.*—

22                                   “(A) *DEFINITION OF GROUP PRACTICE.*—  
23                                   The term ‘group practice’ means a group of 2 or  
24                                   more physicians legally organized as a partner-  
25                                   ship, professional corporation, foundation, not-

1           *for-profit corporation, faculty practice plan, or*  
2           *similar association—*

3                     “(i) *in which each physician who is a*  
4                     *member of the group provides substantially*  
5                     *the full range of services which the physi-*  
6                     *cian routinely provides, including medical*  
7                     *care, consultation, diagnosis, or treatment,*  
8                     *through the joint use of shared office space,*  
9                     *facilities, equipment and personnel;*

10                    “(ii) *for which substantially all of the*  
11                    *services of the physicians who are members*  
12                    *of the group are provided through the group*  
13                    *and are billed in the name of the group and*  
14                    *amounts so received are treated as receipts*  
15                    *of the group;*

16                    “(iii) *in which the overhead expenses of*  
17                    *and the income from the practice are dis-*  
18                    *tributed in accordance with methods pre-*  
19                    *viously determined by members of the*  
20                    *group;*

21                    “(iv) *except as provided in subpara-*  
22                    *graph (B)(i), in which no physician who is*  
23                    *a member of the group directly or indirectly*  
24                    *receives compensation based on the volume*  
25                    *or value of referrals by the physician;*

1           “(v) in which, on average, there are no  
2           less than 5 physicians per office location,  
3           but if a group has less than 15 physicians  
4           such group may have up to 3 office loca-  
5           tions any one of which may have less than  
6           5 physicians;

7           “(vi) in which members of the group  
8           personally conduct no less than 75 percent  
9           of the physician-patient encounters of the  
10          group practice; and

11          “(vii) which meets such other stand-  
12          ards as the Secretary may impose by regu-  
13          lation.

14          “(B) SPECIAL RULES.—

15                 “(i) PROFITS AND PRODUCTIVITY BO-  
16                 NUSES.—A physician in a group practice  
17                 may be paid a share of overall profits of the  
18                 group, or a productivity bonus based on  
19                 services personally performed or services in-  
20                 cident to such personally performed services,  
21                 so long as the share or bonus is not deter-  
22                 mined in any manner which is directly re-  
23                 lated to the volume or value of referrals by  
24                 such physician.



1           “(ii) *FACULTY PRACTICE PLANS.*—In  
2           *the case of a faculty practice plan associ-*  
3           *ated with a hospital, institution of higher*  
4           *education, or medical school with an ap-*  
5           *proved medical residency training program*  
6           *in which physician members may provide a*  
7           *variety of different specialty services and*  
8           *provide professional services both within*  
9           *and outside the group, as well as perform*  
10           *other tasks such as research, subparagraph*  
11           *(A) shall be applied only with respect to the*  
12           *services provided within the faculty practice*  
13           *plan.*

14           “(C) *DEFINITION OF OFFICE LOCATION.*—  
15           *For purposes of this paragraph, the term ‘office*  
16           *location’ means an office where physician serv-*  
17           *ices are offered to patients except that—*

18           “(i) *such term does not include—*

19           “(I) *a location consisting solely of a*  
20           *diagnostic facility, nursing facility, or*  
21           *treatment facility such as a physical or oc-*  
22           *cupational therapy center, or a facility pro-*  
23           *viding administrative services affiliated*  
24           *with the group practice; or*

1           “(II) an office located in a rural area  
2           (as defined in section 1886(d)(2)(D)) if at  
3           least 85 percent of the physicians’ services  
4           furnished at the location are furnished to  
5           individuals who reside in such a rural area;  
6           and

7           “(ii) any office location which is located  
8           immediately adjacent to another office location  
9           shall be treated as the same office location.”.

10           (2) *USE OF BILLING NUMBERS, ETC.*—Section  
11           1877 (42 U.S.C. 1395nn) is amended—

12           (A) in subsection (b)(2)(B), by inserting  
13           “under a billing number assigned to the group  
14           practice” after “member”,

15           (B) in subsection (h)(4)(A)(ii), as added by  
16           subsection (d)(1), by inserting “and under a bill-  
17           ing number assigned to the group” after “in the  
18           name of the group”, and

19           (C) in subsection (h)(4)(A)(iii), as so added,  
20           by striking “by members of the group”.

21           (3) *CONFORMING AMENDMENT.*—Section 1877(h)  
22           (42 U.S.C. 1395nn(h)) is amended by striking “DEFI-  
23           NITIONS.—” and inserting “DEFINITIONS AND SPE-  
24           CIAL RULES.—”.

1           (e) *EXPANDING RURAL PROVIDER EXCEPTION TO*  
2 *COVER COMPENSATION ARRANGEMENTS.*—

3           (1) *IN GENERAL.*—*Section 1877(b) (42 U.S.C.*  
4 *1395nn(b)) is amended—*

5                   (A) *by redesignating paragraph (4), as re-*  
6 *designated by subsection (c)(7), as paragraph*  
7 *(5), and*

8                   (B) *by inserting after paragraph (3) the fol-*  
9 *lowing new paragraph:*

10                   “(4) *RURAL PROVIDERS.*—*In the case of des-*  
11 *ignated health services if—*

12                           “(A) *the services are furnished in a rural*  
13 *area (as defined in section 1886(d)(2)(D)), and*

14                           “(B) *substantially all of the services fur-*  
15 *nished by the entity furnishing the services de-*  
16 *scribed in subparagraph (A) are furnished to in-*  
17 *dividuals entitled to benefits under this title who*  
18 *reside in such a rural area.”.*

19           (2) *CONFORMING AMENDMENTS.*—*Section*  
20 *1877(d) (42 U.S.C. 1395nn(d)) is amended—*

21                   (A) *by striking paragraph (2), and*

22                   (B) *by redesignating paragraph (3) as*  
23 *paragraph (2).*

1           (f) *EXEMPTION OF COMPENSATION ARRANGEMENTS*  
2 *INVOLVING CERTAIN TYPES OF REMUNERATION.*—Section  
3 *1877(h)(1) (42 U.S.C. 1395nn(h)(1)) is amended—*

4           (1) *in subparagraph (A), by inserting before the*  
5 *period at the end the following: “other than an ar-*  
6 *rangement involving only remuneration described in*  
7 *subparagraph (C)”*, and

8           (2) *by adding at the end the following new sub-*  
9 *paragraph:*

10           “*(C) Remuneration described in this subpara-*  
11 *graph is any remuneration consisting of any of the*  
12 *following:*

13           “*(i) The forgiveness of amounts owed for in-*  
14 *accurate tests or procedures, mistakenly per-*  
15 *formed tests or procedures, or the correction of*  
16 *minor billing errors.*

17           “*(ii) The provision of items, devices, or sup-*  
18 *plies of minor value that are used to—*

19           “*(I) collect, transport, process, or store*  
20 *specimens for the entity providing the item,*  
21 *device, or supply, or*

22           “*(II) communicate the results of tests*  
23 *or procedures for such entity.”*

1       (g) *EXCEPTION FOR PUBLICLY-TRADED SECURI-*  
2 *TIES.*—Section 1877(c) (42 U.S.C. 1395nn(c)) is amend-  
3 *ed—*

4           (1) *in the matter preceding paragraph (1), by*  
5 *striking “on terms generally available to the public”*  
6 *and inserting “through public trading on a public ex-*  
7 *change or which were inherited”; and*

8           (2) *in paragraph (2), by striking “total assets*  
9 *exceeding \$100,000,000” and inserting “stockholder*  
10 *equity exceeding \$75,000,000”.*

11       (h) *MISCELLANEOUS AND TECHNICAL CORREC-*  
12 *TIONS.*—Section 1877 (42 U.S.C. 1395nn) is amended—

13           (1) *in subsection (b)(2)(A)(i), by striking “who*  
14 *are employed by such physician or group practice*  
15 *and who are personally” and inserting “who are di-*  
16 *rectly”;*

17           (2) *in the fourth sentence of subsection (f)—*

18               (A) *by striking “provided” and inserting*  
19 *“furnished”, and*

20               (B) *by striking “provides” and inserting*  
21 *“furnish”;*

22           (3) *in the last sentence of subsection (f)—*

23               (A) *by striking “providing” each place it*  
24 *appears and inserting “furnishing”;*

1           (B) by striking “with respect to the provid-  
2           ers” and inserting “with respect to the entities”,  
3           and

4           (C) by striking “diagnostic imaging services  
5           of any type” and inserting “magnetic resonance  
6           imaging, computerized axial tomography scans,  
7           and ultrasound services”; and

8           (4) in subsection (a)(2)(B), by striking “sub-  
9           section (h)(1)(A)” and inserting “subsection (h)(1)”.

10          (i) *EFFECTIVE DATES.*—

11           (1) *Except as provided in paragraph (2), the*  
12           *amendments made by this section shall apply to refer-*  
13           *als made on or after January 1, 1992.*

14           (2) *The amendments made by subsection (a)*  
15           *apply with respect to a referral by a physician for*  
16           *designated health services (as defined in section*  
17           *1877(h)(6) of the Social Security Act) made after De-*  
18           *cember 31, 1994.*

19          **SEC. 7305. REDUCTION IN PAYMENT FOR ERYTHROPOIETIN.**

20           (a) *IN GENERAL.*—Section 1881(b)(11)(B)(ii)(I) (42  
21          U.S.C. 1395rr(b)(11)(B)(ii)(I)) is amended—

22           (1) by striking “1991” and inserting “1994”,  
23           and

24           (2) by striking “\$11” and inserting “\$10”.

1       (b) *EFFECTIVE DATE.*—The amendments made by sub-  
2 section (a) apply to erythropoietin furnished after 1993.

### 3       **Subtitle B—Medicaid Program**

#### 4       **PART I—PROGRAM SAVINGS PROVISIONS**

##### 5       **Subpart A—Repeal of Mandate**

#### 6       **SEC. 7401. PERSONAL CARE SERVICES FURNISHED OUT-** 7       **SIDE THE HOME AS OPTIONAL BENEFIT.**

8       (a) *IN GENERAL.*—Section 1905(a) (42 U.S.C.  
9 1396d(a)), as amended by subsection (b), is amended—

10           (1) in paragraph (7), by striking “including per-  
11 sonal care services” and all that follows through  
12 “nursing facility”;

13           (2) in paragraph (23), by striking “and” at the  
14 end;

15           (3) by redesignating paragraph (24) as para-  
16 graph (25); and

17           (4) by inserting after paragraph (23) the follow-  
18 ing new paragraph:

19           “(24) personal care services furnished to an indi-  
20 vidual who is not an inpatient or resident of a nurs-  
21 ing facility or other medical institution that are (A)  
22 authorized by a physician for the individual in ac-  
23 cordance with a plan of treatment, (B) provided by  
24 an individual who is qualified to provide such serv-  
25 ices and who is not a member of the individual’s fam-

1        *ily, (C) supervised by a registered nurse, and (D) fur-*  
2        *nished in a home or other location; and”.*

3        *(b) REDESIGNATIONS TO PARAGRAPHS ADDED BY*  
4        *OBRA–1990.—Section 1905(a) (42 U.S.C. 1396d(a)) is*  
5        *amended—*

6            *(1) by striking “and” at the end of paragraph*  
7            *(21);*

8            *(2) in paragraph (24), by striking the comma at*  
9            *the end and inserting “; and”; and*

10           *(3) by redesignating paragraphs (22), (23), and*  
11           *(24) as paragraphs (24), (22), and (23), respectively,*  
12           *and by transferring and inserting paragraph (24), as*  
13           *so redesignated, after paragraph (23), as so redesign-*  
14           *ated.*

15        *(c) CONFORMING AMENDMENTS.—(1) Section*  
16        *1902(a)(10)(C)(iv) (42 U.S.C. 1396a(a)(10)(C)(iv)) is*  
17        *amended by striking “through (21)” and inserting “through*  
18        *(24)”.*

19           *(2) Section 1902(j) (42 U.S.C. 1396a(j)) is amended*  
20           *by striking “through (22)” and inserting “through (25)”.*

21        *(d) EFFECTIVE DATE.—The amendments made by this*  
22        *section shall take effect as if included in the enactment of*  
23        *OBRA–1990.*



1           **Subpart B—Outpatient Prescription Drugs**

2   **SEC. 7411. PERMITTING PRESCRIPTION DRUG**  
3           **FORMULARIES UNDER STATE PLANS.**

4           (a) *ELIMINATION OF PROHIBITION AGAINST USE OF*  
5 *FORMULARIES.*—Paragraph (54) of section 1902(a) (42  
6 *U.S.C. 1396a(a)*) is amended to read as follows:

7           “(54) in the case of a State plan that provides  
8           *medical assistance for covered outpatient drugs (as*  
9           *defined in section 1927(k)), comply with the applica-*  
10           *ble requirements of section 1927;”.*

11           (b) *STANDARDS FOR FORMULARIES.*—Section 1927(d)  
12 (*42 U.S.C. 1396r-8(d)*), as amended by section 7412(a), is  
13 amended—

14           (1) by adding at the end of paragraph (1) the  
15           *following new subparagraph:*

16           “(C) *In the case of a State that establishes a for-*  
17           *mulary in accordance with paragraph (6), the State*  
18           *may exclude coverage of a covered outpatient drug*  
19           *that is not included in the formulary.”; and*

20           (2) by inserting after paragraph (5) the follow-  
21           *ing new paragraph:*

22           “(6) *REQUIREMENTS FOR FORMULARIES.*—A  
23           *State may establish a formulary only if the following*  
24           *requirements are met:*

25           “(A) *The formulary is developed by a com-*  
26           *mittee consisting of physicians, pharmacists, and*

1           *other appropriate individuals appointed by the*  
2           *Governor of the State or, at the option of the*  
3           *State, the State's drug use review board estab-*  
4           *lished under subsection (g)(3).*

5           “(B) *The formulary includes each covered*  
6           *outpatient drug of a manufacturer which has en-*  
7           *tered into and complies with an agreement under*  
8           *subsection (a) unless the drug is contained in the*  
9           *list referred to in paragraph (2) or excluded in*  
10          *accordance with subparagraph (C).*

11          “(C)(i) *The committee may exclude a cov-*  
12          *ered outpatient drug with respect to the treat-*  
13          *ment of a specific disease or condition for an*  
14          *identified population (if any) only if the com-*  
15          *mittee finds that the excluded drug does not have*  
16          *a significant, clinically meaningful therapeutic*  
17          *advantage in terms of safety, effectiveness, or*  
18          *clinical outcome of such treatment for such popu-*  
19          *lation over other drugs included in the for-*  
20          *mulary.*

21          “(ii) *The committee's finding under clause*  
22          *(i) shall be based on—*

23                  “(I) *the drug's labeling, or*

24                  “(II) *in the case of a drug the pre-*  
25                  *scribed use of which is not approved under*

1           *the Federal Food, Drug, and Cosmetic Act*  
2           *but is a medically accepted indication, on*  
3           *information from the appropriate compen-*  
4           *dia described in subsection (k)(6).*

5           “(D) *With respect to a recommendation to*  
6           *exclude a covered outpatient drug from the for-*  
7           *mulary or to exclude a prescribed use of such a*  
8           *drug, the committee issues a written explanation*  
9           *of its recommendation that is available to the*  
10          *public.*

11          “(E) *The State plan permits coverage of a*  
12          *drug excluded from the formulary pursuant to a*  
13          *prior authorization program that is consistent*  
14          *with paragraph (5) unless the drug is contained*  
15          *in the list referred to in paragraph (2).*

16          “(F) *The formulary meets such other re-*  
17          *quirements as the Secretary may impose.”.*

18          (c) *EFFECTIVE DATE.—The amendments made by this*  
19          *section shall apply to calendar quarters beginning on or*  
20          *after October 1, 1993, without regard to whether or not reg-*  
21          *ulations to carry out such amendments have been promul-*  
22          *gated by such date.*

1 **SEC. 7412. ELIMINATION OF SPECIAL EXEMPTION FROM**  
2 **PRIOR AUTHORIZATION FOR NEW DRUGS.**

3 (a) *IN GENERAL.*—Section 1927(d) (42 U.S.C. 1396r–  
4 8(d)) is amended by striking paragraph (6).

5 (b) *CONFORMING AMENDMENT.*—(1) Section  
6 1927(d)(1)(A) (42 U.S.C. 1396r–8(d)(1)(A)) is amended by  
7 striking “Except as provided in paragraph (6), a State”  
8 and inserting “A State”.

9 (2) Section 1927(d)(3) (42 U.S.C. 1396r–8(d)(3)) is  
10 amended by striking “(except with respect” and all that fol-  
11 lows through “of this paragraph)”.

12 (c) *EFFECTIVE DATE.*—The amendments made by this  
13 section shall apply to calendar quarters beginning on or  
14 after October 1, 1993, without regard to whether or not reg-  
15 ulations to carry out such amendments have been promul-  
16 gated by such date.

17 **SEC. 7413. MODIFICATIONS TO DRUG REBATE PROGRAM.**

18 (a) *ELIMINATION OF ADDITIONAL REBATE BASED ON*  
19 *WEIGHTED AVERAGE MANUFACTURER PRICE.*—Paragraph  
20 (2) of section 1927(c) (42 U.S.C. 1396r–8(c)) is amended  
21 to read as follows:

22 “(2) *ADDITIONAL REBATE FOR SINGLE SOURCE*  
23 *AND INNOVATOR MULTIPLE SOURCE DRUGS.*—

24 “(A) *IN GENERAL.*—The amount of the re-  
25 bate for a calendar quarter with respect to each  
26 dosage form and strength of a single source drug

1           or an innovator multiple source drug, is in-  
2           creased by an amount equal to the product of—

3                   “(i) the total number of dosage units  
4                   dispensed after December 31, 1990, for  
5                   which payment was made under the State  
6                   plan for the period reported by the State  
7                   under subsection (b)(2), and

8                   “(ii) the amount (if any) by which—

9                           “(I) the average manufacturer  
10                           price for the dosage form and strength  
11                           of the drug for the period, exceeds

12                           “(II) the average manufacturer  
13                           price for such dosage form and strength  
14                           for the calendar quarter beginning  
15                           July 1, 1990, increased by the percent-  
16                           age by which the average of the  
17                           consumer price indices for all urban  
18                           consumers (U.S. city average) for  
19                           months during the calendar quarter ex-  
20                           ceeds such index for September 1990.

21                   “(B) SPECIAL RULE.—In the case of a cov-  
22                   ered outpatient drug approved by the Food and  
23                   Drug Administration after October 1, 1990,  
24                   subclause (II) of subparagraph (A)(ii) shall be  
25                   applied by substituting ‘the first full calendar

1           *quarter after the drug was marketed' for 'the cal-*  
2           *endar quarter beginning July 1, 1990' and 'the*  
3           *month prior to the first month of the first full*  
4           *calendar quarter after the drug was marketed'*  
5           *for 'September 1990'.*

6           **(b) BASE DATE FOR COVERED OUTPATIENT DRUG**  
7           **SOLD OR TRANSFERRED.**—*Paragraph (2) of section 1927(c)*  
8           *(42 U.S.C. 1396r-8(c)), as amended by subsection (a), is*  
9           *amended by adding at the end the following new subpara-*  
10          *graph:*

11                           *“(C) BASE DATE FOR COVERED OUTPATIENT*  
12                           *DRUG SOLD OR TRANSFERRED.—For purposes of*  
13                           *computing the additional rebate under this para-*  
14                           *graph for any covered outpatient drug that is*  
15                           *sold or transferred to any entity, including a di-*  
16                           *vision or subsidiary of a manufacturer, the base*  
17                           *date for such drug after such sale or transfer*  
18                           *shall be the original base date established for*  
19                           *such drug.”*

20          **(c) MAXIMUM ALLOWABLE COST LIMITATIONS.**—*Sec-*  
21          *tion 1927 (42 U.S.C. 1396r-8) is amended by adding at*  
22          *the end the following new subsection:*

23                           *“(l) MAXIMUM ALLOWABLE COST LIMITATIONS.—This*  
24          *section shall not supersede or affect provisions in effect*  
25          *prior to January 1, 1991, relating to maximum allowable*

1 *cost limitations for payment by States for covered out-*  
2 *patient drugs, and rebates under this section shall be made*  
3 *without regard to whether or not payment by the State for*  
4 *such drugs is subject to such limitations or the amount of*  
5 *such cost limitations.”.*

6 (d) *EFFECTIVE DATES.*—(1) *The amendments made*  
7 *by subsections (a) and (c) shall be effective as if included*  
8 *in the enactment of section 4401 of OBRA–1990.*

9 (2) *The amendment made by subsection (b) shall be*  
10 *effective on the date of the enactment of this Act.*

11 ***Subpart C—Restrictions on Divestiture of Assets and***  
12 ***Estate Recovery***

13 ***SEC. 7421. MEDICAID ESTATE RECOVERIES.***

14 (a) *MANDATE TO SEEK RECOVERY.*—*The matter pre-*  
15 *ceding subparagraph (A) of section 1917(b)(1) (42 U.S.C.*  
16 *1396p(b)(1)) is amended to read as follows: “The State*  
17 *agency shall seek adjustment or recovery of any medical as-*  
18 *sistance correctly paid on behalf of an individual under the*  
19 *State plan—”.*

20 (b) *HARDSHIP WAIVER.*—*Section 1917(b) (42 U.S.C.*  
21 *1396p(b)) is amended by adding at the end the following*  
22 *new paragraph:*

23 “(3) *The State agency shall establish procedures (in*  
24 *accordance with standards specified by the Secretary) under*  
25 *which the agency shall waive the application of this sub-*

1 *section if such application would work an undue hardship*  
2 *as determined on the basis of criteria established by the Sec-*  
3 *retary.”.*

4 *(c) DEFINITION OF ESTATE.—Section 1917(b) (42*  
5 *U.S.C. 1396p(b)), as amended by subsection (b), is amended*  
6 *by adding at the end the following new paragraph:*

7 *“(4) DEFINITION.—For purposes of this section, the*  
8 *term ‘estate’, with respect to a deceased individual—*

9 *“(A) shall include all real and personal property*  
10 *and other assets included within the individual’s es-*  
11 *tate, as defined for purposes of State law with respect*  
12 *to inheritance, and*

13 *“(B) may include, at the option of the State,*  
14 *any or all other real or personal property or other as-*  
15 *sets in which the individual had any legal title or in-*  
16 *terest at the time of death, including such assets con-*  
17 *veyed to a survivor, heir, or assign of the deceased in-*  
18 *dividual through joint tenancy, tenancy in common,*  
19 *survivorship, life estate, living trust, or other arrange-*  
20 *ment.”.*

21 *(d) EFFECTIVE DATE.—(1)(A) Except as provided in*  
22 *subparagraph (B), the amendments made by this section*  
23 *shall apply to payments under title XIX of the Social Secu-*  
24 *rity Act for calendar quarters beginning on or after October*  
25 *1, 1993.*



1           (B) *In the case of a State plan for medical assistance*  
2 *under title XIX of the Social Security Act which the Sec-*  
3 *retary of Health and Human Services determines requires*  
4 *State legislation (other than legislation appropriating*  
5 *funds) in order for the plan to meet the additional require-*  
6 *ments imposed by the amendments made by this section,*  
7 *the State plan shall not be regarded as failing to comply*  
8 *with the requirements imposed by such amendments solely*  
9 *on the basis of its failure to meet these additional require-*  
10 *ments before the first day of the first calendar quarter be-*  
11 *ginning after the close of the first regular session of the*  
12 *State legislature that begins after the date of the enactment*  
13 *of this Act. For purposes of the preceding sentence, in the*  
14 *case of a State that has a 2-year legislative session, each*  
15 *year of such session shall be deemed to be a separate regular*  
16 *session of the State legislature.*

17           (2) *The amendments made by this section shall not*  
18 *apply to individuals who died before October 1, 1993.*

19 **SEC. 7422. TRANSFERS OF ASSETS.**

20           (a) *MANDATORY AND OPTIONAL PERIODS OF INELI-*  
21 *GIBILITY.—Section 1917(c) (42 U.S.C. 1396p(c)) is amend-*  
22 *ed—*

23                   (1) *by amending paragraph (1) to read as fol-*  
24 *lows:*

1       “(1)(A) In order to meet the requirements of this sub-  
2 section for purposes of section 1902(a)(18), the State plan  
3 shall provide that any institutionalized individual (or the  
4 spouse of such individual) who disposes of assets for less  
5 than fair market value on the date specified in subpara-  
6 graph (B)(ii), or at any time thereafter during such indi-  
7 vidual’s lifetime, is ineligible for medical assistance for—  
8               “(i) nursing facility services,  
9               “(ii) a level of care in any institution equivalent  
10              to that of nursing facility services, and  
11              “(iii) home or community-based services under  
12              subsection (c) or (d) of section 1915,  
13 during any and all applicable periods specified in para-  
14 graph (2).  
15       “(B)(i) The date specified in this clause, with respect  
16 to an institutionalized individual, is the first date as of  
17 which the individual—  
18              “(I) is an institutionalized individual, and  
19              “(II) has applied for or is receiving medical as-  
20              sistance under the State plan.  
21       “(ii) The date specified in this clause, with respect to  
22 an institutionalized individual, is the date 30 months before  
23 the date specified in clause (i) (or, at the option of the State,  
24 such earlier date as provided by the State in accordance  
25 with paragraph (3)(A)(iii)).”;

1           (2) by redesignating paragraphs (2) through (5)  
2           as paragraphs (4) through (7) and by inserting after  
3           paragraph (1) the following new paragraphs:

4           “(2) The period of ineligibility required under para-  
5           graph (1) with respect to an institutionalized individual—

6           “(A) shall be a number of months equal to—

7           “(i) the total uncompensated value of all as-  
8           sets transferred by the individual or the individ-  
9           ual’s spouse on or after the date specified in  
10           paragraph (1)(B)(ii), divided by

11           “(ii) the average cost to a private patient of  
12           nursing facility services in the State (or, at the  
13           option of the State, in the community in which  
14           the individual is institutionalized) on the date  
15           specified in paragraph (1)(B)(i) based on costs  
16           which include the cost of services included in the  
17           State’s nursing facility reimbursement rate; and

18           “(B) shall begin with the first month in which—

19           “(i) the individual—

20           “(I) is an institutionalized individual,

21           “(II) is (or but for the provisions of  
22           this subsection would be) entitled to have  
23           medical assistance paid under the State  
24           plan for services specified under paragraph  
25           (1), and

1                   “(III) is receiving or is an applicant  
2                   for such medical assistance, and

3                   “(ii) the State has become aware that assets  
4                   have been transferred.

5                   “(3)(A) The State plan may include, in accordance  
6 with this paragraph, any or all of the following provisions  
7 concerning eligibility for medical assistance of individuals  
8 who (or whose spouses) dispose of assets for less than fair  
9 market value:

10                   “(i) The State plan may provide for periods of  
11 ineligibility for medical assistance for long-term care  
12 services specified by the State and approved by the  
13 Secretary for any or all individuals (or groups of in-  
14 dividuals) otherwise eligible for such medical assist-  
15 ance, in addition to the individuals specified in para-  
16 graph (1).

17                   “(ii) Subject to such restrictions as the Secretary  
18 may impose, the State plan may provide for periods  
19 of ineligibility for medical assistance for any long-  
20 term care services (in addition to the services speci-  
21 fied in paragraph (1)(A)) for which medical assist-  
22 ance is otherwise available under the plan.

23                   “(iii) The State plan may provide for a date on  
24 and after which transfers of assets are subject to re-

1 view earlier than the date specified in paragraph  
2 (1)(B)(ii), but not earlier than 4 years before—

3 “(I) in the case of an institutionalized indi-  
4 vidual, the date specified in paragraph (1)(B)(i),  
5 or

6 “(II) in the case of any other individual,  
7 the date on which the individual applied for  
8 medical assistance under the State plan.

9 “(B)(i) The period of ineligibility imposed by the State  
10 pursuant to this paragraph for services other than those  
11 specified in paragraph (1)(A) shall not be longer than the  
12 period of ineligibility that would have resulted if the indi-  
13 vidual had expended the assets transferred for the costs of  
14 medical care furnished on and after the date the individual  
15 applied for medical assistance, as determined by the State  
16 in accordance with clause (ii).

17 “(ii) In determining the period of ineligibility of an  
18 individual pursuant to clause (i), the State—

19 “(I) may presume that the individual’s cost of  
20 medical care furnished is equal to the average cost to  
21 a private patient for such care on a daily, monthly,  
22 or other basis, or

23 “(II) may use any other method approved by the  
24 Secretary.”;

25 (3) in paragraph (4), as redesignated—

1           (A) by amending subparagraph (B) to read  
2 as follows:

3           “(B) the resources—

4               “(i) were transferred to the individual’s  
5 spouse or to another for the sole benefit of the in-  
6 dividual’s spouse and did not exceed the amount  
7 permitted under section 1924(f)(1);

8               “(ii) were transferred from the individual’s  
9 spouse to another for the sole benefit of the indi-  
10 vidual’s spouse and did not exceed the amount  
11 permitted under section 1924(f)(1); or

12               “(iii) were transferred to the individual’s  
13 child described in subparagraph (A)(ii)(II);”;

14           (B) in subparagraph (C)—

15               (i) by striking “any”;

16               (ii) by striking “or (ii)” and inserting  
17 “(ii)”; and

18               (iii) by striking “; or” and inserting “,  
19 or (iii) all assets transferred by an individ-  
20 ual for less than fair market value have  
21 been returned to the individual;”;

22           (C) by amending subparagraph (D) to read  
23 as follows:

1           “(D) the State determines (in accordance with  
2 regulations promulgated by the Secretary) that denial  
3 of eligibility would work an undue hardship; or”;

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

6           “(E) the State determines that the total fair  
7 market value of all of the assets transferred by the in-  
8 dividual during the period between the date specified  
9 in paragraph (1)(B)(i) and the date specified by the  
10 State under paragraph (1)(B)(ii) are below an  
11 amount determined appropriate by the State and ap-  
12 proved by the Secretary.”; and

13           (E) by adding at the end the following flush  
14 sentence:

15 “In determining whether an individual has made a satis-  
16 factory showing to the State under subparagraph (C)(ii),  
17 the State shall consider the individual’s health status at the  
18 time of the transfer of assets and whether, at the time of  
19 such transfer, the individual retained assets sufficient to  
20 meet the individual’s foreseeable future health care needs  
21 based on such health status.”;

22           (4) by striking paragraph (5), as redesignated,  
23 and inserting the following:

24           “(5) For purposes of this subsection, in the case of an  
25 asset held by an individual in common with another person

1 *or persons in a joint tenancy, tenancy in common, or simi-*  
2 *lar arrangement, the asset (or the affected portion of such*  
3 *asset) shall be considered to be transferred by such individ-*  
4 *ual when any action is taken, either by such individual*  
5 *or by any other person, that reduces or eliminates such in-*  
6 *dividual's ownership or control of such asset, except to the*  
7 *extent an action taken by a person other than the individ-*  
8 *ual is an action consistent with partial ownership of the*  
9 *asset, as provided in regulations issued by the Secretary.”;*

10 *(5) by adding the following at the end of para-*  
11 *graph (6), as redesignated: “In the case of a transfer*  
12 *by the spouse of an institutionalized individual which*  
13 *results in a period of ineligibility for medical assist-*  
14 *ance under a State plan for the institutionalized in-*  
15 *dividual, a State shall apply a reasonable methodol-*  
16 *ogy to transfer all or a portion of any such period of*  
17 *ineligibility to such spouse if the spouse becomes an*  
18 *institutionalized individual.”; and*

19 *(6) by amending paragraph (7), as redesignated,*  
20 *to read as follows:*

21 *“(7) For purposes of this subsection:*

22 *“(A) The term ‘assets’, with respect to an indi-*  
23 *vidual, includes all income and resources of the indi-*  
24 *vidual and of the individual's spouse, including any*  
25 *income or resources which the individual or such in-*



1 *dividual's spouse is entitled to but does not receive be-*  
2 *cause of action—*

3 *“(i) by the individual or such individual’s*  
4 *spouse,*

5 *“(ii) by a person, including a court or ad-*  
6 *ministrative body, with legal authority to act in*  
7 *place of or on behalf of the individual or such in-*  
8 *dividual’s spouse, or*

9 *“(iii) by any person, including any court or*  
10 *administrative body, acting at the direction or*  
11 *upon the request of the individual or such indi-*  
12 *vidual’s spouse.*

13 *“(B) The term ‘income’ has the meaning given*  
14 *such term in section 1612.*

15 *“(C) The term ‘resources’ has the meaning given*  
16 *such term in section 1613, without regard (in the case*  
17 *of an institutionalized individual) to the exclusion de-*  
18 *scribed in subsection (a)(1) of such section.*

19 *“(D) The term ‘institutionalized individual’*  
20 *means, and the term ‘individual is institutionalized’*  
21 *refers to, an individual receiving any of the services*  
22 *specified in paragraph (1)(A).”.*

23 *(b) CONFORMING AMENDMENTS.—(1) Section*  
24 *1902(a)(51) (42 U.S.C. 1396a(a)(51)) is amended—*

25 *(A) by striking “(A)”; and*

1           (B) by striking “, and (B)” and all that follows  
2           and inserting a semicolon.

3           (2) Section 1924(f)(1) (42 U.S.C. 1396r-5(f)(1)) is  
4           amended by striking “transfer an amount” and inserting  
5           “transfer an amount sufficient to make the resources of the  
6           community spouse”.

7           (c) *REQUIREMENTS FOR NURSING FACILITIES.*—

8           (1)           *MEDICAID*           *PROGRAM.*—Section  
9           1919(c)(5)(A)(i) (42 U.S.C. 1396r(c)(5)(A)(i)) is  
10          amended by striking “and (III)” and inserting “(III)  
11          not require individuals applying to reside or residing  
12          in the facility, or family members of such individuals,  
13          to provide any financial information other than to  
14          identify the source of payment for such individual’s  
15          stay in the facility, and (IV)”.

16          (2)           *MEDICARE*           *PROGRAM.*—Section  
17          1819(c)(5)(A)(i) (42 U.S.C. 1395i-3(c)(5)(A)(i)) is  
18          amended by striking “and (III)” and inserting “(III)  
19          not require individuals applying to reside or residing  
20          in the facility, or family members of such individuals,  
21          to provide any financial information other than to  
22          identify the source of payment for such individual’s  
23          stay in the facility, and (IV)”.

24          (d) *EFFECTIVE DATE.*—(1)(A) Except as provided in  
25          subparagraph (B), the amendments made by this section

1 *shall apply to calendar quarters beginning on or after Octo-*  
2 *ber 1, 1993.*

3       *(B) In the case of a State plan for medical assistance*  
4 *under title XIX of the Social Security Act which the Sec-*  
5 *retary of Health and Human Services determines requires*  
6 *State legislation (other than legislation appropriating*  
7 *funds) in order for the plan to meet the additional require-*  
8 *ments imposed by the amendments made by this section,*  
9 *the State plan shall not be regarded as failing to comply*  
10 *with the requirements imposed by such amendments solely*  
11 *on the basis of its failure to meet these additional require-*  
12 *ments before the first day of the first calendar quarter be-*  
13 *ginning after the close of the first regular session of the*  
14 *State legislature that begins after the date of the enactment*  
15 *of this Act. For purposes of the preceding sentence, in the*  
16 *case of a State that has a 2-year legislative session, each*  
17 *year of such session shall be deemed to be a separate regular*  
18 *session of the State legislature.*

19       *(2) The amendments made by this section shall not*  
20 *apply with respect to assets disposed of before the date*  
21 *which is 60 days after the date of the enactment of this*  
22 *Act.*

23 **SEC. 7423. TREATMENT OF CERTAIN TRUSTS.**

24       *(a) IN GENERAL.—Section 1917 (42 U.S.C. 1396p) is*  
25 *amended by adding at the end the following:*

1       “(d)(1) For purposes of determining an individual’s  
2 eligibility for, or amount of, benefits under a State plan  
3 under this title, the following rules shall apply to a trust  
4 established by such individual:

5           “(A) In the case of a revocable trust—

6               “(i) the corpus of the trust shall be consid-  
7 ered resources available to the individual,

8               “(ii) payments from the trust to or for the  
9 benefit of the individual shall be considered in-  
10 come of the individual, and

11              “(iii) any other payments from the trust  
12 shall be considered a transfer of assets by the in-  
13 dividual subject to subsection (c).

14           “(B) In the case of an irrevocable trust—

15               “(i) the portion of the corpus from which, or  
16 the income on the corpus from which, payment  
17 to the individual could be made shall be consid-  
18 ered resources available to the individual, and  
19 payments from that portion of the corpus or in-  
20 come—

21                   “(I) to or for the benefit of the individ-  
22 ual, shall be considered income of the indi-  
23 vidual, and

1                   “(II) for any other purpose, shall be  
2                   considered a transfer of assets by the indi-  
3                   vidual subject to subsection (c); and

4                   “(ii) any portion of the trust from which, or  
5                   any income on the corpus from which, no pay-  
6                   ment could under any circumstances be made to  
7                   the individual shall be considered, as of the date  
8                   of establishment of the trust (or, if later, the date  
9                   on which payment to the individual was fore-  
10                  closed) a transfer of assets by the individual sub-  
11                  ject to subsection (c), and payments from such  
12                  portion of the trust after such date shall be dis-  
13                  regarded.

14                  “(2)(A) For purposes of this subsection, an individual  
15                  shall be considered to have established a trust if—

16                  “(i) any of the following individuals established  
17                  such trust other than by will:

18                          “(I) the individual,

19                          “(II) the individual’s spouse,

20                          “(III) a person, including a court or ad-  
21                          ministrative body, with legal authority to act in  
22                          place of or on behalf of the individual or the in-  
23                          dividual’s spouse, or

24                          “(IV) a person, including any court or ad-  
25                          ministrative body, acting at the direction or

1           upon the request of the individual or the individ-  
2           ual's spouse; and

3           “(ii) assets of the individual were used to form  
4           all or part of the corpus of the trust.

5           “(B) In the case of a trust the corpus of which includes  
6           assets of an individual (as determined under subparagraph  
7           (A)) and assets of any other person or persons, the provi-  
8           sions of this subsection shall apply to the portion of the  
9           trust attributable to the assets of the individual.

10          “(3) This subsection shall apply without regard to—

11           “(A) the purposes for which a trust is estab-  
12           lished,

13           “(B) whether the trustees have or exercise any  
14           discretion under the trust,

15           “(C) any restrictions on when or whether dis-  
16           tributions may be made from the trust, or

17           “(D) any restrictions on the use of distributions  
18           from the trust.

19          “(4)(A) This subsection shall not apply to any of the  
20          following trusts:

21           “(i) A trust containing the assets of a disabled  
22           individual (as determined under section 1614(a)(3))  
23           established for the benefit of such individual by a par-  
24           ent, grandparent, legal guardian of the individual, or  
25           a court if the State will receive all amounts remain-

1        *ing in the trust upon the death of such individual up*  
2        *to an amount equal to the total medical assistance re-*  
3        *ceived by the individual under a State plan under*  
4        *this title.*

5                *“(ii) A trust established in a State for the benefit*  
6        *of an individual if—*

7                        *“(I) the trust is composed only of pension,*  
8                        *Social Security, and other income to the individ-*  
9                        *ual (and accumulated income in the trust),*

10                      *“(II) the State will receive all amounts re-*  
11                      *maining in the trust upon the death of such in-*  
12                      *dividual up to an amount equal to the total*  
13                      *medical assistance received by the individual*  
14                      *under a State plan under this title, and*

15                      *“(III) the State makes medical assistance*  
16                      *available to individuals described in section*  
17                      *1902(a)(10)(A)(ii)(V), but does not make such*  
18                      *assistance available to individuals for nursing*  
19                      *facility services under section 1902(a)(10)(C).*

20                *“(B) For purposes of this subsection, the term ‘trust’*  
21        *includes any legal instrument or device that is similar to*  
22        *a trust but includes an annuity only to such extent and*  
23        *in such manner as the Secretary specifies.*

24                *“(C) The State agency shall establish procedures (in*  
25        *accordance with standards specified by the Secretary) under*

1 *which the agency waives the application of this subsection*  
2 *with respect to an individual if the individual establishes*  
3 *that such application would work an undue hardship on*  
4 *the individual as determined on the basis of criteria estab-*  
5 *lished by the Secretary.*

6       “(5) *For purposes of this subsection, the terms ‘assets’,*  
7 *‘income’, and ‘resources’ shall have the meaning given to*  
8 *such terms under subsection (c)(7).”.*

9       (b) *CONFORMING AMENDMENTS.—(1) Section*  
10 *1902(a)(18) (42 U.S.C. 1396a(a)(18)) is amended by strik-*  
11 *ing “and transfers of assets” and inserting “; transfers of*  
12 *assets, and treatment of certain trusts”.*

13       (2) *Section 1902 (42 U.S.C. 1396a) is amended by re-*  
14 *pealing subsection (k).*

15       (c) *EFFECTIVE DATE.—(1)(A) Except as provided in*  
16 *subparagraph (B), the amendments made by this section*  
17 *shall apply to payments under title XIX of the Social Secu-*  
18 *rity Act for calendar quarters beginning on or after October*  
19 *1, 1993.*

20       (B) *In the case of a State plan for medical assistance*  
21 *under title XIX of the Social Security Act which the Sec-*  
22 *retary of Health and Human Services determines requires*  
23 *State legislation (other than legislation appropriating*  
24 *funds) in order for the plan to meet the additional require-*  
25 *ments imposed by the amendments made by this section,*



1 *the State plan shall not be regarded as failing to comply*  
2 *with the requirements imposed by such amendments solely*  
3 *on the basis of its failure to meet these additional require-*  
4 *ments before the first day of the first calendar quarter be-*  
5 *ginning after the close of the first regular session of the*  
6 *State legislature that begins after the date of the enactment*  
7 *of this Act. For purposes of the preceding sentence, in the*  
8 *case of a State that has a 2-year legislative session, each*  
9 *year of such session shall be deemed to be a separate regular*  
10 *session of the State legislature.*

11 *(2) The amendments made by this section shall not*  
12 *apply with respect to trusts established before the date which*  
13 *is 60 days after the date of the enactment of this Act.*

14 ***Subpart D—Improvement in Identification and***  
15 ***Collection of Third Party Payments***

16 ***SEC. 7431. LIABILITY OF THIRD PARTIES TO PAY FOR CARE***  
17 ***AND SERVICES.***

18 *(a) LIABILITY OF ERISA PLANS.—(1) Section*  
19 *1902(a)(25)(A) (42 U.S.C. 1396a(a)(25)(A)) is amended by*  
20 *striking “insurers)” and inserting “insurers, group health*  
21 *plans (as defined in section 607(1) of the Employee Retire-*  
22 *ment Income Security Act of 1974), service benefit plans,*  
23 *and health maintenance organizations)”.*

24 *(2) Section 1903(o) (42 U.S.C. 1396b(o)) is amended*  
25 *by striking “regulation)” and inserting “regulation and in-*

1 *cluding a group health plan (as defined in section 607(1)*  
2 *of the Employee Retirement Income Security Act of 1974)),*  
3 *a service benefit plan, and a health maintenance organiza-*  
4 *tion”.*

5 *(b) REQUIRING STATE TO PROHIBIT INSURERS FROM*  
6 *TAKING MEDICAID STATUS INTO ACCOUNT.—Section*  
7 *1902(a)(25) (42 U.S.C. 1396a(a)(25)) is amended—*

8 *(1) by striking “and” at the end of subpara-*  
9 *graph (F);*

10 *(2) by adding “and” at the end of subparagraph*  
11 *(G); and*

12 *(3) by adding after subparagraph (G) the follow-*  
13 *ing new subparagraph:*

14 *“(H) assurances satisfactory to the Sec-*  
15 *retary that the State has in effect laws which*  
16 *prohibit any health insurer (including a group*  
17 *health plan, as defined in section 607(1) of the*  
18 *Employee Retirement Income Security Act of*  
19 *1974, a service benefit plan, and a health main-*  
20 *tenance organization), in enrolling an individ-*  
21 *ual or in making any payments for benefits to*  
22 *the individual or on the individual’s behalf, from*  
23 *taking into account that the individual is eligi-*  
24 *ble for or is provided medical assistance under a*

1           *plan under this title for such State, or any other*  
2           *State;”.*

3           (c) *STATE RIGHT TO THIRD PARTY PAYMENTS FOR*  
4 *RECIPIENT.—Section 1902(a)(25) (42 U.S.C.*  
5 *1396a(a)(25)), as amended by subsection (b), is amended—*

6           (1) *by striking “and” at the end of subpara-*  
7 *graph (G);*

8           (2) *by adding “and” at the end of subparagraph*  
9 *(H); and*

10           (3) *by adding after subparagraph (H) the follow-*  
11 *ing new subparagraph:*

12                   *“(I) assurances satisfactory to the Secretary*  
13 *that the State has in effect laws under which, to*  
14 *the extent that payment has been made under the*  
15 *State plan for medical assistance for health care*  
16 *items or services furnished to an individual, the*  
17 *State is considered to have acquired the rights of*  
18 *such individual to payment by any other party*  
19 *for such health care items or services;”.*

20           (d) *EFFECTIVE DATE.—(1) Except as provided in*  
21 *paragraph (2), the amendments made by subsections (a)(1),*  
22 *(b), and (c) shall apply to calendar quarters beginning on*  
23 *or after October 1, 1993, without regard to whether or not*  
24 *final regulations to carry out such amendments have been*  
25 *promulgated by such date.*

1           (2) *In the case of a State plan for medical assistance*  
2 *under title XIX of the Social Security Act which the Sec-*  
3 *retary of Health and Human Services determines requires*  
4 *State legislation (other than legislation appropriating*  
5 *funds) in order for the plan to meet the additional require-*  
6 *ments imposed by the amendments made by subsections (a)*  
7 *and (b), the State plan shall not be regarded as failing to*  
8 *comply with the requirements of such title solely on the*  
9 *basis of its failure to meet these additional requirements*  
10 *before the first day of the first calendar quarter beginning*  
11 *after the close of the first regular session of the State legisla-*  
12 *ture that begins after the date of the enactment of this Act.*  
13 *For purposes of the preceding sentence, in the case of a State*  
14 *that has a 2-year legislative session, each year of such ses-*  
15 *sion shall be deemed to be a separate regular session of the*  
16 *State legislature.*

17           (3) *The amendment made by subsection (a)(2) shall*  
18 *apply to items and services furnished on or after October*  
19 *1, 1993.*

20 **SEC. 7432. MEDICAL CHILD SUPPORT.**

21           (a) *STATE PLAN REQUIREMENT.*—*Section 1902(a) (42*  
22 *U.S.C. 1396a(a)), as amended by subsection (c), is amend-*  
23 *ed—*

24                   (1) *by striking “and” at the end of paragraph*  
25                   (58);

1           (2) by striking the period at the end of para-  
2 graph (59) and inserting “; and”; and

3           (3) by adding at the end the following new para-  
4 graph:

5           “(60) provide that the State agency shall provide  
6 assurances satisfactory to the Secretary that the State  
7 has in effect the laws relating to medical child sup-  
8 port required under section 1908.”.

9           (b) *MEDICAL CHILD SUPPORT LAWS.*—Title XIX (42  
10 U.S.C 1936 et seq.) is amended by inserting after section  
11 1907 the following new section:

12           “*REQUIRED LAWS RELATING TO MEDICAL CHILD SUPPORT*  
13           “*SEC. 1908. (a) IN GENERAL.*—The laws relating to  
14 medical child support, which a State is required to have  
15 in effect under section 1902(a)(60), are as follows:

16           “(1) A law that prohibits an insurer from deny-  
17 ing enrollment of a child under the health coverage of  
18 the child’s parent on the ground that—

19                   “(A) the child was born out of wedlock,

20                   “(B) the child is not claimed as a depend-  
21 ent on the parent’s Federal income tax return, or

22                   “(C) the child does not reside with the par-  
23 ent or in the insurer’s service area.

24           “(2) In any case in which a parent is required  
25 by a court or administrative order to provide health  
26 coverage for a child and the parent is eligible for fam-

1 *ily health coverage through an insurer, a law that re-*  
2 *quires such insurer—*

3 *“(A) to permit such parent to enroll under*  
4 *such family coverage any such child who is oth-*  
5 *erwise eligible for such coverage (without regard*  
6 *to any enrollment season restrictions and subject*  
7 *to the requirements under paragraph (1)); and*

8 *“(B) if such a parent fails to provide such*  
9 *health insurance coverage for any such child, to*  
10 *enroll such child under such family coverage*  
11 *upon application by the child’s other parent or*  
12 *by the State agency administering the program*  
13 *under this title or part D of title IV.*

14 *“(3) In any case in which a parent is required*  
15 *by a court or administrative order to provide health*  
16 *coverage for a child and the parent is eligible for fam-*  
17 *ily health coverage through an employer doing busi-*  
18 *ness in the State, a law that requires such em-*  
19 *ployer—*

20 *“(A) to permit such parent to enroll under*  
21 *such family coverage any such child who is oth-*  
22 *erwise eligible for such coverage (without regard*  
23 *to any enrollment season restrictions and subject*  
24 *to the requirements under paragraph (1));*

1           “(B) if such a parent fails to provide such  
2 health insurance coverage for a child, to enroll  
3 such child under such family coverage upon ap-  
4 plication by the child’s other parent or by the  
5 State agency administering the program under  
6 this title or part D of title IV;

7           “(C) not to disenroll (or eliminate coverage  
8 of) any such child unless the employer is pro-  
9 vided satisfactory written evidence that—

10                   “(i) such court or administrative order  
11 is no longer in effect, or

12                   “(ii) the child is or will be enrolled in  
13 comparable health coverage which will take  
14 effect not later than the effective date of such  
15 disenrollment; and

16           “(D) to withhold from such employee’s com-  
17 pensation the employee’s share (if any) of pre-  
18 miums for health coverage and to pay such share  
19 of premiums to the insurer.

20           “(4) A law that prohibits an insurer from im-  
21 posing requirements on a State agency, which has  
22 been assigned the rights of an individual eligible for  
23 medical assistance under this title and covered for  
24 health benefits from the insurer, that are different

1       *from requirements applicable to an agent or assignee*  
2       *of any other individual so covered.*

3               “(5) A law that requires an insurer, in any case  
4       *in which a child has health coverage through the in-*  
5       *surer of a noncustodial parent—*

6                       “(A) to provide such information to the cus-  
7       *todial parent as may be necessary for the child*  
8       *to obtain benefits through such coverage;*

9                       “(B) to permit the custodial parent (or pro-  
10       *vider, with the custodial parent’s approval) to*  
11       *submit claims for covered services without the*  
12       *approval of the noncustodial parent; and*

13                      “(C) to make payment on claims submitted  
14       *in accordance with subparagraph (B) directly to*  
15       *such custodial parent, the provider, or the State*  
16       *agency.*

17               “(6) A law that permits the State agency under  
18       *this title to garnish the wages, salary, or other em-*  
19       *ployment income of, and requires withholding*  
20       *amounts from State tax refunds to, any person who—*

21                      “(A) is required by court or administrative  
22       *order to provide coverage of the costs of health*  
23       *services to a child who is eligible for medical as-*  
24       *sistance under this title,*



1           “(B) has received payment from a third  
2           party for the costs of such services to such child,  
3           but

4           “(C) has not used such payments to reim-  
5           burse, as appropriate, either the other parent or  
6           guardian of such child or the provider of such  
7           services,  
8           to the extent necessary to reimburse the State agency  
9           for expenditures for such costs under its plan under  
10          this title, but any claims for current or past-due child  
11          support shall take priority over any such claims for  
12          the costs of such services.

13          “(b) *SPECIAL RULE.*—The Secretary may provide by  
14          regulation for such exceptions to the requirement under sub-  
15          section (a)(3) as the Secretary determines necessary to en-  
16          sure compliance with the conditions of any order referred  
17          to in such subsection or with the maximum amounts per-  
18          mitted to be withheld under section 303(b) of the Consumer  
19          Credit Protection Act.

20          “(c) *DEFINITION.*—For purposes of this subsection, the  
21          term ‘insurer’ includes a group health plan, as defined in  
22          section 607(1) of the Employee Retirement Income Security  
23          Act of 1974, a health maintenance organization, and an  
24          entity offering a service benefit plan.”.

1           (c) *REDESIGNATIONS TO PARAGRAPHS ADDED BY*  
2 *OBRA-1990.—Section 1902(a) (42 U.S.C. 1396a(a)) is*  
3 *amended—*

4           (1) *by striking “and” at the end of paragraph*  
5 *(54);*

6           (2) *in the paragraph (55) inserted by section*  
7 *4602(a)(3) of OBRA-1990, by striking the period at*  
8 *the end and inserting a semicolon;*

9           (3) *by redesignating the paragraph (55) inserted*  
10 *by section 4604(b)(3) of OBRA-1990 as paragraph*  
11 *(56), by transferring and inserting it after the para-*  
12 *graph (55) inserted by section 4602(a)(3) of such Act,*  
13 *and by striking the period at the end and inserting*  
14 *a semicolon;*

15           (4) *by placing paragraphs (57) and (58), in-*  
16 *serted by section 4751(a)(1)(C) of OBRA-1990, im-*  
17 *mediately after paragraph (56), as redesignated by*  
18 *paragraph (3);*

19           (5) *in the paragraph (58) inserted by section*  
20 *4751(a)(1)(C) of OBRA-1990, by striking the period*  
21 *at the end and inserting “; and”; and*

22           (6) *by redesignating the paragraph (58) inserted*  
23 *by section 4752(c)(1)(C) of OBRA-1990 as paragraph*  
24 *(59) and by transferring and inserting it after the*

1       *paragraph (58) inserted by section 4751(a)(1)(C) of*  
2       *such Act.*

3       *(d) EFFECTIVE DATE.—(1) Except as provided in*  
4       *paragraph (2), the amendments made by this section apply*  
5       *to calendar quarters beginning on or after April 1, 1994.*

6       *(2) In the case of a State plan under title XIX of the*  
7       *Social Security Act which the Secretary of Health and*  
8       *Human Services determines requires State legislation in*  
9       *order for the plan to meet the additional requirements im-*  
10       *posed by the amendments made by this section, the State*  
11       *plan shall not be regarded as failing to comply with the*  
12       *requirements of such title solely on the basis of its failure*  
13       *to meet these additional requirements before the first day*  
14       *of the first calendar quarter beginning after the close of the*  
15       *first regular session of the State legislature that begins after*  
16       *the date of enactment of this Act. For purposes of the pre-*  
17       *ceding sentence, in the case of a State that has a 2-year*  
18       *legislative session, each year of such session shall be deemed*  
19       *to be a separate regular session of the State legislature.*

20       **SEC. 7433. OFFSET OF PAYMENT OBLIGATIONS RELATING**  
21                        **TO MEDICAL ASSISTANCE AGAINST OVERPAY-**  
22                        **MENTS OF STATE AND FEDERAL INCOME**  
23                        **TAXES.**

24       *(a) AMENDMENTS TO THE INTERNAL REVENUE CODE*  
25       *OF 1986.—*

1           (1) *IN GENERAL.*—Section 6402 of the Internal  
2     Revenue Code of 1986 is amended—

3           (A) by redesignating subsections (e), (f), (g),  
4     (h), and (i) as subsections (f), (g), (h), (i), and  
5     (j), respectively; and

6           (B) by adding after subsection (d) the fol-  
7     lowing new subsection:

8           “(e) *COLLECTION OF CERTAIN DEBTS OWED TO*  
9     *STATES.*—

10          “(1) *IN GENERAL.*—Upon receiving notice from  
11     any State under section 1931(b)(1) of the Social Se-  
12     curity Act that a named person owes a legally en-  
13     forceable debt for any payment obligation relating to  
14     medical assistance, the Secretary shall—

15           “(A) reduce the amount of any overpayment  
16     payable to such person by the amount of such  
17     debt;

18           “(B) pay the amount by which such over-  
19     payment is reduced under subparagraph (A) to  
20     such State; and

21           “(C) notify the person making such over-  
22     payment that such overpayment has been re-  
23     duced by an amount necessary to satisfy such  
24     debt.

1           “(2) *PRIORITIES FOR OFFSET.*—Any overpay-  
2           ment by a person shall be reduced pursuant to this  
3           subsection after such overpayment is reduced pursu-  
4           ant to subsections (c) and (d) and before such over-  
5           payment is credited to the future liability for tax of  
6           such person pursuant to subsection (b). Any overpay-  
7           ment by a person shall be applied against any debts  
8           described in paragraph (1) in the order in which such  
9           debts accrued.

10           “(3) *NOTICE; PROTECTION OF OTHER PERSONS*  
11           *FILING JOINT RETURN.*—For purposes of this sub-  
12           section, rules similar to the rules described in clause  
13           (i) and the first sentence of clause (ii) of subsection  
14           (d)(3)(B) shall apply.

15           “(4) *DEFINITION.*—For purposes of this sub-  
16           section, the term ‘medical assistance’ means medical  
17           assistance provided under title XIX of the Social Se-  
18           curity Act.”.

19           (2) *CONFORMING AMENDMENT.*—Section 6402(f)  
20           of the Internal Revenue Code of 1986, as redesignated,  
21           is amended by striking “(c) or (d)” and inserting  
22           “(c), (d), or (e)”.

23           (3) *EFFECTIVE DATE.*—The amendments made  
24           by this subsection shall be effective for taxable years  
25           beginning after December 31, 1993.

1       (b) *AMENDMENTS TO THE SOCIAL SECURITY ACT.*—

2           (1) *STATE PLAN AMENDMENT.*—Section 1902(a)  
3       (42 U.S.C. 1396a(a)), as amended by section 7432, is  
4       amended—

5           (A) by striking “and” at the end of para-  
6       graph (59);

7           (B) by striking the period at the end of  
8       paragraph (60) and inserting “; and”; and

9           (C) by adding at the end the following new  
10       paragraph:

11       “(61) provide that recovery of any legally en-  
12       forceable debt for any payment obligation relating to  
13       medical assistance provided under this title shall be  
14       made in accordance with a program for the collection  
15       of such debt from State and Federal tax refunds in  
16       accordance with section 1931.”.

17           (2) *PROGRAM FOR COLLECTIONS FROM STATE*  
18       *AND FEDERAL TAX REFUNDS.*—Title XIX (42 U.S.C  
19       1936 et seq.) is amended by adding at the end the fol-  
20       lowing new section:

21       “*COLLECTION OF PAYMENT OBLIGATIONS RELATING TO*  
22       *MEDICAL ASSISTANCE FROM STATE AND FEDERAL TAX*  
23       *REFUNDS*

24       “*SEC. 1931. (a) STATE TAX REFUNDS.*—If a State  
25       with a State plan approved under this title has a State  
26       income tax system, such State shall require the State agency

1 *administering the State plan and the State agency respon-*  
2 *sible for administering the States income tax system to de-*  
3 *velop and implement a program under which any person*  
4 *determined appropriate by the State agency administering*  
5 *the State plan who owes a legally enforceable debt for any*  
6 *payment obligation relating to medical assistance provided*  
7 *under this title will have withheld an appropriate amount*  
8 *from any refund otherwise payable to such person under*  
9 *the State income tax system.*

10       “(b) *FEDERAL TAX REFUNDS.*—

11               “(1) *NOTICE TO THE SECRETARY OF THE TREAS-*  
12       *URY.*—

13               “(A) *IN GENERAL.*—*If a State with a State*  
14       *plan approved under this title—*

15                       “(i) *implements a program described*  
16                       *in subsection (a), or*

17                       “(ii) *is a State that does not have a*  
18                       *State income tax system,*

19       *the State agency administering such plan may*  
20       *provide a notice to the Secretary of the Treasury*  
21       *regarding any person determined appropriate by*  
22       *such State agency who owes a legally enforceable*  
23       *debt for any payment obligation relating to med-*  
24       *ical assistance provided under this title and the*  
25       *Secretary of the Treasury shall withhold an ap-*

1        *propriate amount from any refund otherwise*  
2        *payable to such person in accordance with sec-*  
3        *tion 6402(e) of the Internal Revenue Code of*  
4        *1986 (hereafter in this section referred to as the*  
5        *'Code').*

6                *“(B) REGULATIONS RELATING TO NO-*  
7        *TICES.—The Secretary of the Treasury shall*  
8        *issue regulations, after consultation with the Sec-*  
9        *retary, which—*

10                *“(i) prescribe the timing by which*  
11        *State agencies may submit notices of pay-*  
12        *ment obligations relating to medical assist-*  
13        *ance,*

14                *“(ii) specify the manner in which such*  
15        *notices must be submitted,*

16                *“(iii) specify the necessary information*  
17        *that must be contained in or accompany*  
18        *such notices,*

19                *“(iv) specify the minimum payment*  
20        *obligation relating to medical assistance to*  
21        *which the offset procedures may be applied,*

22                *“(v) specify the fee that a State must*  
23        *pay to reimburse the Secretary of the Treas-*  
24        *ury for the full cost of applying the offset*  
25        *procedure, and*



1           “(vi) provide that the Secretary of the  
2           Treasury will advise the Secretary, not less  
3           frequently than annually, of the States  
4           which have furnished notices under this sub-  
5           section, the number of cases in each State  
6           with respect to which such notices have been  
7           furnished, the total amount of payment ob-  
8           ligations sought to be collected under this  
9           subsection by each State, and the amount of  
10          such collections actually made in the case of  
11          each State.

12           “(2) NOTICE.—Prior to notifying the Secretary  
13          of the Treasury under paragraph (1), the State agen-  
14          cy shall send a notice to the person owing the legally  
15          enforceable debt for a payment obligation relating to  
16          medical assistance provided under this title which—

17                   “(A) explains that a withholding may be  
18                   made under 6402(e) of the Code from any refund  
19                   otherwise payable to such person,

20                   “(B) instructs the person having the pay-  
21                   ment obligation of the steps which may be taken  
22                   to contest the State’s determination that such  
23                   payment obligation is owed or the amount of the  
24                   payment obligation, and

1           “(C) provides information with respect to  
2           procedures to be followed, in the case of a joint  
3           return, to protect the share of the refund which  
4           may be payable to another person.

5           “(3) *EXCESS WITHHOLDING.*—In any case in  
6           which an amount was withheld under section 6402(e)  
7           of the Code and the State subsequently determines  
8           that the amount certified as owing with respect to  
9           medical assistance was in excess of the amount actu-  
10          ally owed at the time the amount withheld is distrib-  
11          uted to the State, the State shall pay the excess  
12          amount withheld to the named person determined to  
13          have the payment obligation (or, in the case of  
14          amounts withheld on the basis of a joint return, joint-  
15          ly to the parties filing such return).”.

16          (3) *EFFECTIVE DATE.*—

17                (A) *IN GENERAL.*—The amendments made  
18                by this paragraph shall apply to calendar quar-  
19                ters beginning on or after December 31, 1993.

20                (B) *SPECIAL RULE.*—In the case of a State  
21                which the Secretary determines requires State  
22                legislation (other than legislation authorizing or  
23                appropriating funds) in order to comply with  
24                the amendments made by subparagraph (A), the  
25                State shall not be regarded as failing to comply

1           with such amendments solely on the basis of its  
2           failure to meet the requirements of such amend-  
3           ments before the first day of the first calendar  
4           quarter beginning after the close of the first regu-  
5           lar session of the State legislature that begins  
6           after the date of the enactment of this Act. For  
7           purposes of the preceding sentence, in the case of  
8           a State that has a 2-year legislative session, each  
9           year of such session shall be deemed to be a sepa-  
10          rate regular session of the State legislature.

11           ***Subpart E—Assuring Proper Payments to***  
12           ***Disproportionate Share Hospitals***

13           ***SEC. 7441. ASSURING PROPER PAYMENTS TO DISPROPOR-***  
14           ***TIONATE SHARE HOSPITALS.***

15           (a) *DISPROPORTIONATE SHARE HOSPITALS RE-*  
16           *QUIRED TO PROVIDE MINIMUM LEVEL OF SERVICES TO*  
17           *MEDICAID PATIENTS.—Section 1923 (42 U.S.C. 1396r-4)*  
18           *is amended—*

19                   (1) *in subsection (a)(1)(A), by striking “require-*  
20                   *ment” and inserting “requirements”;*

21                   (2) *in subsection (b)(1), by striking “require-*  
22                   *ment” and inserting “requirements”;*

23                   (3) *in the heading to subsection (d), by striking*  
24                   *“REQUIREMENT” and inserting “REQUIREMENTS”;*

1           (4) by adding at the end of subsection (d) the fol-  
2           lowing new paragraph:

3           “(3) No hospital may be defined or deemed as a  
4           disproportionate share hospital under a State plan  
5           under this title or under subsection (b) or (e) of this  
6           section unless the hospital has a medicaid inpatient  
7           utilization rate (as defined in subsection (b)(2)) of  
8           not less than 1 percent.”;

9           (5) in subsection (e)(1)—

10           (A) by striking “and” before “(B)”, and

11           (B) by inserting before the period at the end  
12           the following: “, and (C) the plan meets the re-  
13           quirement of subsection (d)(3) and such payment  
14           adjustments are made consistent with the fourth  
15           sentence of subsection (c)”;

16           (6) in subsection (e)(2)—

17           (A) in subparagraph (A), by inserting  
18           “(other than the fourth sentence of subsection  
19           (c))” after “(c)”,

20           (B) by striking “and” at the end of sub-  
21           paragraph (A),

22           (C) by striking the period at the end of sub-  
23           paragraph (B) and inserting “, and”, and

24           (D) by adding at the end the following new  
25           subparagraph:

1           “(C) subsection (d)(3) shall apply.”.

2           (b) *LIMITING AMOUNT OF PAYMENT ADJUSTMENTS*  
3 *FOR STATE OR COUNTY HOSPITALS TO UNCOVERED*  
4 *COSTS.—Subsection (c) of section 1923 (42 U.S.C. 1396r–*  
5 *4) is amended by adding at the end the following: “A pay-*  
6 *ment adjustment during a year is not considered to be con-*  
7 *sistent with this subsection with respect to a hospital owned*  
8 *or operated by a State (or by an instrumentality of, or a*  
9 *unit of government within, a State) if the payment adjust-*  
10 *ment exceeds the costs incurred during the year of furnish-*  
11 *ing hospital services (as determined by the Secretary and*  
12 *net of payments under this title, other than under this sec-*  
13 *tion, and by uninsured patients) by the hospital to individ-*  
14 *uals who either are eligible for medical assistance under the*  
15 *State plan or have no health insurance (or other source of*  
16 *third party coverage) for services provided during the year.*  
17 *For purposes of the preceding sentence, payments made to*  
18 *a hospital for services provided to indigent patients made*  
19 *by a State or a unit of local government within a State*  
20 *shall not be considered to be a source of third party pay-*  
21 *ment.”.*

22           (c) *EFFECTIVE DATE.—The amendments made by this*  
23 *section shall apply to payments to States under section*  
24 *1903(a) of the Social Security Act which are for payments*

1 *to hospitals made under State plans after the end of the*  
2 *State fiscal year that ends during 1995.*

3 ***Subpart F—Anti-Fraud and Abuse Provisions***

4 ***SEC. 7451. APPLICATION OF MEDICARE RULES LIMITING***  
5 ***CERTAIN PHYSICIAN REFERRALS.***

6 *(a) IN GENERAL.—Section 1903(i) (42 U.S.C.*  
7 *1396b(i)), as amended by subsection (b), is amended—*

8 *(1) in paragraph (12), by striking “or” at the*  
9 *end,*

10 *(2) in paragraph (13), by striking the period at*  
11 *the end and inserting “; or”, and*

12 *(3) by inserting after paragraph (13) the follow-*  
13 *ing new paragraph:*

14 *“(14) with respect to any amount expended for*  
15 *an item or service for which payment would be denied*  
16 *under section 1877(g)(1) if the item or service were*  
17 *furnished to an individual entitled to benefits under*  
18 *title XVIII.”.*

19 *(b) REDESIGNATIONS.—Section 1903(i) (42 U.S.C.*  
20 *1396b(i)), as amended by section 2(b)(2) of the Medicaid*  
21 *Voluntary Contribution and Provider-Specific Tax Amend-*  
22 *ments of 1991, is amended—*

23 *(1) by redesignating the paragraph (12) inserted*  
24 *by section 4752(a)(2) of OBRA–1990 as paragraph*  
25 *(11), by transferring and inserting it after the para-*

1 *graph (10) inserted by section 4401(a)(1)(B) of*  
2 *OBRA-1990, and by striking the period at the end*  
3 *and inserting a semicolon;*

4 *(2) by redesignating the paragraph (14) inserted*  
5 *by section 4752(e) of OBRA-1990 as paragraph (12),*  
6 *by transferring and inserting it after paragraph (11),*  
7 *as redesignated by paragraph (2), and by striking the*  
8 *period at the end and inserting “; or”; and*

9 *(3) by redesignating the paragraph (11) inserted*  
10 *by section 4801(e)(16)(A) of OBRA-1990 as para-*  
11 *graph (13) and by transferring and inserting it after*  
12 *paragraph (12), as redesignated by paragraph (3),*  
13 *and by striking “; or” and inserting a period.*

14 *(c) EFFECTIVE DATE.—The amendment made by sub-*  
15 *section (a) shall apply to items and services furnished on*  
16 *or after October 1, 1993.*

17 **PART II—OTHER MEDICAID PROVISIONS**

18 **SEC. 7501. EXTENSION OF DEMONSTRATION PROJECT ON**  
19 **THE EFFECT OF ALLOWING STATES TO EX-**  
20 **TEND MEDICAID COVERAGE TO CERTAIN**  
21 **LOW-INCOME FAMILIES.**

22 *(a) IN GENERAL.—Section 4745 of OBRA-1990 is*  
23 *amended—*

24 *(1) in paragraph (1) of subsection (e), by strik-*  
25 *ing “\$12,000,000 in each of fiscal years 1991, 1992,*

1       and 1993, and to no more than \$4,000,000 in fiscal  
2       year 1994” and inserting “\$40,000,000”; and

3               (2) in paragraph (2) of subsection (f) by striking  
4       “January 1, 1995” and inserting “one year after the  
5       termination of the projects”.

6       (b) *EFFECTIVE DATE*.—The amendments made by  
7       paragraph (1) shall take effect as if included in the enact-  
8       ment of OBRA-1990.

9                               **Subtitle C—Income Security**  
10                              **Programs**

11       **SEC. 7601. MATCHING OF STATE ADMINISTRATIVE COSTS.**

12       (a) *AFDC MATCHING*.—Section 403(a)(3) (42 U.S.C.  
13       603(a)(3)) is amended to read as follows:

14               “(3) in the case of any State, 50 percent of the  
15       total amounts expended during such quarter as found  
16       necessary by the Secretary for the proper and efficient  
17       administration of the State plan, except that no pay-  
18       ment shall be made with respect to amounts expended  
19       in connection with the provision of any service de-  
20       scribed in section 2002(a) of this Act other than serv-  
21       ices furnished pursuant to section 402(g); and”.

22       (b) *TERRITORIAL PROGRAMS FOR AGED, BLIND, AND*  
23       *DISABLED*.—Sections 3(a)(4), 1003(a)(3), 1403(a)(3), and  
24       1603(a)(4) (42 U.S.C. 303(a)(3), 1203(a)(3), 1353(a)(3),  
25       and 1383 note) (as in effect as provided by section 303 of



1 *the Social Security Amendments of 1972) are each amended*  
2 *by striking “the sum of” and all that follows and inserting*  
3 *“50 percent of the total amounts expended during such*  
4 *quarter as found necessary by the Secretary for the proper*  
5 *and efficient administration of the State plan.”.*

6 *(c) REQUIREMENTS FOR ATTESTING TO CITIZENSHIP*  
7 *STATUS.—Paragraph (1)(A) of section 1137(d) (42 U.S.C.*  
8 *1320b–7(d)) is amended to read as follows:*

9 *“(1)(A) The State shall require, as a condition*  
10 *of an individual’s eligibility for benefits under a pro-*  
11 *gram listed in subsection (b), a declaration in writ-*  
12 *ing, under penalty of perjury—*

13 *“(i) by the individual,*

14 *“(ii) in the case in which eligibility for pro-*  
15 *gram benefits is determined on a family or*  
16 *household basis, by any adult member of such in-*  
17 *dividual’s family or household (as applicable), or*

18 *“(iii) in the case of an individual born into*  
19 *a family or household receiving benefits under*  
20 *such program, by any adult member of such*  
21 *family or household no later than the next rede-*  
22 *termination of eligibility of such family or*  
23 *household following the birth of such individual,*  
24 *stating whether the individual is a citizen or national*  
25 *of the United States, and, if that individual is not a*

1     *citizen or national of the United States, that the indi-*  
2     *vidual is in a satisfactory immigration status.”.*

3     (d) *EFFECTIVE DATES.*—

4         (1) *IN GENERAL.*—*Except as provided in para-*  
5     *graph (2), the amendments made by—*

6             (A) *subsections (a) and (b) shall be effective*  
7     *with respect to calendar quarters beginning on*  
8     *or after April 1, 1994, and*

9             (B) *subsection (c) shall be effective on and*  
10    *after the date of the enactment of this Act.*

11         (2) *SPECIAL RULE.*—*In the case of a State whose*  
12    *legislature meets biennially, and does not have a reg-*  
13    *ular session scheduled in calendar year 1994, the*  
14    *amendments made by subsections (a) and (b) shall be*  
15    *effective no later than the first day of the first cal-*  
16    *endar quarter beginning after the close of the first*  
17    *regular session of the State legislature that begins*  
18    *after the date of enactment of this Act.*

19    **SEC. 7602. STATE PATERNITY ESTABLISHMENT PROGRAMS.**

20         (a) *PERFORMANCE STANDARDS FOR STATE PATER-*  
21    *NITY ESTABLISHMENT PROGRAMS.*—*Section 452(g) (42*  
22    *U.S.C. 652(g)) is amended—*

23             (1) *in paragraph (1)—*

24                 (A) *by striking “1991” and inserting*  
25                 *“1994”;*

1           (B) by inserting “is based on reliable data  
2 and” before “equals or exceeds”; and

3           (C) by striking subparagraphs (A), (B), and  
4 (C) and inserting the following new subpara-  
5 graphs:

6           “(A) 75 percent;

7           “(B) for a State with a paternity establish-  
8 ment percentage of not less than 50 percent but  
9 less than 75 percent for such fiscal year, the pa-  
10 ternity establishment percentage of the State for  
11 the immediately preceding fiscal year plus 3 per-  
12 centage points; or

13           “(C) for a State with a paternity establish-  
14 ment percentage of less than 50 percent for such  
15 fiscal year, the paternity establishment percent-  
16 age of the State for the immediately preceding  
17 fiscal year plus 6 percentage points.”; and

18           (2) in paragraph (2)—

19           (A) by striking “(or under all such plans)”  
20 each place it appears;

21           (B) by inserting “or part (E)” after “under  
22 part A” each place it appears;

23           (C) by striking subparagraph (B) and in-  
24 serting the following new subparagraph:

1           “(B) the term ‘reliable data’ means the most  
2 recent data available which are found by the  
3 Secretary to be reliable for purposes of this sec-  
4 tion.”;

5           (D) by inserting “unless paternity is estab-  
6 lished for such child” after “the death of a par-  
7 ent”; and

8           (E) by inserting “or any child with respect  
9 to whom the State agency administering the  
10 plan under part E determines (as provided in  
11 section 454(4)(B)) that it is against the best in-  
12 terest of such child to do so” after “cooperate  
13 under section 402(a)(26)”.

14       (b) STATE PLAN REQUIREMENTS FOR THE ESTAB-  
15 LISHMENT OF PATERNITY.—Section 466(a) (42 U.S.C.  
16 666(a)) is amended—

17           (1) in paragraph (2)—

18               (A) by striking “at the option of the State,”;  
19 and

20               (B) by inserting “or paternity establish-  
21 ment” after “support order issuance and enforce-  
22 ment”;

23           (2) in paragraph (5) by adding at the end the  
24 following new subparagraphs:

1           “(C) Procedures for a simple civil process  
2 for voluntarily acknowledging paternity under  
3 which the State must provide that the rights and  
4 responsibilities of acknowledging paternity are  
5 explained and ensure that due process safeguards  
6 are afforded. Such procedures must include (i) a  
7 hospital-based program for the voluntary ac-  
8 knowledgment of paternity during the period im-  
9 mediately preceding or following the birth of a  
10 child, and (ii) the inclusion of signature lines on  
11 applications for official birth certificates which,  
12 once signed by the father and the mother, con-  
13 stitute a voluntary acknowledgment of paternity.

14           “(D) Procedures under which the voluntary  
15 acknowledgment of paternity creates a rebuttable,  
16 or at the option of the State, conclusive presump-  
17 tion of paternity, and under which such vol-  
18 untary acknowledgment is admissible as evidence  
19 of paternity.

20           “(E) Procedures under which the voluntary  
21 acknowledgment of paternity must be recognized  
22 as a basis for seeking a support order without  
23 first requiring any further proceedings to estab-  
24 lish paternity.

1           “(F) Procedures which provide that (i) any  
2           objection to genetic testing results must be made  
3           in writing within a specified number of days be-  
4           fore any hearing at which such results may be  
5           introduced into evidence, and (ii) if no objection  
6           is made, the test results are admissible as evi-  
7           dence of paternity without the need for founda-  
8           tion testimony or other proof of authenticity or  
9           accuracy.

10           “(G) Procedures which create a rebuttable  
11           or, at the option of the State, conclusive pre-  
12           sumption of paternity upon genetic testing re-  
13           sults indicating a threshold probability of the al-  
14           leged father being the father of the child.

15           “(H) Procedures requiring a default order  
16           to be entered in a paternity case upon a showing  
17           of service of process on the defendant and any  
18           additional showing required by State law.”; and  
19           (3) by inserting after paragraph (10) the follow-  
20           ing new paragraph:

21           “(11) Procedures under which a State must give  
22           full faith and credit to a determination of paternity  
23           made by any other State, whether established through  
24           voluntary acknowledgment or through administrative  
25           or judicial processes.”.

1           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall become effective with respect to a State on the*  
3 *later of—*

4           (1) *October 1, 1993 or,*

5           (2) *the date of enactment by the legislature of*  
6 *such State of all laws required by such amendments,*  
7 *but in no event later than the first day of the first calendar*  
8 *quarter beginning after the close of the first regular session*  
9 *of the State legislature that begins after the date of enact-*  
10 *ment of this Act. For purposes of the previous sentence, in*  
11 *the case of a State that has a 2-year legislative session, each*  
12 *year of such session shall be deemed to be a separate regular*  
13 *session of the State legislature.*

14 **SEC. 7603. FEES FOR FEDERAL ADMINISTRATION OF STATE**

15                                   **SUPPLEMENTARY PAYMENTS.**

16           (a) *IN GENERAL.*—

17           (1) *OPTIONAL STATE SUPPLEMENTARY PAY-*  
18 *MENTS.*—*Section 1616(d) (42 U.S.C. 1382e(d)) is*  
19 *amended—*

20                                   (A) *by inserting “(1)” after “(d)”;*

21                                   (B) *by inserting “, plus an administration*  
22 *fee assessed in accordance with paragraph (2)*  
23 *and any additional services fee charged in ac-*  
24 *cordance with paragraph (3)” before the period;*  
25 *and*

1                   (C) by adding after and below the end the  
2                   following:

3                   “(2)(A) The Secretary shall assess each State an ad-  
4                   ministration fee in an amount equal to—

5                   “(i) the number of supplementary payments  
6                   made by the Secretary on behalf of the State under  
7                   this section for any month in a fiscal year; multiplied  
8                   by

9                   “(ii) the applicable rate for the fiscal year.

10                  “(B) As used in subparagraph (A), the term ‘applica-  
11                  ble rate’ means—

12                  “(i) for fiscal year 1995, \$1.67;

13                  “(ii) for fiscal year 1996, \$3.33;

14                  “(iii) for fiscal year 1997, \$5.00; and

15                  “(iv) for fiscal year 1998 and each succeeding  
16                  fiscal year, \$5.00, or such different rate as the Sec-  
17                  retary determines pursuant to criteria established in  
18                  regulations is appropriate for the State, taking into  
19                  account the complexity of the State’s supplementary  
20                  payment program.

21                  “(C) All fees collected pursuant to this paragraph shall  
22                  be transferred to the United States at the same time that  
23                  amounts for such supplementary payments are required to  
24                  be so transferred.



1       “(3)(A) *The Secretary shall charge a State an addi-*  
2 *tional services fee if, at the request of the State, the Sec-*  
3 *retary provides additional services beyond the level cus-*  
4 *tomarily provided, in the administration of State supple-*  
5 *mentary payments pursuant to this section.*

6       “(B) *The additional services fee shall be in an amount*  
7 *that the Secretary determines is necessary to cover all costs*  
8 *(including indirect costs) incurred by the Federal Govern-*  
9 *ment in furnishing the additional services referred to in*  
10 *subparagraph (A).*

11       “(C) *The additional services fee shall be payable in*  
12 *advance or by way of reimbursement.*

13       “(4) *All administration fees and additional services*  
14 *fees collected pursuant to this subsection shall be deposited*  
15 *in the general fund of the Treasury of the United States*  
16 *as miscellaneous receipts.”.*

17               (2) *MANDATORY STATE SUPPLEMENTARY PAY-*  
18 *MENTS.—Section 212(b)(3) of Public Law 93–66 (42*  
19 *U.S.C. 1382 note) is amended—*

20                       (A) *by inserting “(A)” after “(3)”;*

21                       (B) *by inserting “, plus an administration*  
22 *fee assessed in accordance with subparagraph*  
23 *(B) and any additional services fee charged in*  
24 *accordance with subparagraph (C)” before the*  
25 *period; and*

1           (C) by adding after and below the end the  
2           following:

3           “(B)(i) The Secretary shall assess each State an ad-  
4           ministration fee in an amount equal to—

5           “(I) the number of supplementary payments  
6           made by the Secretary on behalf of the State under  
7           this subsection for any month in a fiscal year; multi-  
8           plied by

9           “(II) the applicable rate for the fiscal year.

10          “(ii) As used in clause (i), the term ‘applicable rate’  
11          means—

12           “(I) for fiscal year 1995, \$1.67;

13           “(II) for fiscal year 1996, \$3.33;

14           “(III) for fiscal year 1997, \$5.00; and

15           “(IV) for fiscal year 1998 and each succeeding  
16           fiscal year, \$5.00, or such different rate as the Sec-  
17           retary determines pursuant to regulations established  
18           in regulations is appropriate for the State, taking  
19           into account the complexity of the State’s supple-  
20           mentary payment program.

21          “(iii) All fees collected pursuant to this subparagraph  
22          shall be transferred to the United States at the same time  
23          that amounts for such supplementary payments are re-  
24          quired to be so transferred.

1       “(C)(i) *The Secretary shall charge a State an addi-*  
2 *tional services fee if, at the request of the State, the Sec-*  
3 *retary provides additional services beyond the level cus-*  
4 *tomarily provided, in the administration of State supple-*  
5 *mentary payments pursuant to this subsection.*

6       “(ii) *The additional services fee shall be in an amount*  
7 *that the Secretary determines is necessary to cover all costs*  
8 *(including indirect costs) incurred by the Federal Govern-*  
9 *ment in furnishing the additional services referred to in*  
10 *clause (i).*

11       “(iii) *The additional services fee shall be payable in*  
12 *advance or by way of reimbursement.*

13       “(D) *All administration fees and additional services*  
14 *fees collected pursuant to this paragraph shall be deposited*  
15 *in the general fund of the Treasury of the United States*  
16 *as miscellaneous receipts.”.*

17       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
18 *section shall apply to supplementary payments made pur-*  
19 *suant to section 1616(a) of the Social Security Act or sec-*  
20 *tion 212(a) of Public Law 93–66 for any calendar month*  
21 *beginning after September 30, 1994, and to services fur-*  
22 *nished after such date, regardless of whether regulations to*  
23 *implement such amendments have been promulgated by*  
24 *such date, or whether any agreement entered into under*

1 *such section 1616(a) or such section 212(a) has been modi-*  
2 *fied.*

3                   ***Subtitle D—Miscellaneous***  
4                   ***Provisions***

5                   ***PART I—TRADE PROVISIONS***

6 ***SEC. 7701. EXTENSION OF AUTHORITY TO LEVY CUSTOMS***  
7                   ***USER FEES.***

8                   *Section 13031(j)(3) of the Consolidated Omnibus*  
9 *Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is*  
10 *amended by striking out “1995” and inserting “1998”.*

11 ***SEC. 7702. EXTENSION OF, AND AUTHORIZATION OF APPRO-***  
12                   ***PRIATIONS FOR, TRADE ADJUSTMENT AS-***  
13                   ***SISTANCE PROGRAM.***

14                   *(a) EXTENSION.—Section 285 of the Trade Act of 1974*  
15 *(19 U.S.C. 2271, preceding note) is amended—*

16                   *(1) by striking “No” and all that follows through*  
17                   *“and no duty” in subsection (b) and inserting “No*  
18                   *duty”; and*

19                   *(2) by adding at the end the following new sub-*  
20                   *section:*

21                   *“(c) No assistance, vouchers, allowances, or other pay-*  
22 *ments may be provided under chapter 2, and no technical*  
23 *assistance may be provided under chapter 3, after Septem-*  
24 *ber 30, 1998.”.*

25                   *(b) AUTHORIZATION OF APPROPRIATIONS.—*

1           (1) *CHAPTER 2 ADJUSTMENT ASSISTANCE.*—*Sec-*  
2           *tion 245 of the Trade Act of 1974 (19 U.S.C. 2317)*  
3           *is amended by striking “1988, 1989, 1990, 1991,*  
4           *1992, and 1993” and inserting “1993, 1994, 1995,*  
5           *1996, 1997, and 1998”.*

6           (2) *CHAPTER 3 ADJUSTMENT ASSISTANCE.*—*Sec-*  
7           *tion 256(b) of such Act (19 U.S.C. 2346(b)) is amend-*  
8           *ed by striking “1988, 1989, 1990, 1991, 1992, and*  
9           *1993” and inserting “1993, 1994, 1995, 1996, 1997,*  
10          *and 1998”.*

11           ***PART II—IMPROVED ACCESS TO CHILDHOOD***

12                           ***IMMUNIZATIONS***

13           ***SEC. 7801. REIMBURSEMENT TO VACCINE MANUFACTUR-***  
14                           ***ERS.***

15           (a) *IN GENERAL.*—*Section 1902(a)(32) (42 U.S.C.*  
16           *1396a(32)) is amended—*

17                   (1) *by striking “and” at the end of subpara-*  
18                   *graph (B);*

19                   (2) *by striking the period at the end of subpara-*  
20                   *graph (C) and inserting “; and”; and*

21                   (3) *by adding at the end the following new sub-*  
22                   *paragraph:*

23                           *“(D) nothing in this paragraph shall be*  
24                   *construed to prevent the making of such payment*

1           *to a manufacturer of a childhood vaccine under*  
2           *a contract with the State pursuant to which the*  
3           *manufacturer participates in a vaccine replace-*  
4           *ment program described in subsection (z).”.*

5           ***(b) STATE VACCINE BULK PURCHASE PROGRAM.—***  
6           *Section 1902 (42 U.S.C. 1396a) is amended by adding after*  
7           *paragraph (58) the following new paragraph:*

8                   *“(59) provide for the establishment of a State*  
9                   *vaccine bulk purchase program for the purchase of pe-*  
10                   *diatric vaccines.”*

11           *and by adding at the end the following new subsection:*

12                   *“(z)(1) For purposes of section 1396a(a)(59), a vaccine*  
13                   *replacement program described in this subsection is a vac-*  
14                   *cine bulk purchase program under which a State with a*  
15                   *State plan approved under this title contracts with each*  
16                   *manufacturer of childhood vaccines selling such vaccines in*  
17                   *the State to—*

18                           *“(A) supply doses of childhood vaccines to pro-*  
19                           *viders (or in the case of a State medicaid vaccine pro-*  
20                           *gram, the State) administering such vaccines to indi-*  
21                           *viduals eligible to receive medical assistance under the*  
22                           *State plan and replace such vaccines as needed; and*

23                           *“(B) charge the State agency for such doses of*  
24                           *childhood vaccine the price under the most recent bid*  
25                           *(determined once such a bid price is made public)*

1        *submitted by a manufacturer which receives the Cen-*  
2        *ters for Disease Control and Prevention contract with*  
3        *respect to the childhood immunization program under*  
4        *the Public Health Services Act, plus a reasonable fee*  
5        *to cover shipping and handling of returns for such*  
6        *doses.*

7        *“(2) Any manufacturer of childhood vaccines selling*  
8        *such vaccines in a State which does not participate in a*  
9        *vaccine replacement program described in paragraph (1)*  
10       *which is operated in such State shall be ineligible to bid*  
11       *for Centers for Disease Control and Prevention Immuniza-*  
12       *tion contracts under section 317(j) of the Public Health*  
13       *Services Act.”.*

14       *(c) DEFINITION OF STATE VACCINE BULK PURCHASE*  
15       *PROGRAM.—Section 1902 (42 U.S.C. 1396d) is amended by*  
16       *adding at the end the following new subsection:*

17       *“(t) VACCINE BULK PURCHASE PROGRAM.—The term*  
18       *‘vaccine bulk purchase program’ means a State program*  
19       *which purchases vaccines at prices negotiated by the Centers*  
20       *for Disease Control and Prevention’s childhood immuniza-*  
21       *tion program and distributes such vaccines free of charge*  
22       *to entities providing medical assistance to individuals eligi-*  
23       *ble for such medical assistance under this title.”.*

24       *(d) AGREEMENT WITH THE STATE.—Section*  
25       *1902(a)(27) (42 U.S.C. 1396a(a)(27)) is amended—*

1           (1) by striking “under the State plan”, and in-  
2           serting “under the State plan and with any entity  
3           that is a manufacturer of a childhood vaccine under  
4           a contract with the State pursuant to which the man-  
5           ufacturer participates in a vaccine replacement pro-  
6           gram described in subsection (z)”; and

7           (2) by striking “such person or institution” each  
8           place it appears and inserting “such person, institu-  
9           tion, or entity”.

10          (e) *CDC PRICE PLUS CPI*.—To the extent that, at the  
11          date of enactment, a specific vaccine is purchased under  
12          contract with the Centers for Disease Control and Preven-  
13          tion as provided in the Public Health Service Act, no bid  
14          for the purchase of such vaccine shall be accepted by the  
15          Centers for Disease Control and Prevention if the price per  
16          dose of such vaccine exceeds the price in effect on the date  
17          of enactment increased by the percentage increase in CPI  
18          from date of the contract in effect on the date of the enact-  
19          ment to the date of the contract. This provision shall be  
20          in effect for contracts made in fiscal year 1994 through fis-  
21          cal year 1998.

22          (f) *MULTIPLE SUPPLIERS*.—The Public Health Service  
23          provisions relating to the Centers for Disease Control and  
24          Prevention purchase of vaccine may not be construed as  
25          prohibiting the Secretary from entering into a contract



1 *with each manufacturer of a vaccine that meets the terms*  
2 *and conditions of the Secretary for an award of such a con-*  
3 *tract (including terms and conditions regarding safety,*  
4 *quality, and price).*

5 **SEC. 7802. STATE OPTION TO PROVIDE THAT CERTAIN PAY-**  
6 **MENTS UNDER AFDC ARE CONDITIONED ON**  
7 **RECEIPT OF IMMUNIZATIONS.**

8 *(a) IN GENERAL.—Section 402 (42 U.S.C. 602) is*  
9 *amended—*

10 *(1) in paragraph (44), by striking “; and” and*  
11 *inserting a semicolon;*

12 *(2) in paragraph (45) by striking the period at*  
13 *the end and inserting “; and”; and*

14 *(3) by adding at the end the following new para-*  
15 *graph:*

16 *“(46) at the option of the State, provide that if*  
17 *a family receiving aid to families with dependent*  
18 *children for any month includes a child under the age*  
19 *of 6 who has not received appropriate immunizations*  
20 *(as determined by the State), the State will take ac-*  
21 *tions to encourage the timely immunization of such*  
22 *child including, but not limited to, reducing the total*  
23 *benefits received by such family for such month by all*  
24 *or a portion of the benefits allocable to the parent or*  
25 *guardian of such child and either—*

1           “(A) placing all or a portion of such  
2 amount in an account until the family dem-  
3 onstrates to the State that such child has been  
4 appropriately immunized; or

5           “(B) using all or a portion of such amount  
6 to provide services to such family intended to en-  
7 sure that such child receives appropriate immu-  
8 nizations.”.

9           (b) STATE PROGRAMS TO ENCOURAGE APPROPRIATE  
10 IMMUNIZATIONS.—

11           (1) IN GENERAL.—The Secretary of Health and  
12 Human Services (hereafter referred to in this sub-  
13 section as the “Secretary”) shall provide for the estab-  
14 lishment or programs intended to ensure the appro-  
15 priate immunization of children to be operated in the  
16 States electing to take actions to encourage the timely  
17 immunization of children described in section  
18 402(a)(46) of the Social Security Act.

19           (2) PAYMENTS TO STATES AND LIMITS ON FUND-  
20 ING.—

21           (A) PAYMENTS TO STATES.—Except as pro-  
22 vided in subparagraph (B), the Secretary shall  
23 pay to each State conducting a program under  
24 this subsection for each quarter in which such  
25 program is conducted an amount equal such

1           *State's Federal percentage (as determined under*  
2           *section 403(a) of the Social Security Act) of the*  
3           *expenditures incurred by such State during such*  
4           *quarter in conducting such program.*

5           (B) *LIMITS ON FUNDING.*—*In conducting*  
6           *programs under this subsection, the Secretary*  
7           *shall limit the total amount of the Federal share*  
8           *of expenses incurred under title IV and section*  
9           *1903 of the Social Security Act to no more than*  
10           *\$250,000 for each State in any year.*

11           (c) *EFFECTIVE DATE.*—*The amendment made by sub-*  
12           *section (a) and the provisions of subsection (b) shall become*  
13           *effective on the date of the enactment of this Act.*

14           ***PART III—DISCLOSURE PROVISIONS***

15           ***SEC. 7901. DISCLOSURE OF RETURN INFORMATION FOR AD-***  
16           ***MINISTRATION OF CERTAIN VETERANS PRO-***  
17           ***GRAMS.***

18           (a) *GENERAL RULE.*—*Subparagraph (D) of section*  
19           *6103(l)(7) of the Internal Revenue Code of 1986 (relating*  
20           *to disclosure of return information to Federal, State, and*  
21           *local agencies administering certain programs) is amended*  
22           *by striking "September 30, 1997" in the second sentence*  
23           *following clause (viii) and inserting "September 30, 1998".*

24           (b) *AUTHORITY FOR SECRETARY OF VETERANS AF-*  
25           *FAIRS TO OBTAIN INFORMATION.*—*Section 5317(g) of title*

1 38, United States Code, is amended by striking out “Sep-  
2 tember 30, 1997” and inserting “September 30, 1998”.

3 (c) *EFFECTIVE DATE.*—The amendments made by this  
4 section shall take effect on the date of the enactment of this  
5 Act.

6 **SEC. 7902. DISCLOSURE OF RETURN INFORMATION TO**  
7 **CARRY OUT INCOME CONTINGENT REPAY-**  
8 **MENT OF STUDENT LOANS.**

9 (a) *GENERAL RULE.*—Subsection (l) of section 6103  
10 of the Internal Revenue Code of 1986 (relating to confiden-  
11 tiality and disclosure of returns and return information)  
12 is amended by adding at the end thereof the following new  
13 paragraph:

14 “(13) *DISCLOSURE OF RETURN INFORMATION TO*  
15 *CARRY OUT INCOME CONTINGENT REPAYMENT OF STU-*  
16 *DENT LOANS.*—

17 “(A) *IN GENERAL.*—The Secretary may,  
18 upon written request from the Secretary of Edu-  
19 cation, disclose to officers and employees of the  
20 Department of Education return information  
21 with respect to a taxpayer who has received an  
22 applicable student loan and whose loan repay-  
23 ment amounts are based in whole or in part on  
24 the taxpayer’s income. Such return information  
25 shall be limited to—

1           “(i) taxpayer identity information  
2           with respect to such taxpayer,

3           “(ii) the filing status of such taxpayer,  
4           and

5           “(iii) the adjusted gross income of such  
6           taxpayer.

7           “(B) RESTRICTION ON USE OF DISCLOSED  
8           INFORMATION.—Return information disclosed  
9           under subparagraph (A) may be used by officers  
10          and employees of the Department of Education  
11          only for the purposes of, and to the extent nec-  
12          essary in, establishing the appropriate income  
13          contingent repayment amount for an applicable  
14          student loan.

15          “(C) APPLICABLE STUDENT LOAN.—For  
16          purposes of this paragraph, the term ‘applicable  
17          student loan’ means—

18                 “(i) any loan made under the program  
19                 authorized under part D of title IV of the  
20                 Higher Education Act of 1965, and

21                 “(ii) any loan made under part B or  
22                 E of title IV of the Higher Education Act  
23                 of 1965 which is in default and has been as-  
24                 signed to the Department of Education.

1           “(D) *TERMINATION.*—*This paragraph shall*  
2           *not apply to any request made after September*  
3           *30, 1998.*”

4           **(b) CONFORMING AMENDMENTS.**—

5           (1) *So much of paragraph (4) of section 6103(m)*  
6           *of such Code as precedes subparagraph (B) thereof is*  
7           *amended to read as follows:*

8           “(4) *INDIVIDUALS WHO OWE AN OVERPAYMENT*  
9           *OF FEDERAL PELL GRANTS OR WHO HAVE DE-*  
10           *FAULTED ON STUDENT LOANS ADMINISTERED BY THE*  
11           *DEPARTMENT OF EDUCATION.*—

12           “(A) *IN GENERAL.*—*Upon written request*  
13           *by the Secretary of Education, the Secretary*  
14           *may disclose the mailing address of any tax-*  
15           *payer—*

16           *“(i) who owes an overpayment of a*  
17           *grant awarded to such taxpayer under sub-*  
18           *part 1 of part A of title IV of the Higher*  
19           *Education Act of 1965, or*

20           *“(ii) who has defaulted on a loan—*

21           *“(I) made under part B, D, or E*  
22           *of title IV of the Higher Education Act*  
23           *of 1965, or*

24           *“(II) made pursuant to section*  
25           *3(a)(1) of the Migration and Refugee*

1                    *Assistance Act of 1962 to a student at*  
2                    *an institution of higher education,*  
3                    *for use only by officers, employees, or agents of*  
4                    *the Department of Education for purposes of lo-*  
5                    *cating such taxpayer for purposes of collecting*  
6                    *such overpayment or loan .”*

7                    *(2) Subparagraph (B) of section 6103(m)(4) of*  
8                    *such Code is amended—*

9                    *(A) in clause (i), by striking “under part*  
10                    *B” and inserting “under part B or D”; and*

11                    *(B) in clause (ii), by striking “under part*  
12                    *E” and inserting “under subpart 1 of part A, or*  
13                    *part D or E,”;*

14                    *(3) Section 6103(p) of such Code is amended—*

15                    *(A) in paragraph (3)(A), by striking “(11),*  
16                    *or (12), (m)” and inserting “(11), (12), or (13),*  
17                    *(m)”;*

18                    *(B) in paragraph (4)—*

19                    *(i) in the matter preceding subpara-*  
20                    *graph (A), by striking out “(10), or (11),”*  
21                    *and inserting “(10), (11), or (13),”, and*

22                    *(ii) in subparagraph (F)(ii), by strik-*  
23                    *ing “(11), or (12),” and inserting “(11),*  
24                    *(12), or (13),”.*

1           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall take effect on the date of the enactment of this*  
3 *Act.*

4 ***SEC. 7903. USE OF RETURN INFORMATION FOR INCOME***  
5                           ***VERIFICATION UNDER CERTAIN HOUSING AS-***  
6                           ***SISTANCE PROGRAMS.***

7           (a) *IN GENERAL.*—*Subparagraph (D) of section*  
8 *6103(l)(7) of the Internal Revenue Code of 1986 (relating*  
9 *to the disclosure of return information to Federal, State,*  
10 *and local agencies administering certain programs) is*  
11 *amended—*

12                   (1) *in clause (vii), by striking “and” at the end;*

13                   (2) *in clause (viii), by striking the period at the*  
14 *end and inserting “; and”;*

15                   (3) *by inserting after clause (viii) the following*  
16 *new clause:*

17                   “(ix) *any housing assistance program adminis-*  
18 *tered by the Department of Housing and Urban De-*  
19 *velopment that involves initial and periodic review of*  
20 *an applicant’s or participant’s income, except that*  
21 *return information may be disclosed under this clause*  
22 *only on written request by the Secretary of Housing*  
23 *and Urban Development and only for use by officers*  
24 *and employees of the Department of Housing and*



1 *Urban Development with respect to applicants for*  
2 *and participants in such programs.”; and*

3 (4) *by adding at the end thereof the following:*  
4 *“Clause (ix) shall not apply after September 30,*  
5 *1998.”*

6 (b) *CONFORMING AMENDMENT.—The heading of para-*  
7 *graph (7) of section 6103(l) of such Code is amended by*  
8 *inserting after “CODE” the following: “, OR CERTAIN HOUS-*  
9 *ING ASSISTANCE PROGRAMS”.*

10 (c) *EFFECTIVE DATE.—The amendments made by this*  
11 *section shall take effect on the date of the enactment of this*  
12 *Act.*

13 ***SEC. 7904. USE OF RETURN INFORMATION FOR HEALTH***  
14 ***COVERAGE CLEARINGHOUSE.***

15 (a) *ESTABLISHMENT OF HEALTH COVERAGE CLEAR-*  
16 *INGHOUSE.—Part A of title XI (42 U.S.C. 1301 et seq.) is*  
17 *amended by adding at the end the following new section:*

18 *“THIRD PARTY LIABILITY CLEARINGHOUSE*

19 *“SEC. 1144. (a) ESTABLISHMENT OF CLEARING-*  
20 *HOUSE.—*

21 *“(1) IN GENERAL.—The Secretary shall establish*  
22 *and operate a Third Party Liability Clearinghouse*  
23 *(hereafter in this section referred to as the ‘Clearing-*  
24 *house’) for the purpose of identifying third parties re-*  
25 *sponsible for payment for health care items and serv-*  
26 *ices furnished to beneficiaries of the medicare pro-*

1 *gram under title XVIII and the medicaid program*  
2 *under title XIX.*

3 “(2) *DIRECTOR.*—*The Clearinghouse established*  
4 *pursuant to paragraph (1) shall be headed by a Di-*  
5 *rector.*

6 “(b) *DATA BANK.*—

7 “(1) *MAINTENANCE OF INFORMATION.*—*The*  
8 *Clearinghouse shall maintain a data bank containing*  
9 *information obtained pursuant to section 6103(l)(12)*  
10 *of the Internal Revenue Code of 1986. Information in*  
11 *the data bank shall be retained for not less than 1*  
12 *year after the date the information was obtained.*

13 “(2) *DISCLOSURE OF INFORMATION IN DATA*  
14 *BANK.*—*The Director is authorized (subject to the re-*  
15 *striction in section 6103(l)(12)(E)(i) of the Internal*  
16 *Revenue Code of 1986) to disclose any information in*  
17 *the data bank established pursuant to paragraph (1)*  
18 *to the Commissioner of Social Security, the Secretary*  
19 *of the Treasury, employers, group health plans, the*  
20 *administrator of the medicare program under title*  
21 *XVIII, and the administrators of the medicaid pro-*  
22 *gram under title XIX, to the extent necessary to assist*  
23 *the administration of such programs.*

24 “(c) *REQUIREMENT THAT EMPLOYERS FURNISH IN-*  
25 *FORMATION.*—

1           “(1) *IN GENERAL.*—An employer shall furnish to  
2           the Director the information requested pursuant to  
3           section 6103(l)(12)(C)(i) of the Internal Revenue Code  
4           of 1986 within 60 days after receipt of such a request.

5           “(2) *CIVIL MONEY PENALTY FOR FAILURE TO CO-*  
6           *OPERATE.*—An employer (other than a Federal or  
7           other governmental entity) who willfully or repeatedly  
8           fails to provide a timely and accurate response to a  
9           request for information pursuant to paragraph (1)  
10          shall be subject, in addition to any other penalties  
11          that may be prescribed by law, to a civil money pen-  
12          alty of not to exceed \$1,000 for each individual or in-  
13          dividual’s spouse with respect to which such a request  
14          is made. The provisions of section 1128A (other than  
15          subsections (a) and (b)) shall apply to such civil  
16          money penalty in the same manner as such provi-  
17          sions apply to penalties or proceedings under section  
18          1128A(a).

19          “(d) *COLLECTIONS FROM THIRD PARTIES.*—The Di-  
20          rector is authorized, upon request by the administrator of  
21          the medicare program under title XVIII or any adminis-  
22          trator of the medicaid program under title XIX, to assist  
23          in the collection of amounts due from liable third parties  
24          to reimburse costs incurred by such program for health care  
25          items and services.

1       “(e) *FEEES FOR CLEARINGHOUSE SERVICES.*—The Di-  
2       rector shall establish fees for services provided under section  
3       6103(l)(12)(C)(ii) of the Internal Revenue Code of 1986 and  
4       subsection (d) which are designed to cover the full costs to  
5       the Clearinghouse of providing such services. Clearinghouse  
6       services under such section and subsection shall be available  
7       subject to payment of such fees.

8       “(f) *EVALUATION RESPONSIBILITIES.*—The Director  
9       shall evaluate methods for improving—

10               “(1) procedures for the collection, management,  
11               and appropriate disclosure of health care coverage in-  
12               formation, and

13               “(2) Federal laws and policies concerning third  
14               party liability for medical care.

15       “(g) *DEFINITIONS.*—For purposes of this section, the  
16       term ‘group health plan’ has the meaning given to such  
17       term in section 6103(l)(12)(G) of the Internal Revenue Code  
18       of 1986.”.

19       (b) *DISCLOSURE OF TAX RETURN INFORMATION.*—

20               (1) *IN GENERAL.*—Paragraph (12) of section  
21       6103(l) of the Internal Revenue Code of 1986, as  
22       amended by section 7303, is amended to read as fol-  
23       lows:

24               “(12) *DISCLOSURE OF CERTAIN TAXPAYER RE-*  
25       *TURN INFORMATION FOR PURPOSES OF IDENTIFYING*

1        *HEALTH INSURANCE COVERAGE OF CERTAIN INDIVID-*  
2        *UALS AND SPOUSES.—*

3                *“(A) RETURN INFORMATION FROM INTER-*  
4                *NAL REVENUE SERVICE.—The Secretary shall,*  
5                *upon written request from the Commissioner of*  
6                *Social Security (referred to in this subparagraph*  
7                *as the ‘Commissioner’), disclose to the Commis-*  
8                *sioner available filing status and taxpayer iden-*  
9                *tity information from the individual master files*  
10               *of the Internal Revenue Service relating to*  
11               *whether any individual identified by the Com-*  
12               *missioner was a married individual (as defined*  
13               *in section 7703) for any specified year after*  
14               *1986, and, if so, the name of the spouse of such*  
15               *individual and such spouse’s TIN.*

16               *“(B) RETURN INFORMATION FROM SOCIAL*  
17               *SECURITY ADMINISTRATION.—The Commissioner*  
18               *shall, upon written request from the Director of*  
19               *the Third Party Liability Clearinghouse (re-*  
20               *ferred to in this subparagraph as the ‘Director’),*  
21               *disclose to the Director the following information*  
22               *with respect to the individuals, and the spouses*  
23               *of such individuals, specified in subparagraph*  
24               *(A):*

1           “(i) For each such individual who is  
2 identified as having received wages (as de-  
3 fined in section 3401(a)) above an amount  
4 (if any) specified by the Secretary of Health  
5 and Human Services from an employer in  
6 a previous year—

7                   “(I) the name and TIN of the in-  
8 dividual,

9                   “(II) the name, address, and TIN  
10 of the employer, and

11                   “(III) the information reported  
12 under section 6051(a)(10).

13           “(ii) For each individual who was  
14 identified as married under subparagraph  
15 (A) and whose spouse is identified as hav-  
16 ing received wages above an amount (if  
17 any) specified by the Secretary of Health  
18 and Human Services from an employer in  
19 a previous year—

20                   “(I) the name and TIN of the in-  
21 dividual,

22                   “(II) the name and TIN of the  
23 spouse,

24                   “(III) the name, address, and TIN  
25 of the spouse’s employer, and

1                   “(IV) the information reported  
2                   under section 6051(a)(10) with respect  
3                   to the spouse.

4                   “(C) DISCLOSURE BY THIRD PARTY LIABIL-  
5                   ITY CLEARINGHOUSE.—The Director may (sub-  
6                   ject to the provisions of subparagraph (E)) dis-  
7                   close—

8                   “(i) with respect to the information  
9                   disclosed under subparagraph (B), to the  
10                  employer referred to in such subparagraph  
11                  the name and TIN of each individual iden-  
12                  tified under such subparagraph as having  
13                  received wages from the employer (hereafter  
14                  referred to in this subparagraph as the ‘em-  
15                  ployee’) for purposes of determining during  
16                  what period such employee or the employee’s  
17                  spouse may be (or have been) covered under  
18                  a group health plan of the employer and  
19                  what benefits are or were covered under the  
20                  plan (including the name, address, and  
21                  identifying number of the plan),

22                  “(ii) to the administrator of the medi-  
23                  care program under title XVIII of the So-  
24                  cial Security Act or to any administrator of  
25                  the medicaid program under title XIX of

1           *such Act the information disclosed under*  
2           *subparagraph (B) and clause (i) for pur-*  
3           *poses of providing information concerning*  
4           *employment and group health coverage of*  
5           *individuals and individual's spouses who*  
6           *are program beneficiaries,*

7           *“(iii) to any agent of such Director the*  
8           *information referred to in subparagraph*  
9           *(B) for purposes of carrying out clauses (i)*  
10          *and (ii) on behalf of such Director, and*

11          *“(iv) to any person specified in sub-*  
12          *section (b)(2) of section 1144 of the Social*  
13          *Security Act, information in the data bank*  
14          *established pursuant to subsection (b)(1) of*  
15          *such section, for the purposes specified in*  
16          *such subsection.*

17          *“(D) DISCLOSURE BY CERTAIN PROGRAMS*  
18          *TO GROUP HEALTH PLANS.—The administrator*  
19          *of the medicare program under title XVIII of the*  
20          *Social Security Act or any administrator of the*  
21          *medicaid program under title XIX of such Act*  
22          *may (subject to the provisions of subparagraph*  
23          *(E)) disclose information concerning an em-*  
24          *ployee or spouse disclosed to the Director pursu-*



1 ant to subparagraph (B) and redisclosed to such  
2 administrator pursuant to subparagraph (C)—

3 “(i) to any group health plan which  
4 provides or provided coverage to such em-  
5 ployee or spouse, and

6 “(ii) to any agent of such adminis-  
7 trator,

8 for purposes of identifying, or collecting on  
9 claims under coverage of such employee or spouse  
10 under such group health plan.

11 “(E) SPECIAL RULES.—

12 “(i) RESTRICTIONS ON DISCLOSURE.—  
13 Information may be disclosed under sub-  
14 paragraphs (A) through (D) only for pur-  
15 poses of, and to the extent necessary in, de-  
16 termining the extent to which any individ-  
17 ual is covered under any group health plan.

18 “(ii) TIMELY RESPONSE TO RE-  
19 QUESTS.—Any request made under sub-  
20 paragraph (A) or (B) shall be complied  
21 with as soon as possible but in no event  
22 later than 120 days after the date the re-  
23 quest was made.

24 “(F) DISCLOSURE CONCERNING ENFORCE-  
25 MENT ACTIVITIES.—The Secretary shall, upon

1           *written request from the Secretary of Health and*  
2           *Human Services, disclose to the Secretary of*  
3           *Health and Human Services the status of any*  
4           *activities undertaken (with respect to persons*  
5           *specified by the Secretary of Health and Human*  
6           *Services) to enforce the requirements of section*  
7           *5000.*

8           “(G) *DEFINITIONS.—For purposes of this*  
9           *paragraph, the term ‘group health plan’ means*  
10          *any group health plan (as defined in section*  
11          *5000(b)).”.*

12          (2) *REPORTING OF GROUP HEALTH PLAN INFOR-*  
13          *MATION.—Section 6051(a) of the Internal Revenue*  
14          *Code of 1986 is amended—*

15                 (A) *by striking “and” at the end of para-*  
16                 *graph (8),*

17                 (B) *by striking the period at the end of*  
18                 *paragraph (9) and inserting “, and”, and*

19                 (C) *by inserting after paragraph (9) the fol-*  
20                 *lowing new paragraph:*

21                 “(10) *whether a group health plan (as defined in*  
22                 *section 6103(l)(12)(G)) is available to the employee*  
23                 *and the plan coverage (single or family) elected by*  
24                 *such employee (if any).”.*

1       (c) *CONFORMING AMENDMENT.*—Section 1862(b)(5)  
2 (42 U.S.C. 1395y(b)(5)), as amended by section 7303, is  
3 amended to read as follows:

4           “(5) *IDENTIFICATION OF SECONDARY PAYER SIT-*  
5 *UATIONS.*—In addition to any other information pro-  
6 vided under this title to fiscal intermediaries and car-  
7 riers, the Administrator shall disclose to such  
8 intermediaries and carriers (or to such a single  
9 intermediary or carrier as the Secretary may des-  
10 ignate) the information received under section  
11 6103(l)(12)(C)(ii) of the Internal Revenue Code of  
12 1986.”.

13       (d) *EXCEPTION FROM PRIVACY ACT REQUIRE-*  
14 *MENTS.*—Subsection (a)(8)(B) of section 552a of title 5,  
15 *United States Code*, is amended—

16           (1) in clause (v), by striking “; or” at the end;

17           (2) in clause (vi), by striking the semicolon at  
18 the end and inserting “; or”; and

19           (3) by adding at the end the following new  
20 clause:

21                   “(vii) matches performed pursuant to  
22 section 6103(l)(12) of the Internal Revenue  
23 Code of 1986 and section 1144 of the Social  
24 Security Act for the purpose of identifying  
25 third parties responsible for payment for

1           *health care items and services furnished to*  
2           *beneficiaries of certain Federal and feder-*  
3           *ally assisted programs;”.*

4           *(e) EFFECTIVE DATE.—The amendments made by this*  
5           *section shall take effect on April 1, 1995.*

6                           **PART IV—OTHER PROVISIONS**

7           **SEC. 7950. DISALLOWANCE OF INTEREST ON CERTAIN**  
8                           **OVERPAYMENTS OF TAX.**

9           *(a) GENERAL RULE.—Subsection (e) of section 6611*  
10          *of the Internal Revenue Code of 1986 (relating to income*  
11          *tax refund within 45 days after return is filed) is amended*  
12          *to read as follows:*

13                   *“(e) DISALLOWANCE OF INTEREST ON CERTAIN OVER-*  
14          *PAYMENTS.—*

15                   *“(1) REFUNDS WITHIN 45 DAYS AFTER RETURN*  
16          *IS FILED.—If any overpayment of tax imposed by*  
17          *this title is refunded within 45 days after the last day*  
18          *prescribed for filing the return of such tax (deter-*  
19          *mined without regard to any extension of time for fil-*  
20          *ing the return) or, in the case of a return filed after*  
21          *such last date, is refunded within 45 days after the*  
22          *date the return is filed, no interest shall be allowed*  
23          *under subsection (a) on such overpayment.*

24                   *“(2) REFUNDS AFTER CLAIM FOR CREDIT OR RE-*  
25          *FUND.—If—*

1           “(A) the taxpayer files a claim for a credit  
2           or refund for any overpayment of tax imposed by  
3           this title, and

4           “(B) such overpayment is refunded within  
5           45 days after such claim is filed,  
6           no interest shall be allowed on such overpayment from  
7           the date the claim is filed until the day the refund is  
8           made.

9           “(3) *IRS INITIATED ADJUSTMENTS.*—If an ad-  
10          justment initiated by the Secretary, results in a re-  
11          fund or credit of an overpayment, interest on such  
12          overpayment shall be computed by subtracting 45  
13          days from the number of days interest would other-  
14          wise be allowed with respect to such overpayment.”

15          **(b) EFFECTIVE DATES.**—

16                 (1) Paragraph (1) of section 6611(e) of the Inter-  
17          nal Revenue Code of 1986 (as amended by subsection  
18          (a)) shall apply in the case of returns the due date  
19          for which (determined without regard to extensions) is  
20          on or after January 1, 1994.

21                 (2) Paragraph (2) of section 6611(e) of such  
22          Code (as so amended) shall apply in the case of  
23          claims for credit or refund of any overpayment filed  
24          on or after January 1, 1995, regardless of the taxable  
25          period to which such refund relates.

1           (3) Paragraph (3) of section 6611(e) of such  
2 Code (as so amended) shall apply in the case of any  
3 refund paid on or after January 1, 1995, regardless  
4 of the taxable period to which such refund relates.

5 **SEC. 7951. FEES FOR APPLICATIONS FOR ALCOHOL LABEL-**  
6 **ING AND FORMULA REVIEWS.**

7           (a) *IN GENERAL.*—The Secretary of the Treasury or  
8 his delegate (hereinafter in this section referred to as the  
9 ‘Secretary’) shall establish a program requiring the pay-  
10 ment of user fees for—

11           (1) requests for each certificate of alcohol label  
12 approval required under the Federal Alcohol Admin-  
13 istration Act (27 U.S.C. 201 et seq.) and for each re-  
14 quest for exemption from such requirement, and

15           (2) requests for each formula review, and re-  
16 quests for each statement of process (including labora-  
17 tory tests and analyses), under such Act or under  
18 chapter 51 of the Internal Revenue Code of 1986.

19           (b) *PROGRAM CRITERIA.*—

20           (1) *IN GENERAL.*—The fees charged under the  
21 program required by subsection (a) shall be deter-  
22 mined such that the Secretary estimates that the ag-  
23 gregate of such fees received during any fiscal year  
24 will be \$5,000,000.

1           (2) *MINIMUM FEES.*—The fee charged under the  
2           program required by subsection (a) shall not be less  
3           than—

4                   (A) \$50 for each request referred to in sub-  
5                   section (a)(1), and

6                   (B) \$250 for each request referred to in sub-  
7                   section (a)(2).

8           (c) *APPLICATION OF SECTION.*—Subsection (a) shall  
9           apply to requests made on or after the 90th day after the  
10          date of the enactment of this Act.

11          (d) *DEPOSIT AND CREDIT AS OFFSETTING RE-*  
12          *CEIPTS.*—The amounts collected by the Secretary under the  
13          program required by subsection (a) (to the extent such  
14          amounts do not exceed \$5,000,000) shall be deposited into  
15          the Treasury as offsetting receipts and ascribed to the alco-  
16          hol compliance program of the Bureau of Alcohol, Tobacco,  
17          and Firearms.

18          **SEC. 7952. USE OF HARBOR MAINTENANCE TRUST FUND**

19                                   **AMOUNTS FOR ADMINISTRATIVE EXPENSES.**

20          (a) *IN GENERAL.*—Paragraph (3) of section 9505(c)  
21          of the Internal Revenue Code of 1986 (relating to expendi-  
22          tures from Harbor Maintenance Trust Fund) is amended  
23          to read as follows:

24                                   “(3) for the payment of all expenses of adminis-  
25          tration incurred by the Department of the Treasury,

1       *the Army Corps of Engineers, and the Department of*  
2       *Commerce related to the administration of subchapter*  
3       *A of chapter 36 (relating to harbor maintenance tax),*  
4       *but not in excess of \$5,000,000 for any fiscal year.”*

5       **(b) EFFECTIVE DATE.**—*The amendment made by sub-*  
6       *section (a) shall apply to fiscal years beginning after the*  
7       *date of the enactment of this Act.*

8       **SEC. 7953. INCREASE IN PRESIDENTIAL ELECTION CAM-**  
9       **PAIGN FUND CHECK-OFF.**

10       **(a) IN GENERAL.**—*Section 6096(a) of the Internal*  
11       *Revenue Code of 1986 (relating to designation by individ-*  
12       *uals) is amended—*

13               **(1)** *by striking “\$1” each place it appears and*  
14               *inserting “\$3”, and*

15               **(2)** *by striking “\$2” and inserting “\$6”.*

16       **(b) EFFECTIVE DATE.**—*The amendments made by sub-*  
17       *section (a) apply with respect to tax returns required to*  
18       *be filed after December 31, 1993.*

19       **SEC. 7954. INCREASE IN PUBLIC DEBT LIMIT.**

20       **(a) GENERAL RULE.**—*Subsection (b) of section 3101*  
21       *of title 31, United States Code, is amended by striking out*  
22       *the dollar limitation contained in such subsection and in-*  
23       *serting in lieu thereof “\$4,900,000,000,000”.*



1       (b) *REPEAL OF TEMPORARY INCREASE.*—Effective on  
2 and after the date of the enactment of this Act, section 1  
3 of Public Law 103–12 is hereby repealed.

4       **TITLE VIII—FINANCE COMMIT-**  
5       **TEE REVENUE PROVISIONS**

6       **SEC. 8000. SHORT TITLE; ETC.**

7       (a) *SHORT TITLE.*—This title may be cited as the  
8 “Revenue Reconciliation Act of 1993”.

9       (b) *AMENDMENT TO 1986 CODE.*—Except as otherwise  
10 expressly provided, whenever in this title an amendment  
11 or repeal is expressed in terms of an amendment to, or re-  
12 peal of, a section or other provision, the reference shall be  
13 considered to be made to a section or other provision of the  
14 Internal Revenue Code of 1986.

15       (c) *SECTION 15 NOT TO APPLY.*—Except in the case  
16 of the amendments made by section 8221 (relating to cor-  
17 porate rate increase), no amendment made by this title  
18 shall be treated as a change in a rate of tax for purposes  
19 of section 15 of the Internal Revenue Code of 1986.

20       (d) *WAIVER OF ESTIMATED TAX PENALTIES.*—No ad-  
21 dition to tax shall be made under section 6654 or 6655 of  
22 the Internal Revenue Code of 1986 for any period before  
23 April 16, 1994 (March 16, 1994, in the case of a corpora-  
24 tion), with respect to any underpayment to the extent such

1 *underpayment was created or increased by any provision*  
 2 *of this title.*

3 (e) *TABLE OF CONTENTS.—*

*Sec. 8000. Short title; etc.*

*Subtitle A—Training and Investment Incentives*

*PART I—PROVISIONS RELATING TO EDUCATION AND TRAINING*

*Sec. 8101. Employer-provided educational assistance.*

*Sec. 8102. Targeted jobs credit.*

*PART II—INVESTMENT INCENTIVES*

*SUBPART A—RESEARCH CREDIT*

*Sec. 8111. Extension of research credit.*

*Sec. 8112. Modification of fixed base percentage for startup companies.*

*Sec. 8113. Sense of Senate regarding permanent extension of research credit.*

*SUBPART B—MODIFICATION TO MINIMUM TAX DEPRECIATION RULES*

*Sec. 8115. Modification to minimum tax depreciation rules.*

*SUBPART C—INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES*

*Sec. 8119. Increase in expense treatment for small businesses.*

*SUBPART D—TAX EXEMPT BONDS*

*Sec. 8121. Extension of qualified small issue bonds.*

*PART III—EXPANSION AND SIMPLIFICATION OF EARNED INCOME TAX CREDIT*

*Sec. 8131. Expansion and simplification of earned income tax credit.*

*PART IV—INCENTIVES FOR INVESTMENT IN REAL ESTATE*

*SUBPART A—EXTENSION OF QUALIFIED MORTGAGE BONDS AND LOW-INCOME HOUSING CREDIT*

*Sec. 8141. Extension of qualified mortgage bonds.*

*Sec. 8141A. Sense of the Senate regarding permanent extension of qualified mortgage bonds.*

*Sec. 8142. Low-income housing credit.*

*SUBPART B—PASSIVE LOSS RULES*

*Sec. 8143. Modification of passive loss rules.*

*SUBPART C—PROVISIONS RELATING TO REAL ESTATE INVESTMENTS BY PENSION FUNDS*

*Sec. 8144. Real estate property acquired by a qualified organization.*

*Sec. 8145. Repeal of special treatment of publicly treated partnerships.*

*Sec. 8146. Title-holding companies permitted to receive small amounts of unrelated business taxable income.*

*Sec. 8147. Exclusion from unrelated business tax of gains from certain property.*

- Sec. 8148. Exclusion from unrelated business tax of certain fees and option premiums.*  
*Sec. 8149. Treatment of pension fund investments in real estate investment trusts.*

*SUBPART D—INCREASE IN RECOVERY PERIOD FOR NONRESIDENTIAL REAL PROPERTY*

- Sec. 8151. Increase in recovery period for nonresidential real property.*

*PART V—LUXURY TAX*

- Sec. 8161. Repeal of luxury excise taxes other than on passenger vehicles.*  
*Sec. 8162. Exemption from luxury excise tax for certain equipment installed on passenger vehicles for use by disabled individuals.*  
*Sec. 8163. Tax on diesel fuel used in noncommercial boats.*

*PART VI—OTHER CHANGES*

- Sec. 8171. Alternative minimum tax treatment of contributions of appreciated property.*  
*Sec. 8172. Substantiation requirement for deduction of certain charitable contributions.*  
*Sec. 8173. Disclosure related to quid pro quo contributions.*  
*Sec. 8174. Certain transfers to railroad retirement account made permanent.*  
*Sec. 8175. Temporary extension of deduction for health insurance costs of self-employed individuals.*

*PART VII—INVESTMENT IN INDIAN RESERVATIONS*

- Sec. 8181. Investment tax credit for property on Indian Reservations.*  
*Sec. 8182. Indian employment credit.*

*Subtitle B—Revenue Increases*

*PART I—PROVISIONS AFFECTING INDIVIDUALS*

*SUBPART A—RATE INCREASES*

- Sec. 8201. Increase in top marginal rate under section 1.*  
*Sec. 8202. Surtax on high-income taxpayers.*  
*Sec. 8203. Modifications to alternative minimum tax rates and exemption amounts.*  
*Sec. 8203A. Rate increases not to take effect until July 1, 1993.*  
*Sec. 8204. Overall limitation on itemized deductions for high-income taxpayers made permanent.*  
*Sec. 8205. Phaseout of personal exemption of high-income taxpayers made permanent.*  
*Sec. 8206. Provisions to prevent conversion of ordinary income to capital gain.*

*SUBPART B—OTHER PROVISIONS*

- Sec. 8207. Repeal of limitation on amount of wages subject to health insurance employment tax.*  
*Sec. 8208. Top estate and gift tax rates made permanent.*  
*Sec. 8209. Reduction in deductible portion of business meals and entertainment.*  
*Sec. 8209A. Sense of the Senate relating to the deductibility of business meals and entertainment expenses.*  
*Sec. 8210. Elimination of deduction for club membership fees.*

- Sec. 8211. Disallowance of deduction for certain employee remuneration in excess of \$1,000,000.*
- Sec. 8212. Reduction in compensation taken into account in determining contributions and benefits under qualified retirement plans.*
- Sec. 8213. Modification to deduction for certain moving expenses.*
- Sec. 8214. Simplification of individual estimated tax safe harbor based on last year's tax.*
- Sec. 8215. Social security and tier 1 railroad retirement benefits.*

*PART II—PROVISIONS AFFECTING BUSINESSES*

- Sec. 8221. Increase in top marginal rate under section 11.*
- Sec. 8222. Disallowance of deduction for lobbying expenditures.*
- Sec. 8223. Mark to market accounting method for securities dealers.*
- Sec. 8224. Clarification of treatment of certain FSLIC financial assistance.*
- Sec. 8225. Modification of corporate estimated tax rules.*
- Sec. 8226. Modifications of discharge of indebtedness provisions.*
- Sec. 8227. Limitation on section 936 credit.*
- Sec. 8228. Modification to limitation on deduction for certain interest.*

*PART III—FOREIGN TAX PROVISIONS*

*SUBPART A—CURRENT TAXATION OF CERTAIN EARNINGS OF CONTROLLED FOREIGN CORPORATIONS*

- Sec. 8231. Earnings invested in excess passive assets.*
- Sec. 8232. Modification to taxation of investment in United States property.*
- Sec. 8233. Other modifications to Subpart F.*

*SUBPART B—ALLOCATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES*

- Sec. 8234. Allocation of research and experimental expenditures.*

*SUBPART C—OTHER PROVISIONS*

- Sec. 8235. Repeal of certain exceptions for working capital.*
- Sec. 8236. Modifications of accuracy-related penalty.*
- Sec. 8237. Denial of portfolio interest exemption for contingent interest.*
- Sec. 8238. Regulations dealing with conduit arrangements.*
- Sec. 8239. Treatment of export of certain softwood logs.*

*PART IV—TRANSPORTATION FUELS PROVISIONS*

*SUBPART A—TRANSPORTATION FUELS TAX*

- Sec. 8241. Transportation fuels tax.*

*SUBPART B—MODIFICATIONS TO TAX ON DIESEL FUEL*

- Sec. 8242. Modifications to tax on diesel fuel.*
- Sec. 8243. Floor stocks tax.*

*SUBPART C—EXTENSION OF MOTOR FUEL TAX RATES; INCREASED DEPOSITS INTO HIGHWAY TRUST FUND*

- Sec. 8244. Extension of motor fuel tax rates; increased deposits into Highway Trust Fund.*

## PART V—COMPLIANCE PROVISIONS

Sec. 8251. Modifications to substantial understatement and return-preparer penalties.

Sec. 8252. Returns relating to the cancellation of indebtedness by certain financial entities.

## PART VI—TREATMENT OF INTANGIBLES

Sec. 8261. Amortization of goodwill and certain other intangibles.

Sec. 8262. Treatment of certain payments to retired or deceased partner.

## PART VII—MISCELLANEOUS PROVISIONS

Sec. 8271. Denial of deduction relating to travel expenses.

Sec. 8272. Increase in withholding from supplemental wage payments.

Sec. 8273. Excise tax on certain vaccines made permanent.

1                   **Subtitle A—Training and**  
 2                   **Investment Incentives**

3                   **PART I—PROVISIONS RELATING TO EDUCATION**  
 4                   **AND TRAINING**

5                   **SEC. 8101. EMPLOYER-PROVIDED EDUCATIONAL ASSIST-**  
 6                   **ANCE.**

7                   (a) *EXTENSION OF EXCLUSION.*—

8                   (1) *IN GENERAL.*—Subsection (d) of section 127  
 9                   (relating to educational assistance programs) is  
 10                  amended to read as follows:

11                  “(d) *TERMINATION.*—

12                  “(1) *IN GENERAL.*—This section shall not apply  
 13                  to taxable years beginning after June 30, 1994.

14                  “(2) *SPECIAL RULE.*—In the case of any taxable  
 15                  year beginning in 1994, only amounts paid before  
 16                  July 1, 1994, by the employer for educational assist-  
 17                  ance for any employee shall be taken into account for  
 18                  purposes of this section.”

1           (2) *CONFORMING AMENDMENT.*—Paragraph (2)  
2           of section 103(a) of the Tax Extension Act of 1991 is  
3           hereby repealed.

4           (b) *COORDINATION WITH SECTION 132.*—Paragraph  
5           (8) of section 132(i) is amended to read as follows:

6           “(8) *APPLICATION OF SECTION TO OTHERWISE*  
7           *TAXABLE EDUCATIONAL OR TRAINING BENEFITS.*—  
8           Amounts paid or expenses incurred by the employer  
9           for education or training provided to the employee  
10          which are not excludable from gross income under sec-  
11          tion 127 shall be excluded from gross income under  
12          this section if (and only if) such amounts or expenses  
13          are a working condition fringe.”

14          (c) *EFFECTIVE DATES.*—

15                 (1) *SUBSECTION (a).*—The amendments made by  
16                 subsection (a) shall apply to taxable years ending  
17                 after June 30, 1992.

18                 (2) *SUBSECTION (b).*—The amendment made by  
19                 subsection (b) shall apply to taxable years beginning  
20                 after December 31, 1988.

21         **SEC. 8102. TARGETED JOBS CREDIT.**

22                 (a) *EXTENSION OF CREDIT.*—Paragraph (4) of section  
23                 51(c) (relating to amount of targeted jobs credit) is amend-  
24                 ed by striking “1992” and inserting “1994”.

1       (b) *EFFECTIVE DATE.*—The amendment made by sub-  
2 section (a) shall apply to individuals who begin work for  
3 the employer after June 30, 1992.

4                   **PART II—INVESTMENT INCENTIVES**

5                           **Subpart A—Research Credit**

6       **SEC. 8111. EXTENSION OF RESEARCH CREDIT.**

7       (a) *IN GENERAL.*—Subsection (h) of section 41 (relat-  
8 ing to credit for research activities) is amended to read as  
9 follows:

10       “(h) *NONAPPLICABILITY.*—

11               “(1) *IN GENERAL.*—This section shall not apply  
12 to amounts paid or incurred during any suspension  
13 period.

14               “(2) *BASE AMOUNT.*—In the case of any taxable  
15 year which includes a portion of any suspension pe-  
16 riod, the base amount with respect to such taxable  
17 year shall be the amount which bears the same ratio  
18 to the base amount for such year (determined without  
19 regard to this paragraph) as the number of days in  
20 such taxable year which are not in any suspension  
21 period bears to the total number of days in such tax-  
22 able year.

23               “(3) *FIXED-BASE PERCENTAGE.*—The fixed-base  
24 percentage under subsection (c)(3)(B)(ii) shall be

1       *computed as if this section were in effect during any*  
2       *suspension period.*

3               “(4) *SUSPENSION PERIOD.*—*For purposes of this*  
4       *subsection, the term ‘suspension period’ includes—*

5                       “(A) *the period beginning July 1, 1992, and*  
6                       *ending June 30, 1993, and*

7                       “(B) *any period after June 30, 1994.*”

8       (b) *CONFORMING AMENDMENT.*—*Subparagraph (D) of*  
9       *section 28(b)(1) is amended by striking “for periods after*  
10       *June 30, 1992” and inserting “during any suspension pe-*  
11       *riod (as defined in section 41(h)(4))”.*

12       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
13       *section shall apply to taxable years ending after June 30,*  
14       *1992.*

15       ***SEC. 8112. MODIFICATION OF FIXED BASE PERCENTAGE***  
16                       ***FOR STARTUP COMPANIES.***

17       (a) *GENERAL RULE.*—*Clause (ii) of section*  
18       *41(c)(3)(B) is amended to read as follows:*

19                       “(ii) *FIXED-BASE PERCENTAGE.*—*In a*  
20                       *case to which this subparagraph applies, the*  
21                       *fixed-base percentage is—*

22                               “(I) *3 percent for each of the tax-*  
23                               *payer’s 1st 5 taxable years beginning*  
24                               *after December 31, 1993, for which the*



1 taxpayer has qualified research ex-  
2 penses,

3 “(II) in the case of the taxpayer’s  
4 6th such taxable year,  $\frac{1}{6}$  of the per-  
5 centage which the aggregate qualified  
6 research expenses of the taxpayer for  
7 the 4th and 5th such taxable years is  
8 of the aggregate gross receipts of the  
9 taxpayer for such years,

10 “(III) in the case of the taxpayer’s  
11 7th such taxable year,  $\frac{1}{3}$  of the per-  
12 centage which the aggregate qualified  
13 research expenses of the taxpayer for  
14 the 5th and 6th such taxable years is  
15 of the aggregate gross receipts of the  
16 taxpayer for such years,

17 “(IV) in the case of the taxpayer’s  
18 8th such taxable year,  $\frac{1}{2}$  of the per-  
19 centage which the aggregate qualified  
20 research expenses of the taxpayer for  
21 the 5th, 6th, and 7th such taxable  
22 years is of the aggregate gross receipts  
23 of the taxpayer for such years,

24 “(V) in the case of the taxpayer’s  
25 9th such taxable year,  $\frac{2}{3}$  of the per-

1            *centage which the aggregate qualified*  
2            *research expenses of the taxpayer for*  
3            *the 5th, 6th, 7th, and 8th such taxable*  
4            *years is of the aggregate gross receipts*  
5            *of the taxpayer for such years,*

6            *“(VI) in the case of the taxpayer’s*  
7            *10th such taxable year,  $\frac{5}{6}$  of the per-*  
8            *centage which the aggregate qualified*  
9            *research expenses of the taxpayer for*  
10           *the 5th, 6th, 7th, 8th, and 9th such*  
11           *taxable years is of the aggregate gross*  
12           *receipts of the taxpayer for such years,*  
13           *and*

14           *“(VII) for taxable years thereafter,*  
15           *the percentage which the aggregate*  
16           *qualified research expenses for any 5*  
17           *taxable years selected by the taxpayer*  
18           *from among the 5th through the 10th*  
19           *such taxable years is of the aggregate*  
20           *gross receipts of the taxpayer for such*  
21           *selected years.”.*

22           *(b) CONFORMING AMENDMENTS.—*

23           *(1) Clause (iii) of section 41(c)(3)(B) is amended*  
24           *by striking “clause (i)” and inserting “clauses (i) and*  
25           *(ii)”.*

1           (2) *Subparagraph (D) of section 41(c)(3) is*  
2           *amended by striking “subparagraph (A)” and insert-*  
3           *ing “subparagraphs (A) and (B)(ii)”.*

4           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
5           *section shall apply to taxable years beginning after Decem-*  
6           *ber 31, 1993.*

7           ***SEC. 8113. SENSE OF SENATE REGARDING PERMANENT EX-***  
8           ***TENSION OF RESEARCH CREDIT.***

9           *It is the sense of the Senate that the research credit*  
10          *under section 41 of the Internal Revenue Code of 1986 be*  
11          *extended permanently.*

12          ***Subpart B—Modification To Minimum Tax***  
13          ***Depreciation Rules***

14          ***SEC. 8115. MODIFICATION TO MINIMUM TAX DEPRECIATION***  
15          ***RULES.***

16          (a) *ELIMINATION OF ACE DEPRECIATION ADJUST-*  
17          *MENT.*—*Clause (i) of section 56(g)(4)(A) (relating to depre-*  
18          *ciation adjustments for computing adjusted current earn-*  
19          *ings) is amended by adding at the end thereof the following*  
20          *new sentence: “The preceding sentence shall not apply to*  
21          *any property placed in service after December 31, 1993,*  
22          *and the depreciation deduction with respect to such prop-*  
23          *erty shall be determined under the rules of subsection*  
24          *(a)(1)(A).”.*

25          (b) *EFFECTIVE DATES.*—

1           (1) *IN GENERAL.*—Except as provided in para-  
2           graph (2), the amendments made by this section shall  
3           apply to property placed in service after December  
4           31, 1993.

5           (2) *COORDINATION WITH TRANSITIONAL*  
6           *RULES.*—The amendments made by this section shall  
7           not apply to any property to which paragraph (1) of  
8           section 56(a) of the Internal Revenue Code of 1986  
9           does not apply by reason of subparagraph (C)(i)  
10          thereof.

11          ***Subpart C—Increase in Expense Treatment for Small***  
12                                    ***Businesses***

13          ***SEC. 8119. INCREASE IN EXPENSE TREATMENT FOR SMALL***  
14                                    ***BUSINESSES.***

15          (a) *GENERAL RULE.*—Paragraph (1) of section 179(b)  
16          (relating to dollar limitation) is amended by striking  
17          “\$10,000” and inserting “\$20,500”.

18          (b) *EFFECTIVE DATE.*—The amendment made by sub-  
19          section (a) shall apply to taxable years beginning after De-  
20          cember 31, 1992.

21                                    ***Subpart D—Tax Exempt Bonds***

22          ***SEC. 8121. EXTENSION OF QUALIFIED SMALL ISSUE BONDS.***

23          (a) *IN GENERAL.*—Subparagraph (B) of section  
24          144(a)(12) is amended by striking “1992” and inserting  
25          “1994”.

1       (b) *EFFECTIVE DATE.*—The amendment made by sub-  
2 section (a) shall apply to bonds issued after June 30, 1992.

3       **PART III—EXPANSION AND SIMPLIFICATION OF**  
4                                   **EARNED INCOME TAX CREDIT**

5       **SEC. 8131. EXPANSION AND SIMPLIFICATION OF EARNED**  
6                                   **INCOME TAX CREDIT.**

7       (a) *GENERAL RULE.*—Section 32 (relating to earned  
8 income credit) is amended by striking subsections (a) and  
9 (b) and inserting the following:

10       “(a) *ALLOWANCE OF CREDIT.*—

11               “(1) *IN GENERAL.*—In the case of an eligible in-  
12 dividual, there shall be allowed as a credit against the  
13 tax imposed by this subtitle for the taxable year an  
14 amount equal to the credit percentage of so much of  
15 the taxpayer’s earned income for the taxable year as  
16 does not exceed the earned income amount.

17               “(2) *LIMITATION.*—The amount of the credit al-  
18 lowable to a taxpayer under paragraph (1) for any  
19 taxable year shall not exceed the excess (if any) of—

20                       “(A) the credit percentage of the earned in-  
21 come amount, over

22                       “(B) the phaseout percentage of so much of  
23 the adjusted gross income (or, if greater, the  
24 earned income) of the taxpayer for the taxable  
25 year as exceeds the phaseout amount.

1       “(b) *PERCENTAGES AND AMOUNTS.*—For purposes of  
2 subsection (a)—

3               “(1) *PERCENTAGES.*—The credit percentage and  
4 the phaseout percentage shall be determined as fol-  
5 lows:

6                       “(A) *IN GENERAL.*—In the case of taxable  
7 years beginning after 1995:

<i>In the case of an eli- gible individual with:</i>	<i>The credit percentage is:</i>	<i>The phaseout percent- age is:</i>
<i>1 qualifying child .....</i>	<i>34 .....</i>	<i>16.16</i>
<i>2 or more qualifying children .....</i>	<i>39 .....</i>	<i>20.72</i>

8                       “(B) *TRANSITIONAL PERCENTAGES FOR*  
9 *1995.*—In the case of a taxable year beginning in  
10 *1995:*

<i>In the case of an eli- gible individual with:</i>	<i>The credit percentage is:</i>	<i>The phaseout percent- age is:</i>
<i>1 qualifying child .....</i>	<i>34 .....</i>	<i>16.16</i>
<i>2 or more qualifying children .....</i>	<i>34 .....</i>	<i>15.94</i>

11                      “(C) *TRANSITIONAL PERCENTAGES FOR*  
12 *1994.*—In the case of a taxable year beginning in  
13 *1994:*

<i>In the case of an eli- gible individual with:</i>	<i>The credit percentage is:</i>	<i>The phaseout percent- age is:</i>
<i>1 qualifying child .....</i>	<i>26 .....</i>	<i>16.16</i>
<i>2 or more qualifying children .....</i>	<i>30 .....</i>	<i>15.94</i>

14               “(2) *AMOUNTS.*—The earned income amount and  
15 the phaseout amount shall be determined as follows:

1                   “(A) *IN GENERAL.*—*In the case of taxable*  
2                   *years beginning after 1994:*

<i>In the case of an eli- gible individual with:</i>	<i>The earned income amount is:</i>	<i>The phaseout amount is:</i>
<i>1 qualifying child .....</i>	<i>\$6,000 .....</i>	<i>\$11,000</i>
<i>2 or more qualifying children .....</i>	<i>\$8,500 .....</i>	<i>\$11,000</i>

3                   “(B) *TRANSITIONAL AMOUNTS.*—*In the case*  
4                   *of a taxable year beginning in 1994:*

<i>In the case of an eli- gible individual with:</i>	<i>The earned income amount is:</i>	<i>The phaseout amount is:</i>
<i>1 qualifying child .....</i>	<i>\$7,750 .....</i>	<i>\$11,000</i>
<i>2 or more qualifying children .....</i>	<i>\$8,500 .....</i>	<i>\$11,000.”</i>

5                   (b) *INFLATION ADJUSTMENTS.*—*Section 32(i) (relat-*  
6                   *ing to inflation adjustments) is amended—*

7                   (1) *by striking paragraphs (1) and (2) and in-*  
8                   *serting the following new paragraph:*

9                   “(1) *IN GENERAL.*—*In the case of any taxable*  
10                   *year beginning after 1994, each dollar amount con-*  
11                   *tained in subsection (b)(2)(A) shall be increased by*  
12                   *an amount equal to—*

13                   “(A) *such dollar amount, multiplied by*

14                   “(B) *the cost-of-living adjustment deter-*  
15                   *mined under section 1(f)(3), for the calendar*  
16                   *year in which the taxable year begins, by sub-*  
17                   *stituting ‘calendar year 1993’ for ‘calendar year*  
18                   *1992.’”, and*

1           (2) by redesignating paragraph (3) as para-  
2 graph (2).

3           (c) *CONFORMING AMENDMENTS.*—

4           (1) Subparagraph (D) of section 32(c)(3) is  
5 amended—

6           (A) by striking “clause (i) or (ii)” in clause  
7 (iii) and inserting “clause (i)”,

8           (B) by striking clause (ii), and

9           (C) by redesignating clause (iii) as clause  
10 (ii).

11          (2) Paragraph (3) of section 162(l) is amended  
12 to read as follows:

13           “(3) *COORDINATION WITH MEDICAL DEDUC-*  
14 *TION.*—Any amount paid by a taxpayer for insurance  
15 to which paragraph (1) applies shall not be taken  
16 into account in computing the amount allowable to  
17 the taxpayer as a deduction under section 213(a).”

18          (3) Section 213 is amended by striking sub-  
19 section (f).

20          (4) Subsection (b) of section 3507 is amended by  
21 redesignating paragraphs (2) and (3) as paragraphs  
22 (3) and (4), respectively, and by inserting after para-  
23 graph (1) the following new paragraph:



1           “(2) certifies that the employee has 1 or more  
2           qualifying children (within the meaning of section  
3           32(c)(3)) for such taxable year.”.

4           (5) Subparagraph (B) of section 3507(c)(2) is  
5           amended by striking clauses (i) and (ii) and inserting  
6           the following:

7                       “(i) of not more than the credit per-  
8                       centage in effect under section 32(b)(1) for  
9                       an eligible individual with 1 qualifying  
10                      child and with earned income not in excess  
11                      of the earned income amount in effect under  
12                      section 32(b)(2) for such an eligible individ-  
13                      ual, which

14                     “(ii) phases out at the phaseout per-  
15                     centage in effect under section 32(b)(1) for  
16                     such an eligible individual between the  
17                     phaseout amount in effect under section  
18                     32(b)(2) for such an eligible individual and  
19                     the amount of earned income at which the  
20                     credit under section 32(a) phases out for  
21                     such an eligible individual, or”.

22           (d) *EFFECTIVE DATE.*—The amendments made by this  
23           section shall apply to taxable years beginning after Decem-  
24           ber 31, 1993.

1 **PART IV—INCENTIVES FOR INVESTMENT IN REAL**

2 **ESTATE**

3 **Subpart A—Extension of Qualified Mortgage Bonds**

4 **and Low-Income Housing Credit**

5 **SEC. 8141. EXTENSION OF QUALIFIED MORTGAGE BONDS.**

6 (a) *IN GENERAL.*—Subparagraph (B) of section  
7 143(a)(1) (defining qualified mortgage bond) is amended  
8 by striking “1992” each place it appears and inserting  
9 “1994”.

10 (b) *MORTGAGE CREDIT CERTIFICATES.*—Subsection  
11 (h) of section 25 is amended by striking “1992” and insert-  
12 ing “1994”.

13 (c) *EFFECTIVE DATES.*—

14 (1) *BONDS.*—The amendment made by sub-  
15 section (a) shall apply to bonds issued after June 30,  
16 1992.

17 (2) *CERTIFICATES.*—The amendment made by  
18 subsection (b) shall apply to elections for periods after  
19 June 30, 1992.

20 **SEC. 8141A. SENSE OF THE SENATE REGARDING PERMA-**

21 **NENT EXTENSION OF QUALIFIED MORTGAGE**

22 **BONDS.**

23 (a) *FINDINGS.*—The Senate finds that:

24 (1) *Low and moderate income families often*  
25 *have difficulty in obtaining affordable mortgage fi-*  
26 *nancing.*

1           (2) *The mortgage revenue bond provisions of the*  
2 *Internal Revenue Code are an important tool in pro-*  
3 *viding affordable financing for first-time home buy-*  
4 *ers.*

5           (3) *The tax-exempt status of mortgage revenue*  
6 *bonds have enabled State and local housing agencies*  
7 *to finance home mortgages for first-time buyers at*  
8 *rates below conventional market rates. This cost dif-*  
9 *ferential enables buyers, who otherwise might not be*  
10 *able to get mortgage financing, to obtain a loan at an*  
11 *affordable rate.*

12           (4) *Mortgage revenue bonds are targeted to fami-*  
13 *lies with the greatest need. In 1992, the average in-*  
14 *come of a mortgage revenue bond borrower was 74*  
15 *percent of median income. Mortgage revenue bonds*  
16 *are only available to buyers who have not owned a*  
17 *home within the past 3 years, earn 115 percent or less*  
18 *of the applicable median income, and buy a principal*  
19 *residence that does not exceed 90 percent of the aver-*  
20 *age home purchase price.*

21           (5) *Prior to its expiration in June, mortgage*  
22 *revenue bonds were the only Federal assistance tar-*  
23 *geted to first-time home buyers. During the past 15*  
24 *years, mortgage revenue bonds have financed more*

1        *than 2 million home purchases and accounted for 1*  
2        *out of every 12 mortgages made to first-time buyers.*

3            *(6) In the last decade, mortgage revenue bonds*  
4        *have been scheduled to sunset 7 times, making admin-*  
5        *istration and timing of bond issues extremely difficult*  
6        *and costly. The mortgage revenue bond program*  
7        *lapsed on June 30, underscoring the need for perma-*  
8        *nent extension.*

9            *(b) SENSE OF THE SENATE.—It is the sense of the Sen-*  
10       *ate that mortgage revenue bonds are a vital, proven tool*  
11       *for providing affordable home ownership opportunities for*  
12       *low- and moderate-income families and that Congress*  
13       *should adopt a permanent extension of the mortgage reve-*  
14       *nue bond program as part of the Internal Revenue Code.*

15        **SEC. 8142. LOW-INCOME HOUSING CREDIT.**

16            *(a) PERMANENT EXTENSION.—*

17            *(1) IN GENERAL.—Section 42 (relating to low-*  
18        *income housing credit) is amended by striking sub-*  
19        *section (o).*

20            *(2) EFFECTIVE DATE.—The amendments made*  
21        *by paragraph (1) shall apply to periods ending after*  
22        *June 30, 1992.*

23            *(b) MODIFICATIONS.—*

24            *(1) HOUSING CREDIT AGENCY DETERMINATION*  
25        *OF REASONABLENESS OF PROJECT COSTS.—Subpara-*

1 *graph (B) of section 42(m)(2) (relating to credit allo-*  
2 *cated to building not to exceed amount necessary to*  
3 *assure project feasibility) is amended—*

4 *(A) by striking “and” at the end of clause*  
5 *(ii),*

6 *(B) by striking the period at the end of*  
7 *clause (iii) and inserting “, and”, and*

8 *(C) by inserting after clause (iii) the follow-*  
9 *ing new clause:*

10 *“(iv) the reasonableness of the devel-*  
11 *opmental and operational costs of the*  
12 *project.”*

13 *(2) UNITS WITH CERTAIN FULL-TIME STUDENTS*  
14 *NOT DISQUALIFIED.—Subparagraph (D) of section*  
15 *42(i)(3) (defining low-income unit) is amended to*  
16 *read as follows:*

17 *“(D) CERTAIN STUDENTS NOT TO DIS-*  
18 *QUALIFY UNIT.—A unit shall not fail to be treat-*  
19 *ed as a low-income unit merely because it is oc-*  
20 *cupied—*

21 *“(i) by an individual who is—*

22 *“(I) a student and receiving as-*  
23 *sistance under title IV of the Social Se-*  
24 *curity Act, or*

1                   “(II) enrolled in a job training  
2                   program receiving assistance under the  
3                   Job Training Partnership Act or  
4                   under other similar Federal, State, or  
5                   local laws, or

6                   “(ii) entirely by full-time students if  
7                   such students are—

8                   “(I) single parents and their chil-  
9                   dren and such parents and children  
10                  are not dependents (as defined in sec-  
11                  tion 152) of another individual, or

12                  “(II) married and file a joint re-  
13                  turn.”

14                  (3) TREASURY WAIVERS OF CERTAIN DE MINIMIS  
15                  ERRORS AND RECERTIFICATIONS.—Subsection (g) of  
16                  section 42 (relating to qualified low-income housing  
17                  projects) is amended by adding at the end thereof the  
18                  following new paragraph:

19                  “(8) WAIVER OF CERTAIN DE MINIMIS ERRORS  
20                  AND RECERTIFICATIONS.—On application by the tax-  
21                  payer, the Secretary may waive—

22                  “(A) any recapture under subsection (j) in  
23                  the case of any de minimis error in complying  
24                  with paragraph (1), or

1           “(B) any annual recertification of tenant  
2           income for purposes of this subsection, if the en-  
3           tire building is occupied by low-income tenants.”

4           (4) *DISCRIMINATION AGAINST TENANTS PROHIB-*  
5           *ITED.*—Section 42(h)(6)(B) (defining extended low-in-  
6           come housing commitment) is amended by redesignat-  
7           ing clauses (iv) and (v) as clauses (v) and (vi) and  
8           by inserting after clause (iii) the following new  
9           clause:

10                   “(iv) which prohibits the refusal to  
11                   lease to a holder of a voucher or certificate  
12                   of eligibility under section 8 of the United  
13                   States Housing Act of 1937 because of the  
14                   status of the prospective tenant as such a  
15                   holder.”

16           (5) *EFFECTIVE DATES.*—

17                   (A) *IN GENERAL.*—Except as provided in  
18                   subparagraph (B), the amendments made by this  
19                   subsection shall apply to—

20                           (i) determinations under section 42 of  
21                           the Internal Revenue Code of 1986 with re-  
22                           spect to housing credit dollar amounts allo-  
23                           cated from State housing credit ceilings  
24                           after June 30, 1992, or

1                   (ii) buildings placed in service after  
2                   June 30, 1992, to the extent paragraph (1)  
3                   of section 42(h) of such Code does not apply  
4                   to any building by reason of paragraph (4)  
5                   thereof, but only with respect to bonds is-  
6                   sued after such date.

7                   (B) WAIVER AUTHORITY AND PROHIBITED  
8                   DISCRIMINATION.—The amendments made by  
9                   paragraphs (3) and (4) shall take effect on the  
10                  date of the enactment of this Act.

11               (c) ELECTION TO DETERMINE RENT LIMITATION  
12               BASED ON NUMBER OF BEDROOMS AND DEEP RENT SKEW-  
13               ING.—In the case of a building to which the amendments  
14               made by subsection (e)(1) or (n)(2) of section 7108 of the  
15               Revenue Reconciliation Act of 1989 did not apply, the tax-  
16               payer may elect to have such amendments apply to such  
17               building but only with respect to tenants first occupying  
18               any unit in the building after the date of the election, and  
19               only if the taxpayer has met the requirements of the proce-  
20               dures described in section 42(m)(1)(B)(iii) of the Internal  
21               Revenue Code of 1986. Such an election may be made only  
22               during the 180 day period beginning on the date of the en-  
23               actment of this Act and, once made, shall be irrevocable.



1                                   **Subpart B—Passive Loss Rules**

2   **SEC. 8143. MODIFICATION OF PASSIVE LOSS RULES.**

3           (a) *GENERAL RULE.*—Section 469 (relating to passive  
4 activity losses and credits limited) is amended by redesignig-  
5 nating subsections (l) and (m) as subsections (m) and (n),  
6 respectively, and by inserting after subsection (k) the follow-  
7 ing new subsection:

8           “(l) *SPECIAL RULES FOR REAL ESTATE ACTIVI-*  
9 *TIES.*—

10                           “(1) *LOSS FROM CERTAIN RENTAL REAL ESTATE*  
11 *ACTIVITIES TREATED AS NOT PASSIVE.*—If the tax-  
12 payer meets the requirements of paragraph (2) for the  
13 taxable year, subsection (a) shall not apply to so  
14 much of the passive activity loss for such taxable year  
15 as does not exceed the least of—

16                                   “(A) the lesser of—

17   “(i) the net loss for such taxable year  
18 from rental real estate activities in which  
19 the taxpayer materially participates, or

20   “(ii) the net loss for such taxable year  
21 from all rental real estate activities of the  
22 taxpayer,

23                                   “(B) the net income of the taxpayer for the  
24 taxable year from real property trade or business  
25 activities which are not passive activities, or

1           “(C) the taxable income of the taxpayer for  
2           the taxable year determined without regard to  
3           this subsection.

4           A similar rule shall apply to any passive activity  
5           credit.

6           “(2) REQUIREMENTS.—The taxpayer meets the  
7           requirements of this paragraph for any taxable year  
8           if more than one-half of the personal services per-  
9           formed in trades or businesses by the taxpayer during  
10          such taxable year are performed in real property  
11          trades or businesses in which the taxpayer materially  
12          participates.

13          “(3) REAL PROPERTY TRADE OR BUSINESS.—  
14          For purposes of this paragraph, the term ‘real prop-  
15          erty trade or business’ means any real property devel-  
16          opment, redevelopment, construction, reconstruction,  
17          acquisition, conversion, rental, operation, manage-  
18          ment, leasing, or brokerage trade or business.

19          “(4) SPECIAL RULES.—

20                  “(A) PERSONAL SERVICES AS AN EM-  
21                  PLOYEE.—For purposes of paragraph (2), per-  
22                  sonal services performed as an employee shall  
23                  not be treated as performed in real property  
24                  trades or businesses. The preceding sentence shall  
25                  not apply if such employee is a 5-percent owner

1           *(as defined in section 416(i)(1)(B)) in the em-*  
 2           *ployer.*

3           “(B) *CLOSELY HELD C CORPORATIONS.*—  
 4           *This subsection shall not apply to any interests*  
 5           *held by a closely held C corporation.*

6           “(5) *COORDINATION WITH SUBSECTION (i).*—

7           “(A) *IN GENERAL.*—*This subsection shall be*  
 8           *applied after the application of subsection (i).*

9           “(B) *AMOUNTS ALLOWED UNDER SUB-*  
 10          *SECTION (i).*—*For purposes of this subsection—*

11           “(i) *the passive activity loss and pas-*  
 12           *sive activity credit, and*

13           “(ii) *the net loss referred to in para-*  
 14           *graph (1)(A),*

15           *shall not include any amount allowed under sub-*  
 16           *section (i).”*

17          (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 18          *section shall apply to taxable years beginning after Decem-*  
 19          *ber 31, 1993.*

20           ***Subpart C—Provisions Relating to Real Estate***

21                   ***Investments by Pension Funds***

22          ***SEC. 8144. REAL ESTATE PROPERTY ACQUIRED BY A QUALI-***  
 23          ***FIED ORGANIZATION.***

24           (a) *MODIFICATIONS OF EXCEPTIONS.*—*Paragraph (9)*  
 25          *of section 514(c) (relating to real property acquired by a*

1 *qualified organization) is amended by adding at the end*  
2 *thereof the following new subparagraphs:*

3           “(G) *SPECIAL RULES FOR PURPOSES OF*  
4 *THE EXCEPTIONS.—Except as otherwise provided*  
5 *by regulations—*

6           “(i) *SMALL LEASES DISREGARDED.—*  
7 *For purposes of clauses (iii) and (iv) of sub-*  
8 *paragraph (B), a lease to a person described*  
9 *in such clause (iii) or (iv) shall be dis-*  
10 *regarded if no more than 25 percent of the*  
11 *leasable floor space in a building (or com-*  
12 *plex of buildings) is covered by the lease*  
13 *and if the lease is on commercially reason-*  
14 *able terms.*

15           “(ii) *COMMERCIALLY REASONABLE FI-*  
16 *NANCING.—Clause (v) of subparagraph (B)*  
17 *shall not apply if the financing is on com-*  
18 *mercially reasonable terms.*

19           “(H) *QUALIFYING SALES BY FINANCIAL IN-*  
20 *STITUTIONS.—*

21           “(i) *IN GENERAL.—In the case of a*  
22 *qualifying sale by a financial institution,*  
23 *except as provided in regulations, clauses*  
24 *(i) and (ii) of subparagraph (B) shall not*

1           *apply with respect to financing provided by*  
2           *such institution for such sale.*

3           “(ii) *QUALIFYING SALE.*—*For purposes*  
4           *of this clause, there is a qualifying sale by*  
5           *a financial institution if—*

6                   “(I) *a qualified organization ac-*  
7                   *quires property described in clause*  
8                   *(iii) from a financial institution and*  
9                   *any gain recognized by the financial*  
10                  *institution with respect to the property*  
11                  *is ordinary income,*

12                   “(II) *the stated principal amount*  
13                   *of the financing provided by the finan-*  
14                   *cial institution does not exceed the*  
15                   *amount of the outstanding indebtedness*  
16                   *(including accrued but unpaid inter-*  
17                   *est) of the financial institution with*  
18                   *respect to the property described in*  
19                   *clause (iii) immediately before the ac-*  
20                   *quisition referred to in clause (iii) or*  
21                   *(v), whichever is applicable, and*

22                   “(III) *the present value (deter-*  
23                   *mined as of the time of the sale and by*  
24                   *using the applicable Federal rate deter-*  
25                   *mined under section 1274(d)) of the*

1           *maximum amount payable pursuant*  
2           *to the financing that is determined by*  
3           *reference to the revenue, income, or*  
4           *profits derived from the property can-*  
5           *not exceed 30 percent of the total pur-*  
6           *chase price of the property (including*  
7           *the contingent payments).*

8           “(iii) *PROPERTY TO WHICH SUBPARA-*  
9           *GRAPH APPLIES.—Property is described in*  
10          *this clause if such property is foreclosure*  
11          *property, or is real property which—*

12                   “(I) *was acquired by the qualified*  
13                   *organization from a financial institu-*  
14                   *tion which is in conservatorship or re-*  
15                   *ceivership, or from the conservator or*  
16                   *receiver of such an institution, and*

17                   “(II) *was held by the financial in-*  
18                   *stitution at the time it entered into*  
19                   *conservatorship or receivership.*

20           “(iv) *FINANCIAL INSTITUTION.—For*  
21           *purposes of this subparagraph, the term ‘fi-*  
22           *nancial institution’ means—*

23                   “(I) *any financial institution de-*  
24                   *scribed in section 581 or 591(a),*

1           “(II) any other corporation which  
2           is a direct or indirect subsidiary of an  
3           institution referred to in subclause (I)  
4           but only if, by virtue of being affiliated  
5           with such institution, such other cor-  
6           poration is subject to supervision and  
7           examination by a Federal or State  
8           agency which regulates institutions re-  
9           ferred to in subclause (I), and

10           “(III) any person acting as a con-  
11           servator or receiver of an entity re-  
12           ferred to in subclause (I) or (II) (or  
13           any government agency or corporation  
14           succeeding to the rights or interest of  
15           such person).

16           “(v) *FORECLOSURE PROPERTY*.—For  
17           purposes of this subparagraph, the term  
18           ‘foreclosure property’ means any real prop-  
19           erty acquired by the financial institution as  
20           the result of having bid on such property at  
21           foreclosure, or by operation of an agreement  
22           or process of law, after there was a default  
23           (or a default was imminent) on indebted-  
24           ness which such property secured.”.

1           (b) *CONFORMING AMENDMENT.*—Paragraph (9) of sec-  
2   tion 514(c) is amended—

3           (1) by adding the following new sentence at the  
4   end of subparagraph (A): “For purposes of this para-  
5   graph, an interest in a mortgage shall in no event be  
6   treated as real property.”, and

7           (2) by striking the last sentence of subparagraph  
8   (B).

9           (c) *EFFECTIVE DATES.*—

10          (1) *IN GENERAL.*—The amendments made by  
11   this section shall apply to acquisitions on or after  
12   January 1, 1994.

13          (2) *SMALL LEASES.*—The provisions of section  
14   514(c)(9)(G)(i) of the Internal Revenue Code of 1986  
15   shall, in addition to any leases to which the provi-  
16   sions apply by reason of paragraph (1), apply to  
17   leases entered into on or after January 1, 1994.

18   **SEC. 8145. REPEAL OF SPECIAL TREATMENT OF PUBLICLY**  
19                                   **TREATED PARTNERSHIPS.**

20          (a) *GENERAL RULE.*—Subsection (c) of section 512 is  
21   amended—

22          (1) by striking paragraph (2),

23          (2) by redesignating paragraph (3) as para-  
24   graph (2), and



1           (3) by striking “paragraph (1) or (2)” in para-  
2           graph (2) (as so redesignated) and inserting “para-  
3           graph (1)”.

4           (b) *EFFECTIVE DATE.*—The amendments made by sub-  
5           section (a) shall apply to partnership years beginning on  
6           or after January 1, 1994.

7           **SEC. 8146. TITLE-HOLDING COMPANIES PERMITTED TO RE-**  
8                                   **CEIVE SMALL AMOUNTS OF UNRELATED**  
9                                   **BUSINESS TAXABLE INCOME.**

10          (a) *GENERAL RULE.*—Paragraph (25) of section  
11          501(c) is amended by adding at the end thereof the follow-  
12          ing new subparagraph:

13                           “(G)(i) An organization shall not be treated  
14                           as failing to be described in this paragraph  
15                           merely by reason of the receipt of any otherwise  
16                           disqualifying income which is incidentally de-  
17                           rived from the holding of real property.

18                           “(ii) Clause (i) shall not apply if the  
19                           amount of gross income described in such clause  
20                           exceeds 10 percent of the organization’s gross in-  
21                           come for the taxable year unless the organization  
22                           establishes to the satisfaction of the Secretary  
23                           that the receipt of gross income described in  
24                           clause (i) in excess of such limitation was inad-  
25                           vertent and reasonable steps are being taken to

1           *correct the circumstances giving rise to such in-*  
2           *come.”*

3           **(b) CONFORMING AMENDMENT.**—*Paragraph (2) of sec-*  
4           *tion 501(c) is amended by adding at the end thereof the*  
5           *following new sentence: “Rules similar to the rules of sub-*  
6           *paragraph (G) of paragraph (25) shall apply for purposes*  
7           *of this paragraph.”*

8           **(c) EFFECTIVE DATE.**—*The amendments made by this*  
9           *section shall apply to taxable years beginning on or after*  
10           *January 1, 1994.*

11           **SEC. 8147. EXCLUSION FROM UNRELATED BUSINESS TAX**  
12                               **OF GAINS FROM CERTAIN PROPERTY.**

13           **(a) GENERAL RULE.**—*Subsection (b) of section 512*  
14           *(relating to modifications) is amended by adding at the end*  
15           *thereof the following new paragraph:*

16                       *“(16)(A) Notwithstanding paragraph (5)(B),*  
17                       *there shall be excluded all gains or losses from the*  
18                       *sale, exchange, or other disposition of any real prop-*  
19                       *erty described in subparagraph (B) if—*

20                               *“(i) such property was acquired by the or-*  
21                               *ganization from—*

22                                       *“(I) a financial institution described*  
23                                       *in section 581 or 591(a) which is in*  
24                                       *conservatorship or receivership, or*

1                   “(II) the conservator or receiver of such  
2                   an institution (or any government agency  
3                   or corporation succeeding to the rights or  
4                   interests of the conservator or receiver),

5                   “(ii) such property is designated by the or-  
6                   ganization within the 9-month period beginning  
7                   on the date of its acquisition as property held for  
8                   sale, except that not more than one-half (by  
9                   value determined as of such date) of property ac-  
10                  quired in a single transaction may be so  
11                  designated,

12                  “(iii) such sale, exchange, or disposition oc-  
13                  curs before the later of—

14                         “(I) the date which is 30 months after  
15                         the date of the acquisition of such property,  
16                         or

17                         “(II) the date specified by the Sec-  
18                         retary in order to assure an orderly disposi-  
19                         tion of property held by persons described  
20                         in subparagraph (A), and

21                         “(iv) while such property was held by the  
22                         organization, the aggregate expenditures on im-  
23                         provements and development activities included  
24                         in the basis of the property are (or were) not in

1           *excess of 20 percent of the net selling price of*  
2           *such property.*

3           “(B) *Property is described in this subparagraph*  
4           *if it is real property which—*

5                     “(i) *was held by the financial institution at*  
6                     *the time it entered into conservatorship or receiv-*  
7                     *ership, or*

8                     “(ii) *was foreclosure property (as defined in*  
9                     *section 514(c)(9)(H)(v)) which secured indebted-*  
10                    *ness held by the financial institution at such*  
11                    *time.*

12           *For purposes of this subparagraph, real property in-*  
13           *cludes an interest in a mortgage.”*

14           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
15           *section (a) shall apply to property acquired on or after Jan-*  
16           *uary 1, 1994.*

17           ***SEC. 8148. EXCLUSION FROM UNRELATED BUSINESS TAX***  
18                               ***OF CERTAIN FEES AND OPTION PREMIUMS.***

19           (a) *LOAN COMMITMENT FEES.*—*Paragraph (1) of sec-*  
20           *tion 512(b) (relating to modifications) is amended by in-*  
21           *serting “amounts received or accrued as consideration for*  
22           *entering into agreements to make loans,” before “and annu-*  
23           *ities”.*

24           (b) *OPTION PREMIUMS.*—*The second sentence of sec-*  
25           *tion 512(b)(5) is amended—*

1           (1) by striking “all gains on” and inserting “all  
2           gains or losses recognized, in connection with the or-  
3           ganization’s investment activities, from”,

4           (2) by striking “, written by the organization in  
5           connection with its investment activities,” and

6           (3) by inserting “or real property and all gains  
7           or losses from the forfeiture of good-faith deposits  
8           (that are consistent with established business practice)  
9           for the purchase, sale, or lease of real property in con-  
10          nection with the organization’s investment activities”  
11          before the period.

12          (c) *EFFECTIVE DATE.*—The amendments made by this  
13          section shall apply to amounts received on or after January  
14          1, 1994.

15          **SEC. 8149. TREATMENT OF PENSION FUND INVESTMENTS**

16                                   **IN REAL ESTATE INVESTMENT TRUSTS.**

17          (a) *GENERAL RULE.*—Subsection (h) of section 856  
18          (relating to closely held determinations) is amended by add-  
19          ing at the end thereof the following new paragraph:

20                                   “(3) *TREATMENT OF TRUSTS DESCRIBED IN SEC-*  
21          *TION 401(a).*—

22                                   “(A) *LOOK-THRU TREATMENT.*—

23                                   “(i) *IN GENERAL.*—Except as provided  
24          in clause (ii), in determining whether the  
25          stock ownership requirement of section

1           542(a)(2) is met for purposes of paragraph  
2           (1)(A), any stock held by a qualified trust  
3           shall be treated as held directly by its bene-  
4           ficiaries in proportion to their actuarial in-  
5           terests in such trust and shall not be treated  
6           as held by such trust.

7           “(ii) CERTAIN RELATED TRUSTS NOT  
8           ELIGIBLE.—Clause (i) shall not apply to  
9           any qualified trust if one or more disquali-  
10          fied persons (as defined in section  
11          4975(e)(2), without regard to subpara-  
12          graphs (B) and (I) thereof) with respect to  
13          such qualified trust hold in the aggregate 5  
14          percent or more in value of the interests in  
15          the real estate investment trust and such  
16          real estate investment trust has accumulated  
17          earnings and profits attributable to any pe-  
18          riod for which it did not qualify as a real  
19          estate investment trust.

20          “(B) COORDINATION WITH PERSONAL HOLD-  
21          ING COMPANY RULES.—If any entity qualifies as  
22          a real estate investment trust for any taxable  
23          year by reason of subparagraph (A), such entity  
24          shall not be treated as a personal holding com-

1           pany for such taxable year for purposes of part  
2           II of subchapter G of this chapter.

3           “(C) TREATMENT FOR PURPOSES OF UNRE-  
4           LATED BUSINESS TAX.—If any qualified trust  
5           holds more than 10 percent (by value) of the in-  
6           terests in any pension-held REIT at any time  
7           during a taxable year, the trust shall be treated  
8           as having for such taxable year gross income  
9           from an unrelated trade or business in an  
10          amount which bears the same ratio to the aggre-  
11          gate dividends paid (or treated as paid) by the  
12          REIT to the trust for the taxable year of the  
13          REIT with or within which the taxable year of  
14          the trust ends (the ‘REIT year’) as—

15               “(i) the gross income (less direct ex-  
16               penses related thereto) of the REIT for the  
17               REIT year from unrelated trades or busi-  
18               nesses (determined as if the REIT were a  
19               qualified trust), bears to

20               “(ii) the gross income (less direct ex-  
21               penses related thereto) of the REIT for the  
22               REIT year.

23          This subparagraph shall apply only if the ratio  
24          determined under the preceding sentence is at  
25          least 5 percent.

1           “(D) *PENSION-HELD REIT.*—*The purposes*  
2           *of subparagraph (C)—*

3                   “(i) *IN GENERAL.*—*A real estate in-*  
4                   *vestment trust is a pension-held REIT if*  
5                   *such trust would not have qualified as a*  
6                   *real estate investment trust but for the pro-*  
7                   *visions of this paragraph and if such trust*  
8                   *is predominantly held by qualified trusts.*

9                   “(ii) *PREDOMINANTLY HELD.*—*For*  
10                   *purposes of clause (i), a real estate invest-*  
11                   *ment trust is predominantly held by quali-*  
12                   *fied trusts if—*

13                           “(I) *at least 1 qualified trust*  
14                           *holds more than 25 percent (by value)*  
15                           *of the interests in such real estate in-*  
16                           *vestment trust, or*

17                           “(II) *1 or more qualified trusts*  
18                           *(each of whom own more than 10 per-*  
19                           *cent by value of the interests in such*  
20                           *real estate investment trust) hold in*  
21                           *the aggregate more than 50 percent (by*  
22                           *value) of the interests in such real es-*  
23                           *tate investment trust.*

24                   “(E) *QUALIFIED TRUST.*—*For purposes of*  
25                   *this paragraph, the term ‘qualified trust’ means*



1           any trust described in section 401(a) and exempt  
2           from tax under section 501(a).”

3           (b) *EFFECTIVE DATE.*—The amendment made by this  
4 section shall apply to taxable years beginning after Decem-  
5 ber 31, 1993.

6           ***Subpart D—Increase in Recovery Period for***  
7           ***Nonresidential Real Property***

8 ***SEC. 8151. INCREASE IN RECOVERY PERIOD FOR***  
9           ***NONRESIDENTIAL REAL PROPERTY.***

10          (a) *GENERAL RULE.*—Paragraph (1) of section 168(c)  
11 (relating to applicable recovery period) is amended by strik-  
12 ing the item relating to nonresidential real property and  
13 inserting the following:

          “Nonresidential real property ..... 38 years.”.

14          (b) *EFFECTIVE DATE.*—

15           (1) *IN GENERAL.*—Except as provided in para-  
16 graph (2), the amendment made by subsection (a)  
17 shall apply to property placed in service by the tax-  
18 payer on or after February 25, 1993.

19           (2) *EXCEPTION.*—The amendments made by this  
20 section shall not apply to property placed in service  
21 by the taxpayer before January 1, 1994, if—

22           (A) the taxpayer or a qualified person en-  
23 tered into a binding written contract to purchase  
24 or construct such property before February 25,  
25 1993, or

1           (B) *the construction of such property was*  
 2           *commenced by or for the taxpayer or a quali-*  
 3           *fied person before February 25, 1993.*

4           *For purposes of this paragraph, the term “qualified*  
 5           *person” means any person who transfers his rights in*  
 6           *such a contract or such property to the taxpayer but*  
 7           *only if the property is not placed in service by such*  
 8           *person before such rights are transferred to the tax-*  
 9           *payer.*

#### 10   **PART V—LUXURY TAX**

#### 11   **SEC. 8161. REPEAL OF LUXURY EXCISE TAXES OTHER THAN** 12   **ON PASSENGER VEHICLES.**

13           *(a) IN GENERAL.—Subchapter A of chapter 31 (relat-*  
 14           *ing to retail excise taxes) is amended to read as follows:*

#### 15                   **“Subchapter A—Luxury Passenger Automobiles**

*“Sec. 4001. Imposition of tax.*

*“Sec. 4002. 1st retail sale; uses, etc. treated as sales; determination*  
   *of price.*

*“Sec. 4003. Special rules.*

#### 16                   **“SEC. 4001. IMPOSITION OF TAX.**

17           *“(a) IMPOSITION OF TAX.—There is hereby imposed on*  
 18           *the 1st retail sale of any passenger vehicle a tax equal to*  
 19           *10 percent of the price for which so sold to the extent such*  
 20           *price exceeds \$30,000.*

21           *“(b) PASSENGER VEHICLE.—*

1           “(1) *IN GENERAL.*—For purposes of this sub-  
2 chapter, the term ‘passenger vehicle’ means any 4-  
3 wheeled vehicle—

4                   “(A) which is manufactured primarily for  
5 use on public streets, roads, and highways, and

6                   “(B) which is rated at 6,000 pounds un-  
7 loaded gross vehicle weight or less.

8           “(2) *SPECIAL RULES.*—

9                   “(A) *TRUCKS AND VANS.*—In the case of a  
10 truck or van, paragraph (1)(B) shall be applied  
11 by substituting ‘gross vehicle weight’ for ‘un-  
12 loaded gross vehicle weight’.

13                   “(B) *LIMOUSINES.*—In the case of a lim-  
14 ousine, paragraph (1) shall be applied without  
15 regard to subparagraph (B) thereof.

16           “(c) *EXCEPTIONS FOR TAXICABS, ETC.*—The tax im-  
17 posed by this section shall not apply to the sale of any pas-  
18 senger vehicle for use by the purchaser exclusively in the  
19 active conduct of a trade or business of transporting persons  
20 or property for compensation or hire.

21           “(d) *EXEMPTION FOR LAW ENFORCEMENT USES,*  
22 *ETC.*—No tax shall be imposed by this section on the sale  
23 of any passenger vehicle—

24                   “(1) to the Federal Government, or a State or  
25 local government, for use exclusively in police, fire-

1 *fighting, search and rescue, or other law enforcement*  
2 *or public safety activities, or in public works activi-*  
3 *ties, or*

4 *“(2) to any person for use exclusively in provid-*  
5 *ing emergency medical services.*

6 *“(e) INFLATION ADJUSTMENT.—*

7 *“(1) IN GENERAL.—In the case of any calendar*  
8 *year after 1992, the \$30,000 amount in subsection (a)*  
9 *and section 4003(a) shall be increased by an amount*  
10 *equal to—*

11 *“(A) \$30,000, multiplied by*

12 *“(B) the cost-of-living adjustment under sec-*  
13 *tion 1(f)(3) for such calendar year, determined*  
14 *by substituting ‘calendar year 1990’ for ‘cal-*  
15 *endar year 1992’ in subparagraph (B) thereof.*

16 *“(2) ROUNDING.—If any amount as adjusted*  
17 *under paragraph (1) is not a multiple of \$100, such*  
18 *amount shall be rounded to the nearest multiple of*  
19 *\$100.*

20 *“(f) TERMINATION.—The tax imposed by this section*  
21 *shall not apply to any sale or use after December 31, 1999.*

22 **“SEC. 4002. 1ST RETAIL SALE; USES, ETC. TREATED AS**  
23 **SALES; DETERMINATION OF PRICE.**

24 *“(a) 1ST RETAIL SALE.—For purposes of this sub-*  
25 *chapter, the term ‘1st retail sale’ means the 1st sale, for*

1 *a purpose other than resale, after manufacture, production,*  
2 *or importation.*

3 *“(b) USE TREATED AS SALE.—*

4 *“(1) IN GENERAL.—If any person uses a pas-*  
5 *senger vehicle (including any use after importation)*  
6 *before the 1st retail sale of such vehicle, then such per-*  
7 *son shall be liable for tax under this subchapter in the*  
8 *same manner as if such vehicle were sold at retail by*  
9 *him.*

10 *“(2) EXEMPTION FOR FURTHER MANUFAC-*  
11 *TURE.—Paragraph (1) shall not apply to use of a ve-*  
12 *hicle as material in the manufacture or production of,*  
13 *or as a component part of, another vehicle taxable*  
14 *under this subchapter to be manufactured or produced*  
15 *by him.*

16 *“(3) EXEMPTION FOR DEMONSTRATION USE.—*  
17 *Paragraph (1) shall not apply to any use of a pas-*  
18 *senger vehicle as a demonstrator.*

19 *“(4) EXCEPTION FOR USE AFTER IMPORTATION*  
20 *OF CERTAIN VEHICLES.—Paragraph (1) shall not*  
21 *apply to the use of a vehicle after importation if the*  
22 *user or importer establishes to the satisfaction of the*  
23 *Secretary that the 1st use of the vehicle occurred be-*  
24 *fore January 1, 1991, outside the United States.*

1           “(5) *COMPUTATION OF TAX.*—*In the case of any*  
2           *person made liable for tax by paragraph (1), the tax*  
3           *shall be computed on the price at which similar vehi-*  
4           *cles are sold at retail in the ordinary course of trade,*  
5           *as determined by the Secretary.*

6           “(c) *LEASES CONSIDERED AS SALES.*—*For purposes*  
7           *of this subchapter—*

8           “(1) *IN GENERAL.*—*Except as otherwise provided*  
9           *in this subsection, the lease of a vehicle (including*  
10           *any renewal or any extension of a lease or any subse-*  
11           *quent lease of such vehicle) by any person shall be*  
12           *considered a sale of such vehicle at retail.*

13           “(2) *SPECIAL RULES FOR LONG-TERM LEASES.*—

14           “(A) *TAX NOT IMPOSED ON SALE FOR LEAS-*  
15           *ING IN A QUALIFIED LEASE.*—*The sale of a pas-*  
16           *senger vehicle to a person engaged in a passenger*  
17           *vehicle leasing or rental trade or business for*  
18           *leasing by such person in a long-term lease shall*  
19           *not be treated as the 1st retail sale of such vehi-*  
20           *cle.*

21           “(B) *LONG-TERM LEASE.*—*For purposes of*  
22           *subparagraph (A), the term ‘long-term lease’*  
23           *means any long-term lease (as defined in section*  
24           *4052).*

1           “(C) *SPECIAL RULES.*—*In the case of a*  
2           *long-term lease of a vehicle which is treated as*  
3           *the 1st retail sale of such vehicle—*

4                   “(i) *DETERMINATION OF PRICE.*—*The*  
5                   *tax under this subchapter shall be computed*  
6                   *on the lowest price for which the vehicle is*  
7                   *sold by retailers in the ordinary course of*  
8                   *trade.*

9                   “(ii) *PAYMENT OF TAX.*—*Rules similar*  
10                   *to the rules of section 4217(e)(2) shall*  
11                   *apply.*

12                   “(iii) *NO TAX WHERE EXEMPT USE BY*  
13                   *LESSEE.*—*No tax shall be imposed on any*  
14                   *lease payment under a long-term lease if the*  
15                   *lessee’s use of the vehicle under such lease is*  
16                   *an exempt use (as defined in section*  
17                   *4003(b)) of such vehicle.*

18           “(d) *DETERMINATION OF PRICE.*—

19                   “(1) *IN GENERAL.*—*In determining price for*  
20                   *purposes of this subchapter—*

21                           “(A) *there shall be included any charge in-*  
22                           *cident to placing the passenger vehicle in condi-*  
23                           *tion ready for use,*

24                           “(B) *there shall be excluded—*

1           “(i) the amount of the tax imposed by  
2           this subchapter,

3           “(ii) if stated as a separate charge, the  
4           amount of any retail sales tax imposed by  
5           any State or political subdivision thereof or  
6           the District of Columbia, whether the liabil-  
7           ity for such tax is imposed on the vendor or  
8           vendee, and

9           “(iii) the value of any component of  
10          such passenger vehicle if—

11                  “(I) such component is furnished  
12                  by the 1st user of such passenger vehi-  
13                  cle, and

14                  “(II) such component has been  
15                  used before such furnishing, and

16                  “(C) the price shall be determined without  
17                  regard to any trade-in.

18          “(2) OTHER RULES.—Rules similar to the rules  
19          of paragraphs (2) and (4) of section 4052(b) shall  
20          apply for purposes of this subchapter.

21       **“SEC. 4003. SPECIAL RULES.**

22          “(a) SEPARATE PURCHASE OF VEHICLE AND PARTS  
23          AND ACCESSORIES THEREFOR.—Under regulations pre-  
24          scribed by the Secretary—



1           “(1) *IN GENERAL.*—*Except as provided in para-*  
2 *graph (2), if—*

3                   “(A) *the owner, lessee, or operator of any*  
4 *passenger vehicle installs (or causes to be in-*  
5 *stalled) any part or accessory on such vehicle,*  
6 *and*

7                   “(B) *such installation is not later than the*  
8 *date 6 months after the date the vehicle was 1st*  
9 *placed in service,*

10 *then there is hereby imposed on such installation a*  
11 *tax equal to 10 percent of the price of such part or*  
12 *accessory and its installation.*

13           “(2) *LIMITATION.*—*The tax imposed by para-*  
14 *graph (1) on the installation of any part or accessory*  
15 *shall not exceed 10 percent of the excess (if any) of—*

16                   “(A) *the sum of—*

17                           “(i) *the price of such part or accessory*  
18 *and its installation,*

19                           “(ii) *the aggregate price of the parts*  
20 *and accessories (and their installation) in-*  
21 *stalled before such part or accessory, plus*

22                           “(iii) *the price for which the passenger*  
23 *vehicle was sold, over*

24                   “(B) *\$30,000.*

1           “(3) *EXCEPTIONS.—Paragraph (1) shall not*  
2 *apply if—*

3                   “(A) *the part or accessory installed is a re-*  
4 *placement part or accessory,*

5                   “(B) *the part or accessory is installed to en-*  
6 *able or assist an individual with a disability to*  
7 *operate the vehicle, or to enter or exit the vehicle,*  
8 *by compensating for the effect of such disability,*  
9 *or*

10                   “(C) *the aggregate price of the parts and*  
11 *accessories (and their installation) described in*  
12 *paragraph (1) with respect to the vehicle does*  
13 *not exceed \$200 (or such other amount or*  
14 *amounts as the Secretary may by regulation pre-*  
15 *scribe).*

16           *The price of any part or accessory (and its installa-*  
17 *tion) to which paragraph (1) does not apply by rea-*  
18 *son of this paragraph shall not be taken into account*  
19 *under paragraph (2)(A).*

20           “(4) *INSTALLERS SECONDARILY LIABLE FOR*  
21 *TAX.—The owners of the trade or business installing*  
22 *the parts or accessories shall be secondarily liable for*  
23 *the tax imposed by this subsection.*

24           “(b) *IMPOSITION OF TAX ON SALES, ETC., WITHIN 2*  
25 *YEARS OF VEHICLES PURCHASED TAX-FREE.—*

1           “(1) *IN GENERAL.—If—*

2                   “(A) *no tax was imposed under this sub-*  
3           *chapter on the 1st retail sale of any passenger*  
4           *vehicle by reason of its exempt use, and*

5                   “(B) *within 2 years after the date of such*  
6           *1st retail sale, such vehicle is resold by the pur-*  
7           *chaser or such purchaser makes a substantial*  
8           *nonexempt use of such vehicle,*

9           *then such sale or use of such vehicle by such purchaser*  
10          *shall be treated as the 1st retail sale of such vehicle*  
11          *for a price equal to its fair market value at the time*  
12          *of such sale or use.*

13                  “(2) *EXEMPT USE.—For purposes of this sub-*  
14          *section, the term ‘exempt use’ means any use of a ve-*  
15          *hicle if the 1st retail sale of such vehicle is not taxable*  
16          *under this subchapter by reason of such use.*

17                  “(C) *PARTS AND ACCESSORIES SOLD WITH TAXABLE*  
18          *PASSENGER VEHICLE.—Parts and accessories sold on, in*  
19          *connection with, or with the sale of any passenger vehicle*  
20          *shall be treated as part of the vehicle.*

21                  “(D) *PARTIAL PAYMENTS, ETC.—In the case of a con-*  
22          *tract, sale, or arrangement described in paragraph (2), (3),*  
23          *or (4) of section 4216(c), rules similar to the rules of section*  
24          *4217(e)(2) shall apply for purposes of this subchapter.”*

25                  “(b) *TECHNICAL AMENDMENTS.—*

1           (1) *Subsection (c) of section 4221 is amended by*  
2 *striking “4002(b), 4003(c), 4004(a)” and inserting*  
3 *“4001(d)”.*

4           (2) *Subsection (d) of section 4222 is amended by*  
5 *striking “4002(b), 4003(c), 4004(a)” and inserting*  
6 *“4001(d)”.*

7           (3) *The table of subchapters for chapter 31 is*  
8 *amended by striking the item relating to subchapter*  
9 *A and inserting the following:*

*“Subchapter A. Luxury passenger vehicles.”*

10          (c) *EFFECTIVE DATE.*—*The amendments made by this*  
11 *section shall take effect on January 1, 1993.*

12 ***SEC. 8162. EXEMPTION FROM LUXURY EXCISE TAX FOR***  
13 ***CERTAIN EQUIPMENT INSTALLED ON PAS-***  
14 ***SENGER VEHICLES FOR USE BY DISABLED IN-***  
15 ***DIVIDUALS.***

16          (a) *IN GENERAL.*—*Paragraph (3) of section 4004(b)*  
17 *(relating to separate purchase of article and parts and ac-*  
18 *cessories therefor), as in effect on the day before the date*  
19 *of the enactment of this Act, is amended—*

20           (1) *by striking “or” at the end of subparagraph*  
21 *(A),*

22           (2) *by redesignating subparagraph (B) as sub-*  
23 *paragraph (C),*

24           (3) *by inserting after subparagraph (A) the fol-*  
25 *lowing new subparagraph:*

1           “(B) the part or accessory is installed on a  
2           passenger vehicle to enable or assist an individ-  
3           ual with a disability to operate the vehicle, or to  
4           enter or exit the vehicle, by compensating for the  
5           effect of such disability, or”, and

6           (4) by inserting after subparagraph (C) the fol-  
7           lowing flush sentence:

8           “The price of any part or accessory (and its installa-  
9           tion) to which paragraph (1) does not apply by rea-  
10          son of this paragraph shall not be taken into account  
11          under paragraph (2)(A).”

12          (b) *EFFECTIVE DATE.*—The amendments made by this  
13          section shall take effect as if included in the amendments  
14          made by section 11221(a) of the Omnibus Budget Reconcili-  
15          ation Act of 1990.

16          (c) *PERIOD FOR FILING CLAIMS.*—If refund or credit  
17          of any overpayment of tax resulting from the application  
18          of the amendments made by this section is prevented at any  
19          time before the close of the 1-year period beginning on the  
20          date of the enactment of this Act by the operation of any  
21          law or rule of law (including *res judicata*), refund or credit  
22          of such overpayment (to the extent attributable to such  
23          amendments) may, nevertheless, be made or allowed if claim  
24          therefor is filed before the close of such 1-year period.

1 **SEC. 8163. TAX ON DIESEL FUEL USED IN NONCOMMERCIAL**  
2 **BOATS.**

3 (a) *GENERAL RULE.*—

4 (1) Paragraph (2) of section 4092(a) (defining  
5 diesel fuel) is amended by striking “or a diesel-pow-  
6 ered train” and inserting “, a diesel-powered train,  
7 or a diesel-powered boat”.

8 (2) Paragraph (1) of section 4041(a) is amend-  
9 ed—

10 (A) by striking “diesel-powered highway ve-  
11 hicle” each place it appears and inserting “die-  
12 sel-powered highway vehicle or diesel-powered  
13 boat”, and

14 (B) by striking “such vehicle” and inserting  
15 “such vehicle or boat”.

16 (3) Subparagraph (B) of section 4092(b)(1) is  
17 amended by striking “commercial and noncommercial  
18 vessels” each place it appears and inserting “vessels  
19 for use in an off-highway business use (as defined in  
20 section 6421(e)(2)(B))”.

21 (b) *EXEMPTION FOR USE IN FISHERIES OR COMMER-*  
22 *CIAL NAVIGATION.*—Subparagraph (B) of section  
23 6421(e)(2) is amended to read as follows:

24 “(B) *USES IN BOATS.*—

25 “(i) *IN GENERAL.*—Except as otherwise  
26 provided in this subparagraph, the term

1           *'off-highway business use' does not include*  
2           *any use in a motorboat.*

3           “(ii) *FISHERIES AND WHALING.*—The  
4           *term 'off-highway business use' shall include*  
5           *any use in a vessel employed in the fisheries*  
6           *or in the whaling business.*

7           “(iii) *EXCEPTION FOR DIESEL FUEL.*—  
8           *The term 'off-highway business use' shall in-*  
9           *clude the use of diesel fuel in a boat in the*  
10          *active conduct of—*

11           “(I) *a trade or business of com-*  
12           *mercial fishing or transporting persons*  
13           *or property for compensation or hire,*  
14           *or*

15           “(II) *any other trade or business,*  
16           *except that this subclause shall not*  
17           *apply to noncommercial uses described*  
18           *in clause (iv) during a taxable period.*

19           “(iv) *TAXABLE PERIODS FOR NON-*  
20           *COMMERCIAL BOATS.*—*In the case of any*  
21           *use of diesel fuel in a boat used predomi-*  
22           *nantly in any activity which is of a type*  
23           *generally considered to constitute entertain-*  
24           *ment, amusement, or recreation, the taxable*

1                   *period for purposes of clause (iii)(II) shall*  
2                   *be—*

3                   *“(I) in the case so much of the tax*  
4                   *under section 4091 as is attributable to*  
5                   *4.3 cents of the diesel fuel deficit reduc-*  
6                   *tion rate imposed under such section,*  
7                   *any period beginning after September*  
8                   *30, 1993, and*

9                   *“(II) in the case so much of the*  
10                  *tax under section 4091 as is not de-*  
11                  *scribed in subclause (I) the period be-*  
12                  *ginning after January 1, 1994, and*  
13                  *ending on December 31, 1999.*

14                  *(c) RETENTION OF TAXES IN GENERAL FUND.—*

15                  *(1) TAXES IMPOSED AT HIGHWAY TRUST FUND*  
16                  *FINANCING RATE.—Paragraph (4) of section 9503(b)*  
17                  *(relating to transfers to Highway Trust Fund) is*  
18                  *amended—*

19                  *(A) by striking “and” at the end of sub-*  
20                  *paragraph (A),*

21                  *(B) by striking the period at the end of sub-*  
22                  *paragraph (B) and inserting “, and”, and*

23                  *(C) by adding at the end thereof the follow-*  
24                  *ing new subparagraph:*



1           “(C) there shall not be taken into account  
2           the taxes imposed by sections 4041 and 4091 on  
3           diesel fuel sold for use or used as fuel in a diesel-  
4           powered boat.”

5           (2) TAXES IMPOSED AT LEAKING UNDERGROUND  
6           STORAGE TANK TRUST FUND FINANCING RATE.—Sub-  
7           section (b) of section 9508 (relating to transfers to  
8           Leaking Underground Storage Tank Trust Fund) is  
9           amended by adding at the end thereof the following  
10          new sentence: “For purposes of this subsection, there  
11          shall not be taken into account the taxes imposed by  
12          sections 4041 and 4091 on diesel fuel sold for use or  
13          used as fuel in a diesel-powered boat.”

14          (d) EFFECTIVE DATE.—

15               (1) IN GENERAL.—Except as provided in para-  
16               graph (2), the amendments made by this section shall  
17               take effect on October 1, 1993.

18               (2) SPECIAL RULE.—No tax shall be imposed be-  
19               fore January 1, 1994, under section 4091 of the Inter-  
20               nal Revenue Code of 1986 by reason of the amend-  
21               ments made by this section, other than the portion of  
22               such tax as is attributable to 4.3 cents of the diesel  
23               fuel deficit reduction rate imposed by such section.

**PART VI—OTHER CHANGES****SEC. 8171. ALTERNATIVE MINIMUM TAX TREATMENT OF CONTRIBUTIONS OF APPRECIATED PROPERTY.**

(a) *REPEAL OF TAX PREFERENCE.*—Subsection (a) of section 57 is amended by striking paragraph (6) (relating to appreciated property charitable deduction) and by redesignating paragraph (7) as paragraph (6).

(b) *EFFECT ON ADJUSTED CURRENT EARNINGS.*—Paragraph (4) of section 56(g) is amended by adding at the end thereof the following new subparagraph:

“(J) *TREATMENT OF CHARITABLE CONTRIBUTIONS.*—Notwithstanding subparagraphs (B) and (C), no adjustment related to the earnings and profits effects of any charitable contribution shall be made in computing adjusted current earnings.”

(c) *CONFORMING AMENDMENT.*—Subclause (II) of section 53(d)(1)(B)(ii) is amended by striking “(5) and (6)” and inserting “(5)”.

(d) *EFFECTIVE DATE.*—The amendments made by this section shall apply to contributions made after June 30, 1992, except that in the case of any contribution of capital gain property which is not tangible personal property, such amendments shall apply only if the contribution is made after December 31, 1992.

1 **SEC. 8172. SUBSTANTIATION REQUIREMENT FOR DEDUC-**  
2 **TION OF CERTAIN CHARITABLE CONTRIBU-**  
3 **TIONS.**

4 (a) *SUBSTANTIATION REQUIREMENT.*—Section 170(f)  
5 (providing special rules relating to the deduction of chari-  
6 table contributions and gifts) is amended by adding at the  
7 end the following new paragraph:

8 “(8) *SUBSTANTIATION REQUIREMENT FOR CER-*  
9 *TAIN CONTRIBUTIONS.*—

10 “(A) *GENERAL RULE.*—No deduction shall  
11 be allowed under subsection (a) for any contribu-  
12 tion of \$250 or more unless the taxpayer sub-  
13 stantiates the contribution by a contemporaneous  
14 written acknowledgment of the contribution by  
15 the donee organization that meets the require-  
16 ments of subparagraph (B).

17 “(B) *CONTENT OF ACKNOWLEDGMENT.*—

18 “(i) *IN GENERAL.*—An acknowledg-  
19 ment meets the requirements of this sub-  
20 paragraph if it provides information suffi-  
21 cient to substantiate the amount of the de-  
22 ductible contribution. Nothing in this clause  
23 shall be construed as requiring the donee or-  
24 ganization to estimate the value of a  
25 noncash contribution.

1           “(ii) *QUID PRO QUO CONTRIBUTIONS.*—If the contribution was made by  
2           means of a payment part of which con-  
3           stituted consideration for goods or services  
4           provided by the donee organization, the ac-  
5           knowledgment must provide a good faith  
6           estimate of the value of such goods or serv-  
7           ices. The preceding sentence shall not apply  
8           to any payment made to an organization,  
9           organized exclusively for religious purposes,  
10          in return for which the taxpayer receives  
11          solely an intangible religious benefit that  
12          generally is not sold in a commercial trans-  
13          action outside the donative context.

15          “(C) *CONTEMPORANEOUS.*—For purposes of  
16          subparagraph (A), an acknowledgment shall be  
17          considered to be contemporaneous if the taxpayer  
18          obtains the acknowledgment on or before the ear-  
19          lier of—

20                 “(i) the date on which the taxpayer  
21                 files a return for the taxable year in which  
22                 the contribution was made, or

23                 “(ii) the due date (including exten-  
24                 sions) for filing such return.

1           “(D) *SUBSTANTIATION NOT REQUIRED FOR*  
2           *CONTRIBUTIONS REPORTED BY THE DONEE OR-*  
3           *GANIZATION.—Subparagraph (A) shall not apply*  
4           *to a contribution if the donee organization files*  
5           *a return, on such form and in accordance with*  
6           *such regulations as the Secretary may prescribe,*  
7           *which includes the information described in sub-*  
8           *paragraph (B) with respect to the contribution.*

9           “(E) *REGULATIONS.—The Secretary shall*  
10           *prescribe such regulations as may be necessary*  
11           *or appropriate to carry out the purposes of this*  
12           *paragraph, including regulations that may pro-*  
13           *vide that some or all of the requirements of this*  
14           *paragraph do not apply in appropriate cases.”*

15           (b) *EFFECTIVE DATE.—The provisions of this section*  
16           *shall apply to contributions made on or after January 1,*  
17           *1994.*

18           **SEC. 8173. DISCLOSURE RELATED TO QUID PRO QUO**  
19           **CONTRIBUTIONS.**

20           (a) *DISCLOSURE REQUIREMENT.—Subchapter B of*  
21           *chapter 61 (relating to information and returns) is amend-*  
22           *ed by redesignating section 6115 as section 6116 and by*  
23           *inserting after section 6114 the following new section:*

1 **“SEC. 6115. DISCLOSURE RELATED TO QUID PRO QUO CON-**  
2 **TRIBUTIONS.**

3 “(a) *DISCLOSURE REQUIREMENT.*—If an organization  
4 described in section 170(c) (other than paragraph (1) there-  
5 of) receives a quid pro quo contribution in excess of \$75,  
6 the organization shall, in connection with the solicitation  
7 or receipt of the contribution, provide a written statement  
8 which—

9 “(1) informs the donor that the amount of the  
10 contribution that is deductible for Federal income tax  
11 purposes is limited to the excess of the amount of any  
12 money and the value of any property other than  
13 money contributed by the donor over the value of the  
14 goods or services provided by the organization, and

15 “(2) provides the donor with a good faith esti-  
16 mate of the value of such goods or services.

17 “(b) *QUID PRO QUO CONTRIBUTION.*—For purposes of  
18 this section, the term ‘quid pro quo contribution’ means a  
19 payment made partly as a contribution and partly in con-  
20 sideration for goods or services provided to the payor by  
21 the donee organization. A quid pro quo contribution does  
22 not include any payment made to an organization, orga-  
23 nized exclusively for religious purposes, in return for which  
24 the taxpayer receives solely an intangible religious benefit  
25 that generally is not sold in a commercial transaction out-  
26 side the donative context.”

1           (b) *PENALTY FOR FAILURE TO DISCLOSE.*—Part I of  
2 subchapter B of chapter 68 (relating to assessable penalties)  
3 is amended by inserting after section 6713 the following  
4 new section:

5           **“SEC. 6714. FAILURE TO MEET DISCLOSURE REQUIRE-**  
6                                   **MENTS APPLICABLE TO QUID PRO QUO CON-**  
7                                   **TRIBUTIONS.**

8           “(a) *IMPOSITION OF PENALTY.*—If an organization  
9 fails to meet the disclosure requirement of section 6115 with  
10 respect to a quid pro quo contribution, such organization  
11 shall pay a penalty of \$10 for each contribution in respect  
12 of which the organization fails to make the required disclo-  
13 sure, except that the total penalty imposed by this sub-  
14 section with respect to a particular fundraising event or  
15 mailing shall not exceed \$5,000.

16           “(b) *REASONABLE CAUSE EXCEPTION.*—No penalty  
17 shall be imposed under this section with respect to any fail-  
18 ure if it is shown that such failure is due to reasonable  
19 cause.”

20           (c) *CLERICAL AMENDMENTS.*—

21                   (1) The table for subchapter B of chapter 61 is  
22 amended by striking the item relating to section 6115  
23 and inserting the following new items:

                                  “Sec. 6115. Disclosure related to quid pro quo contributions.  
                                  “Sec. 6116. Cross reference.”

1           (2) *The table for part I of subchapter B of chap-*  
2 *ter 68 is amended by inserting after the item for sec-*  
3 *tion 6713 the following new item:*

*“Sec. 6714. Failure to meet disclosure requirements applicable to  
quid pro quo contributions.”*

4           (d) *EFFECTIVE DATE.*—*The provisions of this section*  
5 *shall apply to quid pro quo contributions made on or after*  
6 *January 1, 1994.*

7 **SEC. 8174. CERTAIN TRANSFERS TO RAILROAD RETIRE-**  
8 **MENT ACCOUNT MADE PERMANENT.**

9           *Subsection (c)(1)(A) of section 224 of the Railroad Re-*  
10 *tirement Solvency Act of 1983 (relating to section 72(r) rev-*  
11 *enue increase transferred to certain railroad accounts) is*  
12 *amended by striking “with respect to benefits received before*  
13 *October 1, 1992”.*

14 **SEC. 8175. TEMPORARY EXTENSION OF DEDUCTION FOR**  
15 **HEALTH INSURANCE COSTS OF SELF-EM-**  
16 **PLOYED INDIVIDUALS.**

17           (a) *IN GENERAL.*—

18           (1) *EXTENSION.*—*Paragraph (6) of section*  
19 *162(l) (relating to special rules for health insurance*  
20 *costs of self-employed individuals) is amended by*  
21 *striking “June 30, 1992” and inserting “December*  
22 *31, 1993”.*



1           (2) *CONFORMING AMENDMENT.*—Paragraph (2)  
2           of section 110(a) of the Tax Extension Act of 1991 is  
3           hereby repealed.

4           (3) *EFFECTIVE DATE.*—The amendments made  
5           by this subsection shall apply to taxable years ending  
6           after June 30, 1992.

7           (b) *DETERMINATION OF ELIGIBILITY FOR EMPLOYER-*  
8           *SPONSORED HEALTH PLAN.*—

9           (1) *IN GENERAL.*—Paragraph (2)(B) of section  
10          162(l) is amended to read as follows:

11                   “(B) *OTHER COVERAGE.*—Paragraph (1)  
12                   shall not apply to any taxpayer for any calendar  
13                   month for which the taxpayer is eligible to par-  
14                   ticipate in any subsidized health plan main-  
15                   tained by any employer of the taxpayer or of the  
16                   spouse of the taxpayer.”

17          (2) *EFFECTIVE DATE.*—The amendment made by  
18          paragraph (1) shall apply to taxable years beginning  
19          after December 31, 1992.

20           ***Part VII—Investment in Indian Reservations***

21           ***SEC. 8181. INVESTMENT TAX CREDIT FOR PROPERTY ON IN-***  
22           ***DIAN RESERVATIONS.***

23          (a) *ALLOWANCE OF INDIAN RESERVATION CREDIT.*—  
24          Section 46 (relating to investment credits) is amended by  
25          striking “and” at the end of paragraph (2), by striking the

1 *period at the end of paragraph (3) and inserting “, and”,*  
 2 *and by adding after paragraph (3) the following new para-*  
 3 *graph:*

4 “(4) *the Indian reservation credit.*”

5 (b) *AMOUNT OF INDIAN RESERVATION CREDIT.—*

6 (1) *IN GENERAL.—Section 48 (relating to the en-*  
 7 *ergy credit and the reforestation credit) is amended*  
 8 *by adding after subsection (b) the following new sub-*  
 9 *section:*

10 “(c) *INDIAN RESERVATION CREDIT.—*

11 “(1) *IN GENERAL.—For purposes of section 46,*  
 12 *the Indian reservation credit for any taxable year is*  
 13 *the Indian reservation percentage of the qualified in-*  
 14 *vestment in qualified Indian reservation property*  
 15 *placed in service during such taxable year, deter-*  
 16 *mined in accordance with the following table:*

***“In the case of qualified***

<b><i>Indian reservation property which is:</i></b>	<b><i>The Indian reservation percentage is:</i></b>
<i>Reservation personal property .....</i>	<i>10</i>
<i>New reservation construction property .....</i>	<i>15</i>
<i>Reservation infrastructure investment .....</i>	<i>15.</i>

17 “(2) *QUALIFIED INVESTMENT IN QUALIFIED IN-*  
 18 *DIAN RESERVATION PROPERTY DEFINED.—For pur-*  
 19 *poses of this subpart—*

20 “(A) *IN GENERAL.—The term ‘qualified In-*  
 21 *dian reservation property’ means property—*

22 “(i) *which is—*

1                   “(I) reservation personal prop-  
2                   erty,

3                   “(II) new reservation construction  
4                   property, or

5                   “(III) reservation infrastructure  
6                   investment, and

7                   “(ii) not acquired (directly or indi-  
8                   rectly) by the taxpayer from a person who  
9                   is related to the taxpayer (within the mean-  
10                  ing of section 465(b)(3)(C)).

11                 The term ‘qualified Indian reservation property’  
12                 does not include any property (or any portion  
13                 thereof) placed in service for purposes of conduct-  
14                 ing or housing class I, II, or III gaming (as de-  
15                 fined in section 4 of the Indian Regulatory Act  
16                 (25 U.S.C. 2703)).

17                 “(B) QUALIFIED INVESTMENT.—The term  
18                 ‘qualified investment’ means—

19                         “(i) in the case of reservation infra-  
20                         structure investment, the amount expended  
21                         by the taxpayer for the acquisition or con-  
22                         struction of the reservation infrastructure  
23                         investment; and

1                   “(ii) in the case of all other qualified  
2                   Indian reservation property, the taxpayer’s  
3                   basis for such property.

4                   “(C) RESERVATION PERSONAL PROPERTY.—  
5                   The term ‘reservation personal property’ means  
6                   qualified personal property which is used by the  
7                   taxpayer predominantly in the active conduct of  
8                   a trade or business within an Indian reserva-  
9                   tion. Property shall not be treated as ‘reservation  
10                  personal property’ if it is used or located outside  
11                  the Indian reservation on a regular basis.

12                  “(D) QUALIFIED PERSONAL PROPERTY.—  
13                  The term ‘qualified personal property’ means  
14                  property—

15                         “(i) for which depreciation is allowable  
16                         under section 168,

17                         “(ii) which is not—

18                                 “(I) nonresidential real property,

19                                 “(II) residential rental property,

20   or

21   “(III) real property which is not  
22   described in (I) or (II) and which has  
23   a class life of more than 12.5 years.

24                   For purposes of this subparagraph, the terms  
25                   ‘nonresidential real property’, ‘residential rental

1           *property*, and *'class life'* have the respective  
2           meanings given such terms by section 168.

3           “(E) *NEW RESERVATION CONSTRUCTION*  
4           *PROPERTY.*—The term *'new reservation construc-*  
5           *tion property'* means qualified real property—

6                     “(i) *which is located in an Indian res-*  
7                     *ervation,*

8                     “(ii) *which is used by the taxpayer*  
9                     *predominantly in the active conduct of a*  
10                    *trade or business within an Indian reserva-*  
11                    *tion, and*

12                    “(iii) *which is originally placed in*  
13                    *service by the taxpayer.*

14           “(F) *QUALIFIED REAL PROPERTY.*—The  
15           term *'qualified real property'* means property for  
16           which depreciation is allowable under section  
17           168 and which is described in clause (I), (II), or  
18           (III) of subparagraph (D)(ii).

19           “(G) *RESERVATION INFRASTRUCTURE IN-*  
20           *VESTMENT.*—

21                    “(i) *IN GENERAL.*—The term *'reserva-*  
22                    *tion infrastructure investment'* means  
23                    *qualified personal property or qualified real*  
24                    *property which—*

1                   “(I) benefits the tribal infrastruc-  
2                   ture,

3                   “(II) is available to the general  
4                   public, and

5                   “(III) is placed in service in con-  
6                   nection with the taxpayer’s active con-  
7                   duct of a trade or business within an  
8                   Indian reservation.

9                   “(ii) *PROPERTY MAY BE LOCATED OUT-*  
10                  *SIDE THE RESERVATION.*—Qualified per-  
11                  sonal property and qualified real property  
12                  used or located outside an Indian reserva-  
13                  tion shall be reservation infrastructure in-  
14                  vestment only if its purpose is to connect to  
15                  existing tribal infrastructure in the reserva-  
16                  tion, and shall include, but not be limited  
17                  to, roads, power lines, water systems, rail-  
18                  road spurs, and communications facilities.

19                  “(H) *COORDINATION WITH OTHER CRED-*  
20                  *ITS.*—The term ‘qualified Indian reservation  
21                  property’ shall not include any property with re-  
22                  spect to which the energy credit or the rehabilita-  
23                  tion credit is allowed.

24                  “(3) *REAL ESTATE RENTALS.*—For purposes of  
25                  this section, the rental to others of real property lo-

1       *cated within an Indian reservation shall be treated as*  
2       *the active conduct of a trade or business in an Indian*  
3       *reservation.*

4               “(4) *INDIAN RESERVATION DEFINED.*—*For pur-*  
5       *poses of this subpart, the term ‘Indian reservation’*  
6       *means a reservation, as defined in—*

7                       “(A) *section 3(d) of the Indian Financing*  
8       *Act of 1974 (25 U.S.C. 1452(d)), or*

9                       “(B) *section 4(10) of the Indian Child Wel-*  
10       *fare Act of 1978 (25 U.S.C. 1903(10)).*

11               “(5) *LIMITATION BASED ON UNEMPLOYMENT.*—

12                       “(A) *GENERAL RULE.*—*The Indian reserva-*  
13       *tion credit allowed under section 46 for any tax-*  
14       *able year shall equal—*

15                               “(i) *if the Indian unemployment rate*  
16       *on the applicable Indian reservation for*  
17       *which the credit is sought exceeds 300 per-*  
18       *cent of the national average unemployment*  
19       *rate at any time during the calendar year*  
20       *in which the property is placed in service or*  
21       *during the immediately preceding 2 cal-*  
22       *endar years, 100 percent of such credit,*

23                               “(ii) *if such Indian unemployment*  
24       *rate exceeds 150 percent but not 300 per-*  
25       *cent, 50 percent of such credit, and*

1                   “(iii) if such Indian unemployment  
2                   rate does not exceed 150 percent, 0 percent  
3                   of such credit.

4                   “(B) SPECIAL RULE FOR LARGE  
5                   PROJECTS.—In the case of a qualified Indian  
6                   reservation property which has (or is a compo-  
7                   nent of a project which has) a projected construc-  
8                   tion period of more than 2 years or a cost of  
9                   more than \$1,000,000, subparagraph (A) shall  
10                  apply by substituting ‘during the earlier of the  
11                  calendar year in which the taxpayer enters into  
12                  a binding agreement to make a qualified invest-  
13                  ment or the first calendar year in which the tax-  
14                  payer has expended at least 10 percent of the  
15                  taxpayer’s qualified investment, or the preceding  
16                  calendar year’ for ‘during the calendar year in  
17                  which the property is placed in service or during  
18                  the immediately preceding 2 calendar years’.

19                  “(C) DETERMINATION OF INDIAN UNEM-  
20                  PLOYMENT.—For purposes of this paragraph,  
21                  with respect to any Indian reservation, the In-  
22                  dian unemployment rate shall be based upon In-  
23                  dians unemployed and able to work, and shall be  
24                  certified by the Secretary of the Interior.



1           “(6) *COORDINATION WITH NONREVENUE LAWS.*—  
2           *Any reference in this subsection to a provision not*  
3           *contained in this title shall be treated for purposes of*  
4           *this subsection as a reference to such provision as in*  
5           *effect on the date of the enactment of this paragraph.”*

6           (2) *LODGING TO QUALIFY.*—*Paragraph (2) of*  
7           *section 50(b) (relating to property used for lodging)*  
8           *is amended—*

9                   (A) *by striking “and” at the end of sub-*  
10                  *paragraph (C),*

11                   (B) *by striking the period at the end of sub-*  
12                  *paragraph (D) and inserting “; and” and*

13                   (C) *by adding at the end thereof the follow-*  
14                  *ing subparagraph:*

15                           “(E) *new reservation construction prop-*  
16                           *erty.”*

17           (c) *RECAPTURE.*—*Subsection (a) of section 50 (relat-*  
18           *ing to recapture in case of dispositions, etc.), is amended*  
19           *by adding at the end thereof the following new paragraph:*

20                   “(6) *SPECIAL RULES FOR INDIAN RESERVATION*  
21                   *PROPERTY.*—

22                           “(A) *IN GENERAL.*—*If, during any taxable*  
23                           *year, property with respect to which the tax-*  
24                           *payer claimed an Indian reservation credit—*

25                                   *“(i) is disposed of, or*

1                   “(ii) in the case of reservation personal  
2                   property—

3                   “(I) otherwise ceases to be invest-  
4                   ment credit property with respect to  
5                   the taxpayer, or

6                   “(II) is removed from the Indian  
7                   reservation, converted or otherwise  
8                   ceases to be Indian reservation prop-  
9                   erty,

10                   the tax under this chapter for such taxable year  
11                   shall be increased by the amount described in  
12                   subparagraph (B).

13                   “(B) AMOUNT OF INCREASE.—The increase  
14                   in tax under subparagraph (A) shall equal the  
15                   aggregate decrease in the credits allowed under  
16                   section 38 by reason of section 48(c) for all prior  
17                   taxable years which would have resulted had the  
18                   qualified investment taken into account with re-  
19                   spect to the property been limited to an amount  
20                   which bears the same ratio to the qualified in-  
21                   vestment with respect to such property as the pe-  
22                   riod such property was held by the taxpayer  
23                   bears to the applicable recovery period under sec-  
24                   tion 168(g).

1           “(C) *COORDINATION WITH OTHER RECAP-*  
2           *TURE PROVISIONS.*—*In the case of property to*  
3           *which this paragraph applies, paragraph (1)*  
4           *shall not apply and the rules of paragraphs (3),*  
5           *(4), and (5) shall apply.*”

6           (d) *BASIS ADJUSTMENT TO REFLECT INVESTMENT*  
7           *CREDIT.*—*Paragraph (3) of section 50(c) (relating to basis*  
8           *adjustment to investment credit property) is amended by*  
9           *striking “energy credit or reforestation credit” and insert-*  
10          *ing “energy credit, reforestation credit or Indian reserva-*  
11          *tion credit other than with respect to any expenditure for*  
12          *new reservation construction property”.*

13          (e) *CERTAIN GOVERNMENTAL USE PROPERTY TO*  
14          *QUALIFY.*—*Paragraph (4) of section 50(b) (relating to*  
15          *property used by governmental units or foreign persons or*  
16          *entities) is amended by redesignating subparagraphs (D)*  
17          *and (E) as subparagraphs (E) and (F), respectively, and*  
18          *inserting after subparagraph (C) the following new sub-*  
19          *paragraph:*

20                  “(D) *EXCEPTION FOR RESERVATION INFRA-*  
21                  *STRUCTURE INVESTMENT.*—*This paragraph shall*  
22                  *not apply for purposes of determining the Indian*  
23                  *reservation credit with respect to reservation in-*  
24                  *frastructure investment.*”

1       (f) *APPLICATION OF AT-RISK RULES.*—Subparagraph  
2 (C) of section 49(a)(1) is amended by striking “and” at  
3 the end of clause (ii), by striking the period at the end of  
4 clause (iii) and inserting “, and”, and by adding at the  
5 end the following new clause:

6                               “(iv) the qualified investment in quali-  
7                               fied Indian reservation property.”

8       (g) *CLERICAL AMENDMENTS.*—

9               (1) Section 48 is amended by striking the head-  
10               ing and inserting the following:

11       **“SEC. 48. ENERGY CREDIT; REFORESTATION CREDIT; IN-  
12                               DIAN RESERVATION CREDIT.”**

13               (2) The table of sections for subpart E of part IV  
14               of subchapter A of chapter 1 is amended by striking  
15               out the item relating to section 48 and inserting the  
16               following:

                                  “Sec. 48. Energy credit; reforestation credit; Indian reservation  
                                  credit.”

17       (h) *EFFECTIVE DATE.*—The amendments made by this  
18       section shall apply to property placed in service after De-  
19       cember 31, 1993.

20       **SEC. 8182. INDIAN EMPLOYMENT CREDIT.**

21       (a) *ALLOWANCE OF INDIAN EMPLOYMENT CREDIT.*—  
22       Section 38(b) (relating to general business credits) is  
23       amended by striking “plus” at the end of paragraph (6),  
24       by striking the period at the end of paragraph (7) and in-

1 *serting “, plus”, and by adding after paragraph (7) the fol-*  
2 *lowing new paragraph:*

3 *“(8) the Indian employment credit as deter-*  
4 *mined under section 45(a).”*

5 *(b) AMOUNT OF INDIAN EMPLOYMENT CREDIT.—Sub-*  
6 *part D of Part IV of subchapter A of chapter 1 (relating*  
7 *to business related credits) is amended by adding at the*  
8 *end thereof the following new section:*

9 ***“SEC. 45. INDIAN EMPLOYMENT CREDIT.***

10 *“(a) AMOUNT OF CREDIT.—*

11 *“(1) IN GENERAL.—For purposes of section 38,*  
12 *the amount of the Indian employment credit deter-*  
13 *mined under this section with respect to any em-*  
14 *ployer for any taxable year is 10 percent (30 percent*  
15 *in the case of an employer with at least 85 percent*  
16 *Indian employees throughout the taxable year) of the*  
17 *sum of—*

18 *“(A) the qualified wages paid or incurred*  
19 *during such taxable year, plus*

20 *“(B) qualified employee health insurance*  
21 *costs paid or incurred during such taxable year.*

22 *In no event shall the amount of the Indian employ-*  
23 *ment credit for any taxable year exceed the credit*  
24 *limitation amount determined under subsection (e)*  
25 *for such taxable year.*

1           “(2) *INDIAN EMPLOYEE.*—For purposes of para-  
2           graph (1), the term ‘Indian employee’ means an em-  
3           ployee who is an enrolled member of an Indian tribe  
4           or the spouse of such a member.

5           “(b) *QUALIFIED WAGES; QUALIFIED EMPLOYEE*  
6           *HEALTH INSURANCE COSTS.*—For purposes of this sec-  
7           tion—

8           “(1) *QUALIFIED WAGES.*—

9           “(A) *IN GENERAL.*—The term ‘qualified  
10           wages’ means any wages paid or incurred by an  
11           employer for services performed by an employee  
12           while such employee is a qualified employee.

13           “(B) *COORDINATION WITH TARGETED JOBS*  
14           *CREDIT.*—The term ‘qualified wages’ shall not  
15           include wages attributable to service rendered  
16           during the 1-year period beginning with the day  
17           the individual begins work for the employer if  
18           any portion of such wages is taken into account  
19           in determining the credit under section 51.

20           “(2) *QUALIFIED EMPLOYEE HEALTH INSURANCE*  
21           *COSTS.*—

22           “(A) *IN GENERAL.*—The term ‘qualified em-  
23           ployee health insurance costs’ means any amount  
24           paid or incurred by an employer for health in-  
25           surance to the extent such amount is attributable

1           to coverage provided to any employee while such  
2           employee is a qualified employee.

3           “(B) EXCEPTION FOR AMOUNTS PAID  
4           UNDER SALARY REDUCTION ARRANGEMENTS.—  
5           No amount paid or incurred for health insurance  
6           pursuant to a salary reduction arrangement  
7           shall be taken into account under subparagraph  
8           (A).

9           “(c) QUALIFIED EMPLOYEE.—For purposes of this sec-  
10          tion—

11           “(1) IN GENERAL.—Except as otherwise provided  
12          in this subsection, the term ‘qualified employee’  
13          means, with respect to any period, any employee of  
14          an employer if—

15           “(A) substantially all of the services per-  
16          formed during such period by such employee for  
17          such employer are performed within an Indian  
18          reservation,

19           “(B) the principal place of abode of such  
20          employee while performing such services is on or  
21          near the reservation in which the services are  
22          performed, and

23           “(C) the employee began work for such em-  
24          ployer on or after January 1, 1994.

1           “(2) *CREDIT ALLOWED ONLY FOR FIRST 7*  
2           *YEARS.—An employee shall not be treated as a quali-*  
3           *fied employee for any period after the date 7 years*  
4           *after the day on which such employee first began work*  
5           *for the employer.*

6           “(3) *INDIVIDUALS RECEIVING WAGES IN EXCESS*  
7           *OF \$30,000 NOT ELIGIBLE.—An employee shall not be*  
8           *treated as a qualified employee for any taxable year*  
9           *of the employer if the total amount of the wages paid*  
10           *or incurred by such employer to such employee during*  
11           *such taxable year (whether or not for services within*  
12           *an Indian reservation) exceeds the amount deter-*  
13           *mined at an annual rate of \$30,000. The Secretary*  
14           *shall adjust the \$30,000 amount contained in the pre-*  
15           *ceding sentence for years beginning after 1993 at the*  
16           *same time and in the same manner as under section*  
17           *415(d).*

18           “(4) *EMPLOYMENT MUST BE TRADE OR BUSI-*  
19           *NESS EMPLOYMENT.—An employee shall be treated as*  
20           *a qualified employee for any taxable year of the em-*  
21           *ployer only if more than 50 percent of the wages paid*  
22           *or incurred by the employer to such employee during*  
23           *such taxable year are for services performed in a*  
24           *trade or business of the employer. Any determination*  
25           *as to whether the preceding sentence applies with re-*



1 *spect to any employee for any taxable year shall be*  
2 *made without regard to subsection (f)(2).*

3 *“(5) CERTAIN EMPLOYEES NOT ELIGIBLE.—The*  
4 *term ‘qualified employee’ shall not include—*

5 *“(A) any individual described in subpara-*  
6 *graph (A), (B), or (C) of section 51(i)(1),*

7 *“(B) any 5-percent owner (as defined in*  
8 *section 416(i)(1)(B)),*

9 *“(C) any individual who is neither an en-*  
10 *rolled member of an Indian tribe nor the spouse*

11 *of an enrolled member of an Indian tribe, and*

12 *“(D) any individual if the services per-*  
13 *formed by such individual for the employer in-*  
14 *volve the conduct of class I, II, or III gaming as*  
15 *defined in section 4 of the Indian Gaming Regu-*  
16 *latory Act (25 U.S.C. 2703), or are performed in*  
17 *a building housing such gaming activity.*

18 *“(6) INDIAN TRIBE DEFINED.—The term ‘Indian*  
19 *tribe’ means any Indian tribe, band, nation, pueblo,*  
20 *or other organized group or community, including*  
21 *any Alaska Native village, or regional or village cor-*  
22 *poration, as defined in, or established pursuant to,*  
23 *the Alaska Native Claims Settlement Act (43 U.S.C.*  
24 *1601 et seq.) which is recognized as eligible for the*

1 *special programs and services provided by the United*  
2 *States to Indians because of their status as Indians.*

3 “(7) *INDIAN RESERVATION DEFINED.*—*The term*  
4 *‘Indian reservation’ means a reservation, as defined*  
5 *in—*

6 “(A) *section 3(d) of the Indian Financing*  
7 *Act of 1974 (25 U.S.C. 1452(d)), or*

8 “(B) *section 4(10) of the Indian Child Wel-*  
9 *fare Act of 1978 (25 U.S.C. 1903 (10)).*

10 “(d) *EARLY TERMINATION OF EMPLOYMENT BY EM-*  
11 *PLOYER.*—

12 “(1) *IN GENERAL.*—*If the employment of any*  
13 *employee is terminated by the taxpayer before the day*  
14 *1 year after the day on which such employee began*  
15 *work for the employer—*

16 “(A) *no wages (or qualified employee health*  
17 *insurance costs) with respect to such employee*  
18 *shall be taken into account under subsection (a)*  
19 *for the taxable year in which such employment*  
20 *is terminated, and*

21 “(B) *the tax under this chapter for the tax-*  
22 *able year in which such employment is termi-*  
23 *nated shall be increased by the aggregate credits*  
24 *(if any) allowed under section 38(a) for prior*  
25 *taxable years by reason of wages (or qualified*

1           *employee health insurance costs) taken into ac-*  
2           *count with respect to such employee.*

3           “(2) *CARRYBACKS AND CARRYOVERS AD-*  
4           *JUSTED.—In the case of any termination of employ-*  
5           *ment to which paragraph (1) applies, the carrybacks*  
6           *and carryovers under section 39 shall be properly ad-*  
7           *justed.*

8           “(3) *SUBSECTION NOT TO APPLY IN CERTAIN*  
9           *CASES.—*

10           “(A) *IN GENERAL.—Paragraph (1) shall*  
11           *not apply to—*

12                   “(i) *a termination of employment of*  
13                   *an employee who voluntarily leaves the em-*  
14                   *ployment of the taxpayer,*

15                   “(ii) *a termination of employment of*  
16                   *an individual who before the close of the pe-*  
17                   *riod referred to in paragraph (1) becomes*  
18                   *disabled to perform the services of such em-*  
19                   *ployment unless such disability is removed*  
20                   *before the close of such period and the tax-*  
21                   *payer fails to offer reemployment to such*  
22                   *individual, or*

23                   “(iii) *a termination of employment of*  
24                   *an individual if it is determined under the*  
25                   *applicable State unemployment compensa-*

1            *tion law that the termination was due to*  
2            *the misconduct of such individual.*

3            *“(B) CHANGES IN FORM OF BUSINESS.—*  
4            *For purposes of paragraph (1), the employment*  
5            *relationship between the taxpayer and an em-*  
6            *ployee shall not be treated as terminated—*

7                    *“(i) by a transaction to which section*  
8                    *381(a) applies if the employee continues to*  
9                    *be employed by the acquiring corporation,*  
10                   *or*

11                   *“(ii) by reason of a mere change in the*  
12                   *form of conducting the trade or business of*  
13                   *the taxpayer if the employee continues to be*  
14                   *employed in such trade or business and the*  
15                   *taxpayer retains a substantial interest in*  
16                   *such trade or business.*

17            *“(4) SPECIAL RULE.—Any increase in tax under*  
18            *paragraph (1) shall not be treated as a tax imposed*  
19            *by this chapter for purposes of—*

20                    *“(A) determining the amount of any credit*  
21                    *allowable under this chapter, and*

22                    *“(B) determining the amount of the tax im-*  
23                    *posed by section 55.*

24            *“(e) CREDIT LIMITATION AMOUNT.—For purposes of*  
25            *this section—*

1           “(1) *CREDIT LIMITATION AMOUNT.*—The credit  
2           *limitation amount for a taxable year shall be an*  
3           *amount equal to the credit rate (10 or 30 percent as*  
4           *determined under subsection (a)) multiplied by the*  
5           *increased credit base.*

6           “(2) *INCREASED CREDIT BASE.*—The increased  
7           *credit base for a taxable year shall be the excess of—*

8                   “(A) *the sum of any qualified wages and*  
9                   *qualified employee health insurance costs paid or*  
10                   *incurred by the employer during the taxable year*  
11                   *with respect to employees whose wages (paid or*  
12                   *incurred by the employer) during the taxable*  
13                   *year do not exceed the amount determined under*  
14                   *paragraph (3) of subsection (c), over*

15                   “(B) *the sum of any qualified wages and*  
16                   *qualified employee health insurance costs paid or*  
17                   *incurred by the employer (or any predecessor)*  
18                   *during calendar year 1993 with respect to em-*  
19                   *ployees whose wages (paid or incurred by the*  
20                   *employer or any predecessor) during 1993 did*  
21                   *not exceed \$30,000.*

22           “(3) *SPECIAL RULE FOR SHORT TAXABLE*  
23           *YEARS.*—For any taxable year having less than 12  
24           *months—*

1           “(A) the amounts paid or incurred by the  
2 employer shall be annualized for purposes of de-  
3 termining the increased credit base, and

4           “(B) the credit limitation amount shall be  
5 multiplied by a fraction, the numerator of which  
6 is the number of days in the taxable year and  
7 the denominator of which is 365.

8           “(f) OTHER DEFINITIONS AND SPECIAL RULES.—For  
9 purposes of this section—

10           “(1) WAGES.—The term ‘wages’ has the same  
11 meaning given to such term in section 51.

12           “(2) CONTROLLED GROUPS.—

13           “(A) All employers treated as a single em-  
14 ployer under section (a) or (b) of section 52 shall  
15 be treated as a single employer for purposes of  
16 this section.

17           “(B) The credit (if any) determined under  
18 this section with respect to each such employer  
19 shall be its proportionate share of the wages and  
20 qualified employee health insurance costs giving  
21 rise to such credit.

22           “(3) CERTAIN OTHER RULES MADE APPLICA-  
23 BLE.—Rules similar to the rules of section 51(k) and  
24 subsections (c), (d), and (e) of section 52 shall apply.

1           “(4) *COORDINATION WITH NONREVENUE LAWS.*—  
2           Any reference in this section to a provision not con-  
3           tained in this title shall be treated for purposes of this  
4           section as a reference to such provision as in effect on  
5           the date of the enactment of this paragraph.”

6           (c) *DENIAL OF DEDUCTION FOR PORTION OF WAGES*  
7           *EQUAL TO INDIAN EMPLOYMENT CREDIT.*—

8           (1) Subsection (a) of section 280C (relating to  
9           rule for targeted jobs credit) is amended by striking  
10          “51(a)” and inserting “45(a), 51(a), and”.

11          (2) Subsection (c) of section 196 (relating to de-  
12          duction for certain unused business credits) is amend-  
13          ed by striking “and” at the end of paragraph (5), by  
14          striking the period at the end of paragraph (6) and  
15          inserting “, and”, and by adding at the end the fol-  
16          lowing new paragraph:

17          “(7) the Indian employment credit determined  
18          under section 45(a).”

19          (d) *DENIAL OF CARRYBACKS TO PREENACTMENT*  
20          *YEARS.*—Subsection (d) of section 39 is amended by adding  
21          at the end thereof the following new paragraph:

22          “(4) *NO CARRYBACK OF SECTION 45 CREDIT BE-*  
23          *FORE ENACTMENT.*—No portion of the unused busi-  
24          ness credit for any taxable year which is attributable  
25          to the Indian employment credit determined under

1        *section 45 may be carried to a taxable year ending*  
 2        *before the date of the enactment of section 45.”*

3        *(e) CLERICAL AMENDMENT.—The table of sections for*  
 4        *subpart D of part IV of subchapter A of chapter 1 is amend-*  
 5        *ed by adding at the end thereof the following:*

*“Sec. 45. Indian employment credit.”*

6        *(f) EFFECTIVE DATE.—The amendments made by this*  
 7        *section shall apply to wages paid or incurred after Decem-*  
 8        *ber 31, 1993.*

## ***Subtitle B—Revenue Increases***

### ***PART I—PROVISIONS AFFECTING INDIVIDUALS***

#### ***Subpart A—Rate Increases***

#### ***SEC. 8201. INCREASE IN TOP MARGINAL RATE UNDER SEC-*** ***TION 1.***

14        *(a) GENERAL RULE.—Section 1 (relating to tax im-*  
 15        *posed) is amended by striking subsections (a) through (e)*  
 16        *and inserting the following:*

17        *“(a) MARRIED INDIVIDUALS FILING JOINT RETURNS*  
 18        *AND SURVIVING SPOUSES.—There is hereby imposed on the*  
 19        *taxable income of—*

20                *“(1) every married individual (as defined in sec-*  
 21                *tion 7703) who makes a single return jointly with his*  
 22                *spouse under section 6013, and*

23                *“(2) every surviving spouse (as defined in section*  
 24                *2(a)),*

25        *a tax determined in accordance with the following table:*



***“If taxable income is:***

*Not over \$36,900 .....*  
*Over \$36,900 but not over \$89,150*  
  
*Over \$89,150 but not over \$140,000*  
  
*Over \$140,000 .....*

***The tax is:***

*15% of taxable income.*  
*\$5,535, plus 28% of the excess over*  
*\$36,900.*  
*\$20,165, plus 31% of the excess over*  
*\$89,150.*  
*\$35,928.50, plus 36% of the excess over*  
*\$140,000.*

1       “(b) *HEADS OF HOUSEHOLDS.*—*There is hereby im-*  
2 *posed on the taxable income of every head of a household*  
3 *(as defined in section 2(b)) a tax determined in accordance*  
4 *with the following table:*

***“If taxable income is:***

*Not over \$29,600 .....*  
*Over \$29,600 but not over \$76,400*  
  
*Over \$76,400 but not over \$127,500*  
  
*Over \$127,500 .....*

***The tax is:***

*15% of taxable income.*  
*\$4,440, plus 28% of the excess over*  
*\$29,600.*  
*\$17,544, plus 31% of the excess over*  
*\$76,400.*  
*\$33,385, plus 36% of the excess over*  
*\$127,500.*

5       “(c) *UNMARRIED INDIVIDUALS (OTHER THAN SURVIV-*  
6 *ING SPOUSES AND HEADS OF HOUSEHOLDS).*—*There is*  
7 *hereby imposed on the taxable income of every individual*  
8 *(other than a surviving spouse as defined in section 2(a)*  
9 *or the head of a household as defined in section 2(b)) who*  
10 *is not a married individual (as defined in section 7703)*  
11 *a tax determined in accordance with the following table:*

***“If taxable income is:***

*Not over \$22,100 .....*  
*Over \$22,100 but not over \$53,500*  
  
*Over \$53,500 but not over \$115,000*  
  
*Over \$115,000 .....*

***The tax is:***

*15% of taxable income.*  
*\$3,315, plus 28% of the excess over*  
*\$22,100.*  
*\$12,107, plus 31% of the excess over*  
*\$53,500.*  
*\$31,172, plus 36% of the excess over*  
*\$115,000.*

12       “(d) *MARRIED INDIVIDUALS FILING SEPARATE RE-*  
13 *TURNS.*—*There is hereby imposed on the taxable income of*

1 every married individual (as defined in section 7703) who  
 2 does not make a single return jointly with his spouse under  
 3 section 6013, a tax determined in accordance with the fol-  
 4 lowing table:

<b><i>If taxable income is:</i></b>	<b><i>The tax is:</i></b>
Not over \$18,450 .....	15% of taxable income.
Over \$18,450 but not over \$44,575	\$2,767.50, plus 28% of the excess over \$18,450.
Over \$44,575 but not over \$70,000	\$10,082.50, plus 31% of the excess over \$44,575.
Over \$70,000 .....	\$17,964.25, plus 36% of the excess over \$70,000.

5 “(e) *ESTATES AND TRUSTS.*—There is hereby imposed  
 6 on the taxable income of—  
 7 “(1) every estate, and  
 8 “(2) every trust,  
 9 taxable under this subsection a tax determined in accord-  
 10 ance with the following table:

<b><i>If taxable income is:</i></b>	<b><i>The tax is:</i></b>
Not over \$1,500 .....	15% of taxable income.
Over \$1,500 but not over \$3,500 .....	\$225, plus 28% of the excess over \$1,500.
Over \$3,500 but not over \$5,500 .....	\$785, plus 31% of the excess over \$3,500.
Over \$5,500 .....	\$1,405, plus 36% of the excess over \$5,500.”

11 (b) *CONFORMING AMENDMENTS.*—  
 12 (1) Section 531 is amended by striking “28 per-  
 13 cent” and inserting “36 percent”.  
 14 (2) Section 541 is amended by striking “28 per-  
 15 cent” and inserting “36 percent”.  
 16 (3)(A) Subsection (f) of section 1 is amended—

1           (i) by striking “1990” in paragraph (1)  
2           and inserting “1993”, and

3           (ii) by striking “1989” in paragraph (3)(B)  
4           and inserting “1992”.

5           (B) Subsection (f) of section 1 is amended by  
6           adding at the end thereof the following new para-  
7           graph:

8           “(7) SPECIAL RULE FOR CERTAIN BRACKETS.—

9           “(A) CALENDAR YEAR 1994.—In prescribing  
10           the tables under paragraph (1) which apply with  
11           respect to taxable years beginning in calendar  
12           year 1994, the Secretary shall make no adjust-  
13           ment to the dollar amounts at which the 36 per-  
14           cent rate bracket begins or at which the 39.6 per-  
15           cent rate begins under any table contained in  
16           subsection (a), (b), (c), (d), or (e).

17           “(B) LATER CALENDAR YEARS.—In pre-  
18           scribing tables under paragraph (1) which apply  
19           with respect to taxable years beginning in a cal-  
20           endar year after 1994, the cost-of-living adjust-  
21           ment used in making adjustments to the dollar  
22           amounts referred to in subparagraph (A) shall be  
23           determined under paragraph (3) by substituting  
24           ‘1993’ for ‘1992.’”

1           (C) Subparagraph (C) of section 41(e)(5) is  
2 amended by striking “1989” each place it appears  
3 and inserting “1992”.

4           (D) Subparagraph (B) of section 63(c)(4) is  
5 amended by striking “1989” and inserting “1992”.

6           (E) Subparagraph (B) of section 68(b)(2) is  
7 amended by striking “1989” and inserting “1992”.

8           (F) Subparagraph (B) of section 132(f)(6) is  
9 amended by striking “, determined by substituting”  
10 and all that follows down through the period at the  
11 end thereof and inserting a period.

12           (G) Subparagraphs (A)(ii) and (B)(ii) of section  
13 151(d)(4) are each amended by striking “1989” and  
14 inserting “1992”.

15           (H) Clause (ii) of section 513(h)(2)(C) is amend-  
16 ed by striking “1989” and inserting “1992”.

17           (c) *EFFECTIVE DATE.*—The amendments made by this  
18 section shall apply to taxable years beginning after Decem-  
19 ber 31, 1992.

20 **SEC. 8202. SURTAX ON HIGH-INCOME TAXPAYERS.**

21           (a) *GENERAL RULE.*—

22           (1) Subsection (a) of section 1 (as amended by  
23 section 8201) is amended by striking the last item in  
24 the table contained therein and inserting the follow-  
25 ing:

“Over \$140,000 but not over \$250,000.	\$35,928.50, plus 36% of the excess over \$140,000.
Over \$250,000 .....	\$75,528.50, plus 39.6% of the excess over \$250,000.”

1           (2) Subsection (b) of section 1 (as so amended)  
2           is amended by striking the last item in the table con-  
3           tained therein and inserting the following:

“Over \$127,500 but not over \$250,000.	\$33,385, plus 36% of the excess over \$127,500.
Over \$250,000 .....	\$77,485, plus 39.6% of the excess over \$250,000.”

4           (3) Subsection (c) of section 1 (as so amended)  
5           is amended by striking the last item in the table con-  
6           tained therein and inserting the following:

“Over \$115,000 but not over \$250,000.	\$31,172, plus 36% of the excess over \$115,000.
Over \$250,000 .....	\$79,772, plus 39.6% of the excess over \$250,000.”

7           (4) Subsection (d) of section 1 (as so amended)  
8           is amended by striking the last item in the table con-  
9           tained therein and inserting the following:

“Over \$70,000 but not over \$125,000.	\$17,964.25, plus 36% of the excess over \$70,000.
Over \$125,000 .....	\$37,764.25, plus 39.6% of the excess over \$125,000.”

10           (5) Subsection (e) of section 1 (as so amended)  
11           is amended by striking the last item in the table con-  
12           tained therein and inserting the following:

“Over \$5,500 but not over \$7,500 ...	\$1,405, plus 36% of the excess over \$5,500.
Over \$7,500 .....	\$2,125, plus 39.6% of the excess over \$7,500.”

13           (b) SURTAX ON NET CAPITAL GAINS.—Section 1(h)  
14 (relating to maximum capital gains rate) is amended by

1 *striking the period at the end of paragraph (2) and insert-*  
2 *ing “, plus”, and by adding at the end the following new*  
3 *paragraph:*

4 “(3) a tax of 2.8 percent of the lesser of—

5 “(A) the net capital gain, or

6 “(B) the amount of taxable income in excess  
7 of the dollar amount at which the last rate  
8 bracket begins for such taxable year in the table  
9 contained in subsection (a), (b), (c), (d), or (e),  
10 whichever is applicable.”

11 (c) *TECHNICAL AMENDMENT.*—Sections 531 and 541  
12 (as amended by section 8201) are each amended by striking  
13 “36 percent” and inserting “39.6 percent”.

14 (d) *EFFECTIVE DATE.*—The amendments made by this  
15 section shall apply to taxable years beginning after Decem-  
16 ber 31, 1992.

17 **SEC. 8203. MODIFICATIONS TO ALTERNATIVE MINIMUM TAX**  
18 **RATES AND EXEMPTION AMOUNTS.**

19 (a) *INCREASE IN RATE.*—Paragraph (1) of section  
20 55(b) (defining tentative minimum tax) is amended to read  
21 as follows:

22 “(1) *AMOUNT OF TENTATIVE TAX.*—

23 “(A) *NONCORPORATE TAXPAYERS.*—

24 “(i) *IN GENERAL.*—In the case of a  
25 taxpayer other than a corporation, the ten-

1            *tative minimum tax for the taxable year is*  
2            *the sum of—*

3                    *“(I) 26 percent of so much of the*  
4                    *taxable excess as does not exceed*  
5                    *\$175,000, plus*

6                    *“(II) 28 percent of so much of the*  
7                    *taxable excess as exceeds \$175,000.*

8            *The amount determined under the preceding*  
9            *sentence shall be reduced by the alternative*  
10           *minimum tax foreign tax credit for the tax-*  
11           *able year.*

12                    *“(ii) TAXABLE EXCESS.—For purposes*  
13                    *of clause (i), the term ‘taxable excess’ means*  
14                    *so much of the alternative minimum taxable*  
15                    *income for the taxable year as exceeds the*  
16                    *exemption amount.*

17                    *“(iii) MARRIED INDIVIDUAL FILING*  
18                    *SEPARATE RETURN.—In the case of a mar-*  
19                    *ried individual filing a separate return,*  
20                    *clause (i) shall be applied by substituting*  
21                    *‘\$87,500’ for ‘\$175,000’ each place it ap-*  
22                    *pears. For purposes of the preceding sen-*  
23                    *tence, marital status shall be determined*  
24                    *under section 7703.*

1           “(B) *CORPORATIONS.*—*In the case of a cor-*  
2           *poration, the tentative minimum tax for the tax-*  
3           *able year is—*

4                   “(i) *20 percent of so much of the alter-*  
5                   *native minimum taxable income for the tax-*  
6                   *able year as exceeds the exemption amount,*  
7                   *reduced by*

8                           “(ii) *the alternative minimum tax for-*  
9                           *foreign tax credit for the taxable year.*”

10       (b) *INCREASE IN EXEMPTION AMOUNTS.*—*Paragraph*  
11       *(1) of section 55(d) (defining exemption amount) is amend-*  
12       *ed—*

13                   (1) *by striking “\$40,000” in subparagraph (A)*  
14                   *and inserting “\$45,000”,*

15                   (2) *by striking “\$30,000” in subparagraph (B)*  
16                   *and inserting “\$33,750”, and*

17                   (3) *by striking “\$20,000” in subparagraph (C)*  
18                   *and inserting “\$22,500”.*

19       (c) *CONFORMING AMENDMENTS.*—

20                   (1) *The last sentence of section 55(d)(3) is*  
21                   *amended by striking “\$155,000 or (ii) \$20,000” and*  
22                   *inserting “\$165,000 or (ii) \$22,500”.*

23                   (2)(A) *Subparagraph (A) of section 897(a)(2) is*  
24                   *amended by striking “the amount determined under*  
25                   *section 55(b)(1)(A) shall not be less than 21 percent*



1       *of” and inserting “the taxable excess for purposes of*  
2       *section 55(b)(1)(A) shall not be less than”.*

3               *(B) The heading for paragraph (2) of section*  
4       *897(a) is amended by striking “21-PERCENT”.*

5       *(d) EFFECTIVE DATE.—The amendments made by this*  
6       *section shall apply to taxable years beginning after Decem-*  
7       *ber 31, 1992.*

8       ***SEC. 8203A. RATE INCREASES NOT TO TAKE EFFECT UNTIL***  
9               ***JULY 1, 1993.***

10       *(a) IN GENERAL.—Section 1 (relating to tax imposed)*  
11       *is amended by adding at the end the following new sub-*  
12       *section:*

13               *“(i) SPECIAL RULES FOR TAXABLE YEARS BEGINNING*  
14       *IN 1993.—*

15               *“(1) IN GENERAL.—In the case of taxable years*  
16       *beginning in calendar year 1993, each of the tables*  
17       *contained in subsections (a), (b), (c), (d), and (e)*  
18       *shall be applied—*

19                       *“(A) by substituting ‘33.5 percent’ for ‘36*  
20                       *percent’,*

21                       *“(B) by substituting ‘35.3 percent’ for ‘39.6*  
22                       *percent’, and*

23                       *“(C) by substituting for the dollar amount*  
24                       *of tax in the last rate bracket the dollar amount*

1           determined under the table contained in para-  
2           graph (2).

3           “(2) DOLLAR AMOUNT OF TAX.—The dollar  
4           amount substituted under paragraph (1) shall be de-  
5           termined as follows:

<b>“In the case of:</b>	<b>The dollar amount is:</b>
Subsection (a) .....	\$72,778.50 for \$75,528.50.
Subsection (b) .....	\$74,422.50 for \$77,485.00.
Subsection (c) .....	\$76,397.00 for \$79,772.00.
Subsection (d) .....	\$36,389.25 for \$37,764.25.
Subsection (e) .....	\$2,075.00 for \$2,125.00.”

6           (b) CONFORMING AMENDMENTS.—

7           (1) Sections 531 and 541 (as amended by section  
8           8202) are each amended by inserting “(35.3 percent  
9           in the case of taxable years beginning in calendar  
10          year 1993)” after “39.6 percent”.

11          (2) Section 1(h)(3), as added by section 8202(b),  
12          is amended by inserting “(1.4 percent in the case of  
13          taxable years beginning in calendar year 1993)” after  
14          “2.8 percent”.

15          (3) Paragraph (1) of section 55(b), as amended  
16          by section 8203, is amended by adding at the end the  
17          following new subparagraph:

18                 “(C) SPECIAL RULES FOR 1993.—In the case  
19                 of any taxable year beginning in the calendar  
20                 year 1993, subparagraph (A)(i) shall be applied  
21                 by substituting—

1                   “(i) ‘25 percent’ for ‘26 percent’ in  
2                   subclause (I), and

3                   “(ii) ‘26 percent’ for ‘28 percent’ in  
4                   subclause (II).”

5           (c) *EFFECTIVE DATE.*—The amendments made by this  
6 section shall apply to taxable years beginning after Decem-  
7 ber 31, 1992.

8   **SEC. 8204. OVERALL LIMITATION ON ITEMIZED DEDUC-**  
9                   **TIONS FOR HIGH-INCOME TAXPAYERS MADE**  
10                  **PERMANENT.**

11           Subsection (f) of section 68 (relating to overall limita-  
12 tion on itemized deductions) is hereby repealed.

13   **SEC. 8205. PHASEOUT OF PERSONAL EXEMPTION OF HIGH-**  
14                  **INCOME TAXPAYERS MADE PERMANENT.**

15           Section 151(d)(3) (relating to phaseout of personal ex-  
16 emption) is amended by striking subparagraph (E).

17   **SEC. 8206. PROVISIONS TO PREVENT CONVERSION OF OR-**  
18                  **DINARY INCOME TO CAPITAL GAIN.**

19           (a) *INTEREST EMBEDDED IN FINANCIAL TRANS-*  
20 *ACTIONS.*—

21           (1) *IN GENERAL.*—Part IV of subchapter P of  
22 chapter 1 (relating to special rules for determining  
23 capital gains and losses) is amended by adding at the  
24 end the following new section:

1 **“SEC. 1258. RECHARACTERIZATION OF GAIN FROM CERTAIN**  
2 **FINANCIAL TRANSACTIONS.**

3 “(a) *GENERAL RULE.*—In the case of any gain—

4 “(1) which (but for this section) would be treated  
5 as gain from the sale or exchange of a capital asset,  
6 and

7 “(2) which is recognized on the disposition or  
8 other termination of any position which was held as  
9 part of a conversion transaction,

10 such gain (to the extent such gain does not exceed the appli-  
11 cable imputed income amount) shall be treated as ordinary  
12 income.

13 “(b) *APPLICABLE IMPUTED INCOME AMOUNT.*—For  
14 purposes of subsection (a), the term ‘applicable imputed in-  
15 come amount’ means, with respect to any disposition or  
16 other termination referred to in subsection (a), an amount  
17 equal to—

18 “(1) the amount of interest which would have ac-  
19 crued on the taxpayer’s net investment in the conver-  
20 sion transaction for the period ending on the date of  
21 such disposition or other termination (or, if earlier,  
22 the date on which the requirements of subsection (c)  
23 ceased to be satisfied) at a rate equal to 120 percent  
24 of the applicable rate, reduced by

25 “(2) the amount treated as ordinary income  
26 under subsection (a) with respect to any prior dis-

1        *position or other termination of a position which was*  
2        *held as a part of such transaction.*

3        *The Secretary shall by regulations provide for such reduc-*  
4        *tions in the applicable imputed income amount as may be*  
5        *appropriate by reason of amounts capitalized under section*  
6        *263(g), ordinary income received, or otherwise.*

7        *“(c) CONVERSION TRANSACTION.—For purposes of this*  
8        *section, the term ‘conversion transaction’ means any trans-*  
9        *action—*

10            *“(1) substantially all of the taxpayer’s expected*  
11            *return from which is attributable to the time value of*  
12            *the taxpayer’s net investment in such transaction,*  
13            *and*

14            *“(2) which is—*

15                    *“(A) the holding of any property (whether*  
16                    *or not actively traded), and the entering into a*  
17                    *contract to sell such property (or substantially*  
18                    *identical property) at a price determined in ac-*  
19                    *cordance with such contract, but only if such*  
20                    *property was acquired and such contract was en-*  
21                    *tered into on a substantially contemporaneous*  
22                    *basis,*

23                    *“(B) an applicable straddle,*

1           “(C) any other transaction which is mar-  
2           keted or sold as producing capital gains and as  
3           a transaction described in paragraph (1), or

4           “(D) any other transaction specified in reg-  
5           ulations prescribed by the Secretary.

6           “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
7           poses of this section—

8           “(1) APPLICABLE STRADDLE.—The term ‘appli-  
9           cable straddle’ means any straddle (within the mean-  
10          ing of section 1092(c)); except that the term ‘personal  
11          property’ shall include stock.

12          “(2) APPLICABLE RATE.—The term ‘applicable  
13          rate’ means—

14                 “(A) the applicable Federal rate determined  
15                 under section 1274(d) (compounded semiannu-  
16                 ally) as if the conversion transaction were a debt  
17                 instrument, or

18                 “(B) if the term of the conversion trans-  
19                 action is indefinite, the Federal short-term rates  
20                 in effect under section 6621(b) during the period  
21                 of the conversion transaction (compounded  
22                 daily).

23          “(3) TREATMENT OF BUILT-IN LOSSES.—

1           “(A) *IN GENERAL.*—If any position with a  
2           *built-in loss becomes part of a conversion trans-*  
3           *action—*

4                   “(i) *for purposes of applying this sub-*  
5                   *title to such position for periods after such*  
6                   *position becomes part of such transaction,*  
7                   *such position shall be taken into account at*  
8                   *its fair market value as of the time it be-*  
9                   *came part of such transaction, except that*

10                   “(ii) *upon the disposition or other ter-*  
11                   *mination of such position in a transaction*  
12                   *in which gain or loss is recognized, such*  
13                   *built-in loss shall be recognized and shall*  
14                   *have a character determined without regard*  
15                   *to this section.*

16           “(B) *BUILT-IN LOSS.*—For purposes of sub-  
17           *paragraph (A), the term ‘built-in loss’ means the*  
18           *loss (if any) which would have been realized if*  
19           *the position had been disposed of or otherwise*  
20           *terminated at its fair market value as of the*  
21           *time such position became part of such trans-*  
22           *action.*

23           “(4) *POSITION TAKEN INTO ACCOUNT AT FAIR*  
24           *MARKET VALUE.*—In determining the taxpayer’s net  
25           *investment in any conversion transaction, there shall*

1 *be included the fair market value of any position*  
2 *which becomes part of such transaction (determined*  
3 *as of the time such position became part of such*  
4 *transaction).*

5 *“(5) SPECIAL RULE FOR OPTIONS DEALERS AND*  
6 *COMMODITIES TRADERS.—*

7 *“(A) IN GENERAL.—Subsection (a) shall not*  
8 *apply to transactions —*

9 *“(i) of an options dealer in the normal*  
10 *course of the dealer’s trade or business of*  
11 *dealing with options, or*

12 *“(ii) of a commodities trader in the*  
13 *normal course of the trader’s trade or busi-*  
14 *ness of trading section 1256 contracts.*

15 *“(B) DEFINITIONS.—For purposes of this*  
16 *paragraph—*

17 *“(i) OPTIONS DEALER.—The term ‘op-*  
18 *tions dealer’ has the meaning given such*  
19 *term by section 1256(g)(8).*

20 *“(ii) COMMODITIES TRADER.— The*  
21 *term ‘commodities trader’ means any per-*  
22 *son who is a member (or, to the extent pro-*  
23 *vided in regulations, is entitled to trade as*  
24 *a member) of a domestic board of trade*  
25 *which is designated as a contract market by*



1           *the Commodity Futures Trading Commis-*  
2           *sion.*

3           “(C) *LIMITED PARTNERS AND LIMITED EN-*  
4           *TREPRENEURS.—In the case of any gain from a*  
5           *transaction recognized by an entity which is al-*  
6           *locable to a limited partner or limited entre-*  
7           *preneur (within the meaning of section*  
8           *464(e)(2)), subparagraph (A) shall not apply*  
9           *if—*

10                   “(i) *substantially all of the limited*  
11                   *partner’s (or limited entrepreneur’s) ex-*  
12                   *pected return from the entity is attributable*  
13                   *to the time value of the partner’s (or entre-*  
14                   *preneur’s) net investment in such entity,*

15                   “(ii) *the transaction (or the interest in*  
16                   *the entity) was marketed or sold as produc-*  
17                   *ing capital gains treatment and as a trans-*  
18                   *action described in subsection (c)(1), or*

19                   “(iii) *the transaction (or the interest*  
20                   *in the entity) is a transaction (or interest)*  
21                   *specified in regulations prescribed by the*  
22                   *Secretary.”*

23           (2) *CLERICAL AMENDMENT.—The table of sec-*  
24           *tions for part IV of subchapter P of chapter 1 is*

1       *amended by adding at the end thereof the following*  
2       *new item:*

*“Sec. 1258. Recharacterization of gain from certain financial transactions.”*

3           (3) *EFFECTIVE DATE.*—*The amendments made*  
4       *by this section shall apply to conversion transactions*  
5       *entered into after April 30, 1993.*

6           (b) *REPEAL OF CERTAIN EXCEPTIONS TO MARKET*  
7       *DISCOUNT RULES.*—

8           (1) *MARKET DISCOUNT BONDS ISSUED ON OR*  
9       *BEFORE JULY 18, 1984.*—*The following provisions are*  
10       *hereby repealed:*

11           (A) *Section 1276(e).*

12           (B) *Section 1277(d).*

13           (2) *TAX-EXEMPT OBLIGATIONS.*—

14           (A) *IN GENERAL.*—*Paragraph (1) of section*  
15       *1278(a) (defining market discount bond) is*  
16       *amended—*

17           (i) *by striking clause (ii) of subpara-*  
18       *graph (B) and redesignating subclauses (iii)*  
19       *and (iv) of such subparagraph as clauses*  
20       *(ii) and (iii), respectively,*

21           (ii) *by redesignating subparagraph (C)*  
22       *as subparagraph (D), and*

23           (iii) *by inserting after subparagraph*  
24       *(B) the following new subparagraph:*

1           “(C) *SECTION 1277 NOT APPLICABLE TO*  
2           *TAX-EXEMPT OBLIGATIONS.*—For purposes of sec-  
3           *tion 1277, the term ‘market discount bond’ shall*  
4           *not include any tax-exempt obligation (as de-*  
5           *fin ed in section 1275(a)(3)).”*

6           (B) *CONFORMING AMENDMENT.*—Sections  
7           1276(a)(4) and 1278(b)(1) are each amended by  
8           striking “sections 871(a)” and inserting “sec-  
9           tions 103, 871(a),”.

10          (3) *EFFECTIVE DATE.*—The amendments made  
11          by this section shall apply to obligations purchased  
12          (within the meaning of section 1272(d)(1) of the In-  
13          ternal Revenue Code of 1986) after April 30, 1993.

14          (c) *TREATMENT OF STRIPPED PREFERRED STOCK.*—

15          (1) *IN GENERAL.*—Section 305 is amended by re-  
16          designating subsection (e) as subsection (f) and by in-  
17          serting after subsection (d) the following new sub-  
18          section:

19          “(e) *TREATMENT OF PURCHASER OF STRIPPED PRE-*  
20          *ferred Stock.*—

21          “(1) *IN GENERAL.*—If any person purchases  
22          after April 30, 1993, any stripped preferred stock,  
23          then such person, while holding such stock, shall in-  
24          clude in gross income amounts equal to the amounts  
25          which would have been so includible if such stripped

1 *preferred stock were a bond issued on the purchase*  
2 *date and having original issue discount equal to the*  
3 *excess, if any, of—*

4 *“(A) the redemption price for such stock,*  
5 *over*

6 *“(B) the price at which such person pur-*  
7 *chased such stock.*

8 *The preceding sentence shall also apply in the case of*  
9 *any person whose basis in such stock is determined by*  
10 *reference to the basis in the hands of such purchaser.*

11 *“(2) BASIS ADJUSTMENTS.—Appropriate adjust-*  
12 *ments to basis shall be made for amounts includible*  
13 *in gross income under paragraph (1).*

14 *“(3) TAX TREATMENT OF PERSON STRIPPING*  
15 *STOCK.—If any person strips the rights to 1 or more*  
16 *dividends from any stock described in paragraph*  
17 *(5)(B) and after April 30, 1993, disposes of such divi-*  
18 *dend rights, for purposes of paragraph (1), such per-*  
19 *son shall be treated as having purchased the stripped*  
20 *preferred stock on the date of such disposition for a*  
21 *purchase price equal to such person’s adjusted basis*  
22 *in such stripped preferred stock.*

23 *“(4) AMOUNTS TREATED AS ORDINARY IN-*  
24 *COME.—Any amount included in gross income under*  
25 *paragraph (1) shall be treated as ordinary income.*

1           “(5) *STRIPPED PREFERRED STOCK*.—For pur-  
2           poses of this subsection—

3                   “(A) *IN GENERAL*.—The term ‘stripped pre-  
4                   ferred stock’ means any stock described in sub-  
5                   paragraph (B) if there has been a separation in  
6                   ownership between such stock and any dividend  
7                   on such stock which has not become payable.

8                   “(B) *DESCRIPTION OF STOCK*.—Stock is de-  
9                   scribed in this subsection if such stock—

10                           “(i) is limited and preferred as to divi-  
11                           dends and does not participate in corporate  
12                           growth to any significant extent, and

13                                   “(ii) has a fixed redemption price.

14           “(6) *PURCHASE*.—For purposes of this sub-  
15           section, the term ‘purchase’ means—

16                   “(A) any acquisition of stock, where

17                   “(B) the basis of such stock is not deter-  
18                   mined in whole or in part by the reference to the  
19                   adjusted basis of such stock in the hands of the  
20                   person from whom acquired.”

21           (2) *COORDINATION WITH SECTION 167(e)*.—Para-  
22           graph (2) of section 167(e) is amended to read as fol-  
23           lows:

24                   “(2) *COORDINATION WITH OTHER PROVISIONS*.—

1           “(A) *SECTION 273.*—*This subsection shall*  
2           *not apply to any term interest to which section*  
3           *273 applies.*”

4           “(B) *SECTION 305(e).*—*This subsection shall*  
5           *not apply to the holder of the dividend rights*  
6           *which were separated from any stripped pre-*  
7           *ferred stock to which section 305(e)(1) applies.”*

8           (3) *EFFECTIVE DATE.*—*The amendments made*  
9           *by this subsection shall take effect on April 30, 1993.*

10          (d) *TREATMENT OF CAPITAL GAIN UNDER LIMITATION*  
11 *ON INVESTMENT INTEREST.*—

12           (1) *IN GENERAL.*—*Subparagraph (B) of section*  
13           *163(d)(4) (defining investment income) is amended to*  
14           *read as follows:*

15                   “(B) *INVESTMENT INCOME.*—*The term ‘in-*  
16                   *vestment income’ means the sum of—*

17                           “(i) *gross income from property held*  
18                           *for investment (other than any gain taken*  
19                           *into account under clause (ii)(I)),*

20                           “(ii) *the excess (if any) of—*

21                                   “(I) *the net gain attributable to*  
22                                   *the disposition of property held for in-*  
23                                   *vestment, over*

24   “(II) *the net capital gain deter-*  
25   *mined by only taking into account*

1                    *gains and losses from dispositions of*  
2                    *property held for investment, plus*  
3                    *“(iii) so much of the net capital gain*  
4                    *referred to in clause (ii)(II) (or, if lesser,*  
5                    *the net gain referred to in clause (ii)(I)) as*  
6                    *the taxpayer elects to take into account*  
7                    *under this clause.”*

8                    (2) *COORDINATION WITH SPECIAL CAPITAL GAINS*  
9                    *RATE.—Subsection (h) of section 1, as amended by*  
10                    *section 8202(b), is amended by adding at the end the*  
11                    *following new sentence:*

12                    *“For purposes of the preceding sentence, the net capital*  
13                    *gain for any taxable year shall be reduced (but not below*  
14                    *zero) by the amount which the taxpayer elects to take into*  
15                    *account as investment income for the taxable year under*  
16                    *section 163(d)(4)(B)(iii).”*

17                    (3) *EFFECTIVE DATE.—The amendments made*  
18                    *by this subsection shall apply to taxable years begin-*  
19                    *ning after December 31, 1992.*

20                    (e) *TREATMENT OF CERTAIN APPRECIATED INVEN-*  
21                    *TORY.—*

22                    (1) *IN GENERAL.—Paragraph (1) of section*  
23                    *751(d) is amended to read as follows:*

24                    *“(1) SUBSTANTIAL APPRECIATION.—*

1           “(A) *IN GENERAL.*—Inventory items of the  
2           partnership shall be considered to have appre-  
3           ciated substantially in value if their fair market  
4           value exceeds 120 percent of the adjusted basis to  
5           the partnership of such property.

6           “(B) *CERTAIN PROPERTY EXCLUDED.*—For  
7           purposes of subparagraph (A), there shall be ex-  
8           cluded any inventory property if a principal  
9           purpose for acquiring such property was to  
10          avoid the provisions of this section relating to  
11          inventory items.”

12          (2) *EFFECTIVE DATE.*—The amendment made by  
13          paragraph (1) shall apply to sales, exchanges, and  
14          distributions after April 30, 1993.

15                   **Subpart B—Other Provisions**

16   **SEC. 8207. REPEAL OF LIMITATION ON AMOUNT OF WAGES**

17                   **SUBJECT TO HEALTH INSURANCE EMPLOY-**  
18                   **MENT TAX.**

19          (a) *HOSPITAL INSURANCE TAX.*—

20                  (1) Paragraph (1) of section 3121(a) (defining  
21          wages) is amended—

22                          (A) by inserting “in the case of the taxes  
23                          imposed by sections 3101(a) and 3111(a)” after  
24                          “(1)”,



1           (B) by striking “applicable contribution  
2           base (as determined under subsection (x))” each  
3           place it appears and inserting “contribution and  
4           benefit base (as determined under section 230 of  
5           the Social Security Act)”, and

6           (C) by striking “such applicable contribu-  
7           tion base” and inserting “such contribution and  
8           benefit base”.

9           (2) Section 3121 is amended by striking sub-  
10          section (x).

11         (b) *SELF-EMPLOYMENT TAX.*—

12           (1) Subsection (b) of section 1402 is amended—

13           (A) by striking “that part of the net” in  
14           paragraph (1) and inserting “in the case of the  
15           tax imposed by section 1401(a), that part of the  
16           net”,

17           (B) by striking “applicable contribution  
18           base (as determined under subsection (k))” in  
19           paragraph (1) and inserting “contribution and  
20           benefit base (as determined under section 230 of  
21           the Social Security Act)”,

22           (C) by inserting “and” after “section  
23           3121(b),”, and

24           (D) by striking “and (C) includes” and all  
25           that follows through “3111(b)”.

1           (2) *Section 1402 is amended by striking sub-*  
2 *section (k).*

3           (c) *RAILROAD RETIREMENT TAX.—*

4           (1) *Subparagraph (A) of section 3231(e)(2) is*  
5 *amended by adding at the end thereof the following*  
6 *new clause:*

7                           *“(iii) HOSPITAL INSURANCE TAXES.—*

8                           *Clause (i) shall not apply to—*

9                                   *“(I) so much of the rate applica-*  
10                                   *ble under section 3201(a) or 3221(a) as*  
11                                   *does not exceed the rate of tax in effect*  
12                                   *under section 3101(b), and*

13                                   *“(II) so much of the rate applica-*  
14                                   *ble under section 3211(a)(1) as does*  
15                                   *not exceed the rate of tax in effect*  
16                                   *under section 1401(b).”*

17           (2) *Clause (i) of section 3231(e)(2)(B) is amend-*  
18 *ed to read as follows:*

19                           *“(i) TIER 1 TAXES.—Except as pro-*  
20                           *vided in clause (ii), the term ‘applicable*  
21                           *base’ means for any calendar year the con-*  
22                           *tribution and benefit base determined under*  
23                           *section 230 of the Social Security Act for*  
24                           *such calendar year.”*

25           (d) *TECHNICAL AMENDMENTS.—*

1           (1) Paragraph (1) of section 6413(c) is amended  
 2 by striking “section 3101 or section 3201” and insert-  
 3 ing “section 3101(a) or section 3201(a) (to the extent  
 4 of so much of the rate applicable under section  
 5 3201(a) as does not exceed the rate of tax in effect  
 6 under section 3101(a))”.

7           (2) Subparagraphs (B) and (C) of section  
 8 6413(c)(2) are each amended by striking “section  
 9 3101” each place it appears and inserting “section  
 10 3101(a)”.

11           (3) Subsection (c) of section 6413 is amended by  
 12 striking paragraph (3).

13           (4) Sections 3122 and 3125 are each amended by  
 14 striking “applicable contribution base limitation”  
 15 and inserting “contribution and benefit base limita-  
 16 tion”.

17           (e) *EFFECTIVE DATE.*—The amendments made by this  
 18 section shall apply to 1994 and later calendar years.

19 **SEC. 8208. TOP ESTATE AND GIFT TAX RATES MADE PERMA-**  
 20 **NENT.**

21           (a) *GENERAL RULE.*—The table contained in para-  
 22 graph (1) of section 2001(c) is amended by striking the last  
 23 item and inserting the following new items:

“Over \$2,500,000 but not over \$3,000,000.	\$1,025,800, plus 53% of the excess over \$2,500,000.
Over \$3,000,000 .....	\$1,290,800, plus 55% of the excess over \$3,000,000.”

1 (b) *CONFORMING AMENDMENTS.*—

2 (1) *Subsection (c) of section 2001 is amended by*  
3 *striking paragraph (2) and by redesignating para-*  
4 *graph (3) as paragraph (2).*

5 (2) *Paragraph (2) of section 2001(c), as redesi-*  
6 *gnated by paragraph (1), is amended by striking*  
7 *“(\$18,340,000 in the case of decedents dying, and*  
8 *gifts made, after 1992)”.*

9 (3) *The last sentence of section 2101(b) is*  
10 *amended by striking “section 2001(c)(3)” and insert-*  
11 *ing “section 2001(c)(2)”.*

12 (c) *EFFECTIVE DATE.*—*The amendments made by this*  
13 *section shall apply in the case of decedents dying, and gifts*  
14 *made, after December 31, 1992.*

15 **SEC. 8209. REDUCTION IN DEDUCTIBLE PORTION OF BUSI-**  
16 **NESS MEALS AND ENTERTAINMENT.**

17 (a) *GENERAL RULE.*—*Paragraph (1) of section 274(n)*  
18 *(relating to only 80 percent of meal and entertainment ex-*  
19 *penses allowed as deduction) is amended by striking “80*  
20 *percent” and inserting “50 percent”.*

21 (b) *SUBSTANTIATION REQUIREMENT.*—*In the case of*  
22 *taxable years beginning after December 31, 1993, Treasury*  
23 *Regulation § 1.274–5T(c)(2)(iii)(B) shall be applied by sub-*  
24 *stituting “\$20” for “\$25”.*

1           (c) *CONFORMING AMENDMENT.*—*The subsection head-*  
2 *ing for section 274(n) is amended by striking “80” and in-*  
3 *serting “50”.*

4           (d) *EFFECTIVE DATE.*—*The amendments made by this*  
5 *section shall apply to taxable years beginning after Decem-*  
6 *ber 31, 1993.*

7   ***SEC. 8209A. SENSE OF THE SENATE RELATING TO THE DE-***  
8                           ***DUCTIBILITY OF BUSINESS MEALS AND EN-***  
9                           ***TERTAINMENT EXPENSES.***

10           (a) *FINDINGS.*—*The Congress finds the following:*

11                   (1) *That—*

12                           (A) *travel and tourism is the third largest*  
13 *retail industry in the United States and ac-*  
14 *counts for 11 percent of the total value of goods*  
15 *and services exported by the United States;*

16                           (B) *in 1992, the tourism industry produced*  
17 *revenues in the amount of \$369,000,000,000*  
18 *which produced \$44,000,000,000 in tax revenues;*  
19 *and*

20                           (C) *of such tax revenues, the Federal Gov-*  
21 *ernment received \$24,000,000,000.*

22                   (2) *The restaurant industry provides thousands*  
23 *of jobs in the United States.*

1           (3) *The American performing arts community*  
2           *supports, develops, and exports world-class perform-*  
3           *ing arts.*

4           (4) *The reduction in the rate of the tax deduct-*  
5           *ibility of business meals and entertainment expenses*  
6           *from 80 percent to 50 percent may have a negative*  
7           *impact on the United States restaurant, entertain-*  
8           *ment, and tourism industries.*

9           (5) *Any loss of revenues due to the reduction de-*  
10          *scribed in paragraph (4) may result in the loss of jobs*  
11          *in the restaurant, entertainment, and tourism indus-*  
12          *tries, many of which are filled by young individuals*  
13          *in their first jobs and by members of minority groups.*

14          (6) *The unemployment rate among individuals*  
15          *and members described in paragraph (5) greatly ex-*  
16          *ceeds the national unemployment rate of 6.9 percent.*

17          (b) *SENSE OF THE SENATE.*—*It is the sense of the Sen-*  
18          *ate that the conferees with respect to this title will make*  
19          *every effort to reduce or eliminate the proposed reduction*  
20          *in the deductibility of business meals and entertainment ex-*  
21          *penses.*

22          **SEC. 8210. ELIMINATION OF DEDUCTION FOR CLUB MEM-**  
23          **BERSHIP FEES.**

24          (a) *IN GENERAL.*—*Subsection (a) of section 274 (relat-*  
25          *ing to disallowance of certain entertainment, etc., expenses)*

1 *is amended by adding at the end thereof the following new*  
2 *paragraph:*

3           “(3) *DENIAL OF DEDUCTION FOR CLUB DUES.—*  
4           *Notwithstanding the preceding provisions of this sub-*  
5           *section, no deduction shall be allowed under this*  
6           *chapter for amounts paid or incurred for membership*  
7           *in any club organized for business, pleasure, recre-*  
8           *ation, or other social purpose.”*

9           (b) *EXCEPTION FOR EMPLOYEE RECREATIONAL EX-*  
10 *PENSES NOT TO APPLY.—Paragraph (4) of section 274(e)*  
11 *is amended by adding at the end thereof the following: “This*  
12 *paragraph shall not apply for purposes of subsection*  
13 *(a)(3).”*

14           (c) *EFFECTIVE DATE.—The amendments made by this*  
15 *section shall apply to amounts paid or incurred after De-*  
16 *cember 31, 1993.*

17 **SEC. 8211. DISALLOWANCE OF DEDUCTION FOR CERTAIN**  
18                           **EMPLOYEE REMUNERATION IN EXCESS OF**  
19                           **\$1,000,000.**

20           (a) *GENERAL RULE.—Section 162 (relating to trade*  
21 *or business expenses) is amended by redesignating sub-*  
22 *section (m) as subsection (n) and by inserting after sub-*  
23 *section (l) the following new subsection:*

24           “(m) *CERTAIN EXCESSIVE EMPLOYEE REMUNERA-*  
25 *TION.—*

1           “(1) *IN GENERAL.*—*In the case of any publicly*  
2 *held corporation, no deduction shall be allowed under*  
3 *this chapter for applicable employee remuneration*  
4 *with respect to any covered employee to the extent*  
5 *that the amount of such remuneration for the taxable*  
6 *year with respect to such employee exceeds \$1,000,000.*

7           “(2) *PUBLICLY HELD CORPORATION.*—*For pur-*  
8 *poses of this subsection, the term ‘publicly held cor-*  
9 *poration’ means any corporation issuing any class of*  
10 *common equity securities required to be registered*  
11 *under section 12 of the Securities Exchange Act of*  
12 *1934.*

13           “(3) *COVERED EMPLOYEE.*—*For purposes of this*  
14 *subsection, the term ‘covered employee’ means any*  
15 *employee of the taxpayer if—*

16                   “(A) *as of the close of the taxable year, such*  
17 *employee is the chief executive officer of the tax-*  
18 *payer or is an individual acting in such a ca-*  
19 *capacity, or*

20                   “(B) *the total compensation for the taxable*  
21 *year of such employee is required to be reported*  
22 *to shareholders under the Securities Exchange*  
23 *Act of 1934 by reason of such employee being*  
24 *among the 4 highest compensated officers for the*



1           *taxable year (other than the chief executive offi-*  
2           *cer).*

3           “(4) *APPLICABLE EMPLOYEE REMUNERATION.*—  
4           *For purposes of this subsection—*

5                   “(A) *IN GENERAL.*—*Except as otherwise*  
6                   *provided in this paragraph, the term ‘applicable*  
7                   *employee remuneration’ means, with respect to*  
8                   *any covered employee for any taxable year, the*  
9                   *aggregate amount allowable as a deduction*  
10                   *under this chapter for such taxable year (deter-*  
11                   *mined without regard to this subsection) for re-*  
12                   *muneration for services performed by such em-*  
13                   *ployee (whether or not during the taxable year).*

14                   “(B) *EXCEPTION FOR REMUNERATION PAY-*  
15                   *ABLE ON COMMISSION BASIS.*—*The term ‘appli-*  
16                   *cable employee remuneration’ shall not include*  
17                   *any remuneration payable on a commission*  
18                   *basis solely on account of income generated di-*  
19                   *rectly by the individual performance of the indi-*  
20                   *vidual to whom such remuneration is payable.*

21                   “(C) *OTHER PERFORMANCE-BASED COM-*  
22                   *PENSATION.*—*The term ‘applicable employee re-*  
23                   *muneration’ shall not include any remuneration*  
24                   *payable solely on account of the attainment of*  
25                   *one or more performance goals, but only if—*

1           “(i) the performance goals are deter-  
2           mined by a compensation committee of the  
3           board of directors of the taxpayer which is  
4           comprised solely of 2 or more outside direc-  
5           tors,

6           “(ii) the material terms under which  
7           the remuneration is to be paid, including  
8           the performance goals, are disclosed to  
9           shareholders and approved by a majority of  
10          the vote in a separate shareholder vote be-  
11          fore the payment of such remuneration, and

12          “(iii) before any payment of such re-  
13          muneration, the compensation committee re-  
14          ferred to in clause (i) certifies that the per-  
15          formance goals and any other material  
16          terms were in fact satisfied.

17          “(D) EXCEPTION FOR EXISTING BINDING  
18          CONTRACTS.—The term ‘applicable employee re-  
19          muneration’ shall not include any remuneration  
20          payable under a written binding contract which  
21          was in effect on February 17, 1993, and which  
22          was not modified thereafter in any material re-  
23          spect before such remuneration is paid.

24          “(E) REMUNERATION.—For purposes of this  
25          paragraph, the term ‘remuneration’ includes any

1 remuneration (including benefits) in any me-  
2 dium other than cash, but shall not include—

3 “(i) any payment referred to in so  
4 much of section 3121(a)(5) as precedes sub-  
5 paragraph (E) thereof, and

6 “(ii) any benefit provided to or on be-  
7 half of an employee if at the time such bene-  
8 fit is provided it is reasonable to believe  
9 that the employee will be able to exclude  
10 such benefit from gross income under this  
11 chapter.

12 For purposes of clause (i), section 3121(a)(5)  
13 shall be applied without regard to section  
14 3121(v)(1).

15 “(F) COORDINATION WITH DISALLOWED  
16 GOLDEN PARACHUTE PAYMENTS.—The dollar  
17 limitation contained in paragraph (1) shall be  
18 reduced (but not below zero) by the amount (if  
19 any) which would have been included in the ap-  
20 plicable employee remuneration of the covered  
21 employee for the taxable year but for being dis-  
22 allowed under section 280G.”

23 (b) EFFECTIVE DATE.—The amendment made by sub-  
24 section (a) shall apply to amounts which would otherwise

1 *be deductible for taxable years beginning on or after Janu-*  
2 *ary 1, 1994.*

3 **SEC. 8212. REDUCTION IN COMPENSATION TAKEN INTO AC-**  
4 **COUNT IN DETERMINING CONTRIBUTIONS**  
5 **AND BENEFITS UNDER QUALIFIED RETIRE-**  
6 **MENT PLANS.**

7 (a) *QUALIFICATION REQUIREMENT.—*

8 (1) *IN GENERAL.—Section 401(a)(17) is amend-*  
9 *ed—*

10 (A) *by striking “\$200,000” in the first sen-*  
11 *tence and inserting “\$150,000”,*

12 (B) *by striking the second sentence, and*

13 (C) *by adding at the end the following new*  
14 *subparagraph:*

15 “(B) *COST-OF-LIVING ADJUSTMENT.—*

16 “(i) *IN GENERAL.—If, for any cal-*  
17 *endar year after 1994, the excess (if any)*  
18 *of—*

19 “(I) *\$150,000, increased by the*  
20 *cost-of-living adjustment for the cal-*  
21 *endar year, over*

22 “(II) *the dollar amount in effect*  
23 *under subparagraph (A) for taxable*  
24 *years beginning in the calendar year,*

1           is equal to or greater than \$10,000, then the  
2           \$150,000 amount under subparagraph (A)  
3           (as previously adjusted under this subpara-  
4           graph) for any taxable year beginning in  
5           any subsequent calendar year shall be in-  
6           creased by \$10,000.

7           “(ii) *COST-OF-LIVING ADJUSTMENT.*—  
8           The cost-of-living adjustment for any cal-  
9           endar year shall be the adjustment made  
10          under section 415(d) for such calendar year,  
11          except that the base period for purposes of  
12          section 415(d)(1)(A) shall be the calendar  
13          quarter beginning October 1, 1993.”

14          (2)    *CONFORMING AMENDMENT.*—Section  
15          401(a)(17) is amended by striking “(17) A trust” and  
16          inserting:

17               “(17) *COMPENSATION LIMIT.*—

18               “(A) *IN GENERAL.*—A trust”.

19          (b) *SIMPLIFIED EMPLOYEE PENSIONS.*—

20               (1) *IN GENERAL.*—Paragraphs (3)(C) and  
21               (6)(D)(ii) of section 408(k) are each amended by  
22               striking “\$200,000” and inserting “\$150,000”.

23               (2) *COST-OF-LIVING.*—Paragraph (8) of section  
24               408(k) is amended to read as follows:

1           “(8) *COST-OF-LIVING ADJUSTMENT.*—The Sec-  
2           retary shall adjust the \$300 amount in paragraph  
3           (2)(C) at the same time and in the same manner as  
4           under section 415(d) and shall adjust the \$150,000  
5           amount in paragraphs (3)(C) and (6)(D)(ii) at the  
6           same time, and by the same amount, as the adjust-  
7           ment under section 401(a)(17)(B).”

8           (c) *OTHER RELATED PROVISIONS.*—

9           (1) *IN GENERAL.*—Sections 404(l) and 505(b)(7)  
10          are each amended—

11                   (A) by striking “\$200,000” in the first sen-  
12                   tence and inserting “\$150,000”, and

13                   (B) by striking the second sentence and in-  
14                   serting “The Secretary shall adjust the \$150,000  
15                   amount at the same time, and by the same  
16                   amount, as the adjustment under section  
17                   401(a)(17)(B).”

18           (2) *CONFORMING AMENDMENT.*—The heading for  
19           section 505(b)(7) is amended by striking “\$200,000”.

20           (d) *EFFECTIVE DATES.*—

21           (1) *IN GENERAL.*—Except as provided in para-  
22           graph (2), the amendments made by this section shall  
23           apply to benefits accruing in plan years beginning  
24           after December 31, 1993.

1           (2) *EXCEPTION FOR COLLECTIVELY BARGAINED*  
2 *PLANS.—In the case of a plan maintained pursuant*  
3 *to 1 or more collective bargaining agreements between*  
4 *employee representatives and 1 or more employers*  
5 *ratified before the date of the enactment of this Act,*  
6 *the amendments made by this section shall not apply*  
7 *to contributions or benefits pursuant to such agree-*  
8 *ments for plan years beginning before the earlier of—*

9           (A) *the latest of—*

10                 (i) *January 1, 1994,*

11                 (ii) *the date on which the last of such*  
12 *collective bargaining agreements terminates*  
13 *(without regard to any extension, amend-*  
14 *ment, or modification of such agreements on*  
15 *or after such date of enactment), or*

16                 (iii) *in the case of a plan maintained*  
17 *pursuant to collective bargaining under the*  
18 *Railway Labor Act, the date of execution of*  
19 *an extension or replacement of the last of*  
20 *such collective bargaining agreements in ef-*  
21 *fect on such date of enactment, or*

22           (B) *January 1, 1997.*

23           (3) *TRANSITION RULE FOR STATE AND LOCAL*  
24 *PLANS.—*

1           (A) *IN GENERAL.*—*In the case of an eligible*  
2 *participant in a governmental plan (within the*  
3 *meaning of section 414(d) of the Internal Reve-*  
4  *nue Code of 1986), the dollar limitation under*  
5  *section 401(a)(17) of such Code shall not apply*  
6  *to the extent the amount of compensation which*  
7  *is allowed to be taken into account under the*  
8  *plan would be reduced below the amount which*  
9  *was allowed to be taken into account under the*  
10  *plan as in effect on July 1, 1993.*

11           (B) *ELIGIBLE PARTICIPANT.*—*For purposes*  
12  *of subparagraph (A), an eligible participant is*  
13  *an individual who first became a participant in*  
14  *the plan during a plan year beginning before the*  
15  *1st plan year beginning after the earlier of—*

16                   (i) *the plan year in which the plan is*  
17  *amended to reflect the amendments made by*  
18  *this section, or*

19                   (ii) *December 31, 1995.*

20           (C) *PLAN MUST BE AMENDED TO INCOR-*  
21  *PORATE LIMITS.*—*This paragraph shall not*  
22  *apply to any eligible participant of a plan un-*  
23  *less the plan is amended so that the plan incor-*  
24  *porates by reference the dollar limitation under*  
25  *section 401(a)(17) of the Internal Revenue Code*



1           *of 1986, effective with respect to noneligible par-*  
2           *icipants for plan years beginning after Decem-*  
3           *ber 31, 1995 (or earlier if the plan amendment*  
4           *so provides).*

5   **SEC. 8213. MODIFICATION TO DEDUCTION FOR CERTAIN**  
6           **MOVING EXPENSES.**

7           *(a) DOLLAR LIMITATION.—*

8                   *(1) IN GENERAL.—Paragraph (3) of section*  
9           *217(b) is amended by striking subparagraphs (A) and*  
10           *(B) and inserting the following:*

11                           *“(A) DOLLAR LIMIT.—*

12                                   *“(i) IN GENERAL.—The aggregate*  
13           *amount allowable as a deduction under sub-*  
14           *section (a) in connection with a commence-*  
15           *ment of work shall not exceed \$10,000, of*  
16           *which the aggregate amount which is attrib-*  
17           *utable to expenses described in subpara-*  
18           *graph (C) or (D) of paragraph (1) shall not*  
19           *exceed \$1,500.*

20                                   *“(ii) COST-OF-LIVING ADJUSTMENT.—*

21           *In the case of taxable years beginning in*  
22           *calendar years after 1994, the \$10,000*  
23           *amount under clause (i) shall be increased*  
24           *by an amount equal to the product of such*  
25           *dollar amount and the cost-of-living adjust-*

1           *ment determined under section 1(f)(3) for*  
2           *the calendar year in which the taxable year*  
3           *begins, except that section 1(f)(3)(B) shall*  
4           *be applied by substituting '1993' for '1992'.*  
5           *Any amount determined under this clause*  
6           *which is not a multiple of \$50 shall be*  
7           *rounded to the next lowest multiple of \$50.*

8           “(B) *HUSBAND AND WIFE.*—*If a husband*  
9           *and wife both commence work at a new prin-*  
10          *cipal place of work within the same general loca-*  
11          *tion, subparagraph (A) shall be applied as if*  
12          *there was only 1 commencement of work. In the*  
13          *case of a husband and wife filing separate re-*  
14          *turns, subparagraph (A) shall be applied by sub-*  
15          *stituting '\$5,000' for '\$10,000' and '\$750' for*  
16          *'\$1,500.'*”

17          (2) *FOREIGN MOVES.*—*Paragraph (1) of section*  
18          *217(h) is amended by striking subparagraphs (B) and*  
19          *(C) and inserting:*

20                 “(B) *subsection (b)(2)(A) shall be applied*  
21                 *by substituting '\$4,500' for '\$1,500', and*

22                 “(C) *subsection (b)(2)(B) shall be applied as*  
23                 *if the last sentence of such subsection read as fol-*  
24                 *lows: 'In the case of a husband and wife filing*  
25                 *separate returns, subparagraph (A) (as modified*

1           by subsection (h)(1)(B)) shall be applied by sub-  
2           stituting “\$2,250” for “\$4,500”.’.”

3           (b) *REPEAL OF DEDUCTION FOR QUALIFIED RESI-*  
4 *DENCE SALE, ETC., EXPENSES.*—

5           (1) *IN GENERAL.*—Paragraph (1) of section  
6           217(b) (defining moving expenses) is amended by in-  
7           serting “or” at the end of subparagraph (C), by strik-  
8           ing “, or” at the end of subparagraph (D) and in-  
9           serting a period, and by striking  
10          subparagraph (E).

11          (2) *CONFORMING AMENDMENTS.*—

12          (A) Subsection (b) of section 217, as  
13          amended by subsection (a), is amended by strik-  
14          ing paragraph (2) and redesignating paragraph  
15          (3) as paragraph (2).

16          (B) Section 217 is amended by striking sub-  
17          section (e).

18          (c) *DEDUCTION DISALLOWED FOR MEAL EXPENSES.*—  
19          Paragraph (1) of section 217(b) is amended—

20          (1) by striking “meals and lodging” in subpara-  
21          graphs (B), (C) and (D) and inserting “lodging”, and

22          (2) by adding at the end thereof the following  
23          new sentence:

24          “Such term shall not include any expenses for meals.”

1           (d) *EFFECTIVE DATE.*—The amendments made by this  
2 section shall apply to expenses incurred after December 31,  
3 1993.

4 **SEC. 8214. SIMPLIFICATION OF INDIVIDUAL ESTIMATED**  
5 **TAX SAFE HARBOR BASED ON LAST YEAR'S**  
6 **TAX.**

7           (a) *IN GENERAL.*—Paragraph (1) of section 6654(d)  
8 (relating to amount of required estimated tax installments)  
9 is amended by striking subparagraphs (C), (D), (E), and  
10 (F) and by inserting the following new subparagraph:

11                   “(C) *LIMITATION ON USE OF PRECEDING*  
12 *YEAR'S TAX.*—

13                           “(i) *IN GENERAL.*—If the adjusted  
14 gross income shown on the return of the in-  
15 dividual for the preceding taxable year ex-  
16 ceeds \$150,000, clause (ii) of subparagraph  
17 (B) shall be applied by substituting ‘110  
18 percent’ for ‘100 percent’.

19                           “(ii) *SEPARATE RETURNS.*—In the  
20 case of a married individual (within the  
21 meaning of section 7703) who files a sepa-  
22 rate return for the taxable year for which  
23 the amount of the installment is being de-  
24 termined, clause (i) shall be applied by sub-  
25 stituting ‘\$75,000’ for ‘\$150,000’.

1                   “(iii) *SPECIAL RULE.*—In the case of  
2                   an estate or trust, adjusted gross income  
3                   shall be determined as provided in section  
4                   67(e).”

5                   (b) *CONFORMING AMENDMENTS.*—

6                   (1) Subparagraph (A) of section 6654(j)(3) is  
7                   amended by striking “and subsection (d)(1)(C)(iii)  
8                   shall not apply”.

9                   (2) Paragraph (4) of section 6654(l) is amended  
10                  by striking “paragraphs (1)(C)(iv) and (2)(B)(i) of  
11                  subsection (d)” and inserting “subsection  
12                  (d)(2)(B)(i)”.

13                  (c) *EFFECTIVE DATE.*—The amendments made by this  
14                  section shall apply to taxable years beginning after Decem-  
15                  ber 31, 1993.

16                  **SEC. 8215. SOCIAL SECURITY AND TIER 1 RAILROAD RE-**  
17                  **TIREMENT BENEFITS.**

18                  (a) *ADDITIONAL INCLUSION FOR CERTAIN TAX-*  
19                  *PAYERS.*—

20                  (1) *IN GENERAL.*—Subsection (a) of section 86  
21                  (relating to social security and tier 1 railroad retire-  
22                  ment benefits) is amended by adding at the end the  
23                  following new paragraph:

24                  “(2) *ADDITIONAL AMOUNT.*—In the case of a tax-  
25                  payer with respect to whom the amount determined

1 under subsection (b)(1)(A) exceeds the adjusted base  
2 amount, the amount included in gross income under  
3 this section shall be equal to the lesser of—

4 “(A) the sum of—

5 “(i) 85 percent of such excess, plus

6 “(ii) the lesser of the amount deter-  
7 mined under paragraph (1) or an amount  
8 equal to one-half of the difference between  
9 the adjusted base amount and the base  
10 amount of the taxpayer, or

11 “(B) 85 percent of the social security bene-  
12 fits received during the taxable year.”

13 (2) CONFORMING AMENDMENTS.—Subsection (a)  
14 of section 86 is amended—

15 (A) by striking “Gross” and inserting:

16 “(1) IN GENERAL.—Except as provided in para-  
17 graph (2), gross”, and

18 (B) by redesignating paragraphs (1) and

19 (2) as subparagraphs (A) and (B), respectively.

20 (b) ADJUSTED BASE AMOUNT.—Section 86(c) (defin-  
21 ing base amount) is amended to read as follows:

22 “(c) BASE AMOUNT AND ADJUSTED BASE AMOUNT.—  
23 For purposes of this section—

24 “(1) BASE AMOUNT.—The term ‘base amount’  
25 means—

1           “(A) except as otherwise provided in this  
2 paragraph, \$25,000,

3           “(B) \$32,000 in the case of a joint return,  
4 and

5           “(C) zero in the case of a taxpayer who—

6                   “(i) is married as of the close of the  
7 taxable year (within the meaning of section  
8 7703) but does not file a joint return for  
9 such year, and

10                   “(ii) does not live apart from his  
11 spouse at all times during the taxable year.

12           “(2) ADJUSTED BASE AMOUNT.—The term ‘ad-  
13 justed base amount’ means—

14                   “(A) except as otherwise provided in this  
15 paragraph, \$32,000,

16                   “(B) \$40,000 in the case of a joint return,  
17 and

18                   “(C) zero in the case of a taxpayer described  
19 in paragraph (1)(C).”

20           (c) TRANSFERS TO THE HOSPITAL INSURANCE TRUST  
21 FUND.—

22                   (1) IN GENERAL.—Paragraph (1) of section  
23 121(e) of the Social Security Amendments of 1983  
24 (Public Law 92-21) is amended by—

25                           (A) striking “There” and inserting:

1           “(A) *There*”;

2           (B) inserting “(i)” immediately following  
3           “amounts equivalent to”; and

4           (C) striking the period and inserting the  
5           following: “; less (ii) the amounts equivalent to  
6           the aggregate increase in tax liabilities under  
7           chapter 1 of the Internal Revenue Code of 1986  
8           which is attributable to the amendments to sec-  
9           tion 86 of such Code made by section 8215 of the  
10          Revenue Reconciliation Act of 1993.

11          “(B) *There are hereby appropriated to the*  
12          *hospital insurance trust fund amounts equal to*  
13          *the increase in tax liabilities described in sub-*  
14          *paragraph (A)(ii). Such appropriated amounts*  
15          *shall be transferred from the general fund of the*  
16          *Treasury on the basis of estimates of such tax li-*  
17          *abilities made by the Secretary of the Treasury.*  
18          *Transfers shall be made pursuant to a schedule*  
19          *made by the Secretary of the Treasury that takes*  
20          *into account estimated timing of collection of*  
21          *such liabilities.”*

22          (2) *DEFINITION.—Paragraph (3) of section*  
23          *121(e) of such Act is amended by redesignating sub-*  
24          *paragraph (B) as subparagraph (C), and by inserting*



1 after subparagraph (A) the following new subpara-  
2 graph:

3 “(B) *HOSPITAL INSURANCE TRUST FUND.*—  
4 The term ‘hospital insurance trust fund’ means  
5 the fund established pursuant to section 1817 of  
6 the Social Security Act.”

7 (3) *CONFORMING AMENDMENT.*—Paragraph (2)  
8 of section 121(e) of such Act is amended in the first  
9 sentence by striking “paragraph (1)” and inserting  
10 “paragraph (1)(A).”

11 (4) *TECHNICAL AMENDMENTS.*—Paragraph  
12 (1)(A) of section 121(e) of such Act, as redesignated  
13 and amended by paragraph (1), is amended by strik-  
14 ing “1954” and inserting “1986”.

15 (d) *EFFECTIVE DATE.*—The amendments made by  
16 subsections (a) and (b) shall apply to taxable years begin-  
17 ning after December 31, 1993.

18 **PART II—PROVISIONS AFFECTING BUSINESSES**

19 **SEC. 8221. INCREASE IN TOP MARGINAL RATE UNDER SEC-**  
20 **TION 11.**

21 (a) *GENERAL RULE.*—Paragraph (1) of section 11(b)  
22 (relating to amount of tax) is amended—

23 (1) by striking “and” at the end of subpara-  
24 graph (B),

1           (2) by striking subparagraph (C) and inserting  
2           the following:

3                   “(C) 34 percent of so much of the taxable  
4                   income as exceeds \$75,000 but does not exceed  
5                   \$10,000,000, and

6                   “(D) 35 percent of so much of the taxable  
7                   income as exceeds \$10,000,000.”, and

8           (3) by adding at the end thereof the following  
9           new sentence: “In the case of a corporation which has  
10           taxable income in excess of \$15,000,000, the amount  
11           of the tax determined under the foregoing provisions  
12           of this paragraph shall be increased by an additional  
13           amount equal to the lesser of (i) 3 percent of such ex-  
14           cess, or (ii) \$100,000.”

15           (b) CERTAIN PERSONAL SERVICE CORPORATIONS.—  
16           Paragraph (2) of section 11(b) is amended by striking “34  
17           percent” and inserting “35 percent”.

18           (c) CONFORMING AMENDMENTS.—

19                   (1) Clause (iii) of section 852(b)(3)(D) is amend-  
20                   ed by striking “66 percent” and inserting “65 per-  
21                   cent”.

22                   (2) Subsection (a) of section 1201 is amended by  
23                   striking “34 percent” each place it appears and in-  
24                   serting “35 percent”.

1           (3) Paragraphs (1) and (2) of section 1445(e)  
2           are each amended by striking “34 percent” and in-  
3           serting “35 percent”.

4           (d) *EFFECTIVE DATE.*—The amendments made by this  
5           section shall apply to taxable years beginning on or after  
6           January 1, 1993; except that the amendment made by sub-  
7           section (c)(3) shall take effect on the date of the enactment  
8           of this Act.

9           **SEC. 8222. DISALLOWANCE OF DEDUCTION FOR LOBBYING**  
10           **EXPENDITURES.**

11           (a) *DISALLOWANCE OF DEDUCTION.*—

12                   (1) *IN GENERAL.*—Part IX of subchapter B of  
13           chapter 1 (relating to items not deductible) is amend-  
14           ed by adding at the end the following new section:

15           **“SEC. 280I. LOBBYING EXPENDITURES.**

16                   “(a) *DEDUCTION DISALLOWED.*—No deduction shall be  
17           allowed under this chapter for any amount paid or in-  
18           curred—

19                           “(1) for lobbying activities, or

20                           “(2) to another person for the conduct of lobby-  
21           ing activities.

22                   “(b) *LOBBYING ACTIVITIES.*—For purposes of this sec-  
23           tion—

24                           “(1) *IN GENERAL.*—The term ‘lobbying activity’  
25           means—

1           “(A) any lobbying contact, or

2           “(B) any activity in support of a lobbying  
3           contact.

4           “(2) *SUPPORT ACTIVITIES.*—For purposes of  
5           paragraph (1)(B), the following shall be treated as in  
6           support of a lobbying contact:

7           “(A) Any preparation or planning activity  
8           relating to a lobbying contact (including, in the  
9           case of a lobbyist, the formulation, review, and  
10          management of the lobbying contacts on behalf of  
11          a client).

12          “(B) Any research or other background  
13          work relating to a lobbying contact.

14          “(C) Any activity coordinating the lobbying  
15          activity of 2 or more persons.

16          “(3) *MEALS, ENTERTAINMENT, OR TRAVEL.*—  
17          Any amount paid or incurred in connection with the  
18          providing of meals, entertainment, or travel to a cov-  
19          ered legislative or executive branch official (or to an  
20          individual accompanying such official) shall be treat-  
21          ed as paid or incurred for a lobbying activity without  
22          regard to whether it is in support of a lobbying con-  
23          tact.

24          “(c) *LOBBYING CONTACT.*—For purposes of this sec-  
25          tion—

1           “(1) *IN GENERAL.*—The term ‘lobbying contact’  
2       *means—*

3                   “(A) *in the case of a lobbyist, any oral or*  
4       *written communication with a covered legislative*  
5       *or executive branch official, and*

6                   “(B) *in the case of any other person, any*  
7       *oral or written communication with a covered*  
8       *legislative or executive branch official in connec-*  
9       *tion with an attempt to influence governmental*  
10       *actions described in paragraph (2).*

11           “(2) *GOVERNMENTAL ACTIONS AFFECTED.*—The  
12       *following governmental actions are described in this*  
13       *paragraph:*

14                   “(A) *The formulation, modification, adop-*  
15       *tion, or repeal of legislation (including legisla-*  
16       *tive proposals).*

17                   “(B) *The formulation, modification, adop-*  
18       *tion, or repeal of a Federal rule, regulation,*  
19       *Executive order, or any other program, policy,*  
20       *or position of the United States.*

21                   “(C) *The administration or execution of a*  
22       *Federal program or policy (including the nego-*  
23       *tiation, award, or administration of a Federal*  
24       *contract, grant, loan, permit, or license).*

1           “(3) *EXCEPTIONS.*—The term ‘lobbying contact’  
2           shall not include any contact—

3                   “(A) required by subpoena, civil investiga-  
4                   tive demand, or otherwise compelled by statute,  
5                   regulation, or other action of Congress, a State  
6                   or local legislative body, or a Federal agency,

7                   “(B) made in response to a notice in the  
8                   Federal Register, Commerce Business Daily, or  
9                   other similar publication soliciting communica-  
10                  tions from the public and directed to the agency  
11                  official specifically designated in the notice to re-  
12                  ceive such communications,

13                  “(C) made to Federal agency officials with  
14                  regard to judicial proceedings, criminal or civil  
15                  law enforcement inquiries, investigations or pro-  
16                  ceedings, or filings required by statute or regula-  
17                  tion,

18                  “(D) made in compliance with written  
19                  agency procedures regarding an adjudication  
20                  conducted by the agency under section 554 of  
21                  title 5, United States Code, or any substantially  
22                  similar provision, or

23                  “(E) made on behalf of an individual with  
24                  regard to such individual’s benefits, employment,  
25                  other personal matters involving only that indi-

1            *vidual, or disclosures by that individual pursu-*  
2            *ant to applicable whistleblower statutes,*

3            *“(F) in the case of any governmental action*  
4            *described in paragraph (2) (B) or (C), which*  
5            *consists of written comments filed in a public*  
6            *docket or other communications made on the*  
7            *record in a public proceeding, or*

8            *“(G) in the case of any governmental action*  
9            *described in paragraph (2)(C), which consists of*  
10           *communications which are made to officials serv-*  
11           *ing in the agency responsible for taking such ac-*  
12           *tion who serve in the Senior Executive Service or*  
13           *who are members of the uniformed services whose*  
14           *pay grade is lower than 0–9 under section 201*  
15           *of title 37, United States Code.*

16           *“(d) SPECIAL RULE FOR EXEMPT ORGANIZATIONS.—*

17           *“(1) TREATMENT OF DUES, ETC.—Subsection (a)*  
18           *shall apply to dues, assessments, or other similar*  
19           *amounts paid by any person to an organization ex-*  
20           *empt from taxation under this chapter (other than an*  
21           *organization described in section 170(c)) to the extent*  
22           *such dues, assessments, or amounts are attributable to*  
23           *amounts paid or incurred by the organization which*  
24           *are described in subsection (a).*

1           “(2) *SPECIAL RULE FOR CHARITIES.*—In the  
2 case of an organization described in section 170(c)  
3 (other than paragraph (1) thereof or section  
4 170(b)(1)(A)(i)), subsection (a) shall apply to any  
5 dues, assessments, contributions, or other similar  
6 amounts which are paid to the organization and  
7 which are otherwise deductible under this chapter to  
8 the extent that any such amount—

9           “(A) is attributable to amounts paid or in-  
10 curred by the organization which are described  
11 in subsection (a),

12           “(B) is in connection with lobbying activi-  
13 ties of direct financial interest to the payor’s (or  
14 a related person’s) trade or business, and

15           “(C) when added to all other payments  
16 made by the payor (and any related person) to  
17 the organization during the calendar year in  
18 which the taxable year begins, exceeds \$2,000.

19           “(3) *ALLOCATION RULES.*—For purposes of this  
20 subsection—

21           “(A) dues or other similar amounts paid  
22 during any calendar year shall, except as pro-  
23 vided by the Secretary, only be attributable to  
24 amounts not deductible under subsection (a)



1           *which are paid or incurred by the organization*  
2           *during such calendar year, and*

3           “(B) *amounts which are not deductible*  
4           *under subsection (a) shall be treated as paid first*  
5           *out of dues or other similar amounts.*

6           “(4) *REPORTING REQUIREMENTS.—*

***“For requirements of organization to notify contributors, see section 60500.***

7           “(e) *OTHER RULES AND DEFINITIONS.—For purposes*  
8           *of this section—*

9           “(1) *SPECIAL RULE FOR CERTAIN TAXPAYERS.—*

10          *In the case of—*

11           “(A) *any taxpayer engaged in the trade or*  
12           *business of conducting activities described in*  
13           *subsection (a), or*

14           “(B) *any taxpayer who is an employee who*  
15           *is reimbursed by his employer for expenses in-*  
16           *curring in conducting such activities,*

17           *subsection (a) shall not apply to expenditures of the*  
18           *taxpayer in conducting such activities on behalf of*  
19           *another person or his employer (but shall apply to*  
20           *payments by such other person or the employer to the*  
21           *taxpayer for conducting the activities).*

22           “(2) *AGENCY.—The term ‘agency’ has the same*  
23           *meaning given such term by section 551(1) of title 5,*  
24           *United States Code.*

1           “(3) *COVERED EXECUTIVE BRANCH OFFICIAL.*—

2           *The term ‘covered executive branch official’ means—*

3                   “(A) *the President,*

4                   “(B) *the Vice President,*

5                   “(C) *any officer or employee of the Execu-*  
6                   *tive Office of the President, other than a clerical*  
7                   *or secretarial employee,*

8                   “(D) *any officer or employee serving in an*  
9                   *Executive level I, II, III, IV, or V position, as*  
10                  *designated in statute or Executive order,*

11                  “(E) *any officer or employee serving in a*  
12                  *Senior Executive Service position as defined*  
13                  *under section 3232(a)(2) of title 5, United States*  
14                  *Code,*

15                  “(F) *any member of the uniformed services*  
16                  *whose pay grade is at or in excess of O-7 under*  
17                  *section 201 of title 37, United States Code, and*

18                  “(G) *any officer or employee serving in a*  
19                  *position of confidential or policy-determining*  
20                  *character under schedule C of the excepted service*  
21                  *pursuant to section 7511 of title 5, United States*  
22                  *Code.*

23           “(4) *COVERED LEGISLATIVE BRANCH OFFI-*  
24           *CIAL.*—*The term ‘covered legislative branch official’*  
25           *means—*

1           “(A) a Member of Congress,

2           “(B) an elected officer of Congress,

3           “(C) any employee of a Member of the  
4           House of Representatives, of a committee of the  
5           House of Representatives, or on the leadership  
6           staff of the House of Representatives,

7           “(D) any employee of a Senator, of a Sen-  
8           ate committee, or on the leadership staff of the  
9           Senate, and

10          “(E) any employee of a joint committee of  
11          the Congress.

12          *Such term includes any member, officer, or employee*  
13          *of a State or local legislative body.*

14          “(5) *LOBBYIST.*—*The term ‘lobbyist’ means any*  
15          *person who is employed or retained by another person*  
16          *to perform services which include any attempt to in-*  
17          *fluence a governmental action described in subsection*  
18          *(c)(2). Such term does not include a person whose lob-*  
19          *bing activities are only incidental to, and are not a*  
20          *significant part of, the services the person performs*  
21          *for such other person. For purposes of the preceding*  
22          *sentence, lobbying activities shall not include activi-*  
23          *ties described in subsection (c)(3).*

24          “(6) *LEGISLATION.*—*The term ‘legislation’ has*  
25          *the meaning given such term by section 4911(e)(2).*

1           “(7) *COORDINATION WITH SECTION 4911.*—No tax  
2           shall be imposed under section 4911 on any amount  
3           with respect to which a deduction is not allowed by  
4           reason of subsection (d).

5           “(f) *CROSS REFERENCE.*—

**“For disallowance of deductions for grassroots lobbying expenditures, see section 162(e)(2).”**

6           “(2) *CONFORMING AMENDMENTS.*—

7                   (A) Section 162(e) (relating to appearances,  
8                   etc., with respect to legislation) is amended to  
9                   read as follows:

10           “(e) *DENIAL OF DEDUCTION FOR CERTAIN POLITICAL*  
11 *EXPENDITURES.*—

12                   “(1) *IN GENERAL.*—No deduction shall be al-  
13                   lowed under this chapter for any amount paid or in-  
14                   curred—

15                           “(A) for participation in, or intervention  
16                           in, any political campaign on behalf of (or in  
17                           opposition to) any candidate for public office, or

18                           “(B) in connection with any attempt to in-  
19                           fluence the general public, or segments thereof,  
20                           with respect to legislative matters, elections, or  
21                           referendums.

22                   “(2) *APPLICATION TO DUES.*—

23                           “(A) *IN GENERAL.*—No deduction shall be  
24                           allowed under this chapter for the portion of

1            *dues or other similar amounts paid by the tax-*  
2            *payer to an organization which is allocable to*  
3            *the expenditures described in paragraph (1).*

4            *“(B) ALLOCATION.—For purposes of sub-*  
5            *paragraph (A), expenditures described in para-*  
6            *graph (1) shall be treated as paid first out of*  
7            *dues or other similar amounts.*

8            *“(3) CROSS REFERENCE.—*

***“For disallowance of deductions for lobbying ex-***  
          ***penditures, see section 280I.”***

9            *(B) The table of sections for part IX of sub-*  
10           *chapter B of chapter 1 is amended by adding at*  
11           *the end the following new item:*

*“Sec. 280I. Lobbying expenditures.”*

12           *(3) EFFECTIVE DATE.—The amendments made*  
13           *by this subsection shall apply to amounts paid or in-*  
14           *curring after December 31, 1993.*

15           *(b) REPORTING REQUIREMENTS RELATING TO LOBBY-*  
16           *ING EXPENDITURES.—*

17           *(1) IN GENERAL.—Subpart B of part III of sub-*  
18           *chapter A of chapter 61 (relating to information con-*  
19           *cerning transactions with other persons) is amended*  
20           *by adding at the end the following new section:*

1 **“SEC. 60500. RETURNS RELATING TO LOBBYING EXPENDI-**  
2 **TURES OF CERTAIN ORGANIZATIONS.**

3       “(a) *REQUIREMENT OF REPORTING.*—Each organiza-  
4 tion described in section 280I(d) shall make a return, ac-  
5 cording to the forms or regulations prescribed by the Sec-  
6 retary, setting forth the names and addresses of persons  
7 paying dues to the organization, the amount of the dues  
8 paid by such person, and the portion of such dues which  
9 is nondeductible under section 280I.

10       “(b) *STATEMENTS TO BE FURNISHED TO PERSONS*  
11 *WITH RESPECT TO WHOM INFORMATION IS FURNISHED.*—  
12 Any organization required to make a return under sub-  
13 section (a) shall furnish to each person whose name is re-  
14 quired to be set forth in such return a written statement  
15 showing—

16               “(1) the name and address of the organization,  
17       and

18               “(2) the dues paid by the person during the cal-  
19 endar year and the portion of such dues which is non-  
20 deductible under section 280I.

21 The written statement required under the preceding sen-  
22 tence shall be furnished (either in person or in a statement  
23 mailing by first-class mail which includes adequate notice  
24 that the statement is enclosed) to the persons on or before  
25 January 31 of the year following the calendar year for  
26 which the return under subsection (a) was made and shall

1 *be in such form as the Secretary may prescribe by regula-*  
2 *tions.*

3       “(c) *DE MINIMUS EXCEPTION.*—*This section shall not*  
4 *apply to any organization for any calendar year if the or-*  
5 *ganization’s lobbying expenditures described in section*  
6 *280I(a) for such year are less than \$2,000. For purposes*  
7 *of the preceding sentence, overhead costs otherwise allocable*  
8 *to lobbying activities shall not be taken into account.*

9       “(d) *WAIVER.*—*The Secretary may waive the reporting*  
10 *requirements of this section with respect to any organiza-*  
11 *tion or class of organizations if the Secretary determines*  
12 *that such reporting is not necessary to carry out the pur-*  
13 *poses of section 280I.*

14       “(e) *DUES.*—*For purposes of this section, the term*  
15 *‘dues’ includes assessments, contributions, and other similar*  
16 *amounts.”*

17       (2) *PENALTIES.*—

18               (A) *RETURNS.*—*Subparagraph (B) of sec-*  
19 *tion 6724(d)(1) (defining information return) is*  
20 *amended by striking “or” at the end of clause*  
21 *(xi), by striking the period at the end of the*  
22 *clause (xii) relating to section 4101(d) and in-*  
23 *serting a comma, by redesignating the clause*  
24 *(xii) relating to section 338(h)(10) as clause*  
25 *(xiii), by striking the period at the end of clause*

1           (xiii) (as so redesignated) and inserting “, or”,  
2           and by adding at the end the following new  
3           clause:

4                       “(xiv) section 60500(a) (relating to in-  
5                       formation on nondeductible lobbying ex-  
6                       penditures).”

7           (B) *PAYEE STATEMENTS*.—Paragraph (2)  
8           of section 6724(d) (defining payee statement) is  
9           amended by striking “or” at the end of subpara-  
10          graph (R), by striking the period at the end of  
11          subparagraph (S) and inserting “, or”, and by  
12          adding at the end the following new subpara-  
13          graph:

14                       “(T) section 60500(b) (relating to returns  
15                       on nondeductible lobbying expenditures).”

16          (3) *CONFORMING AMENDMENT*.—The table of sec-  
17          tions for subpart B of part III of subchapter A of  
18          chapter 61 is amended by adding at the end the fol-  
19          lowing new item:

                          “Sec. 60500. Returns relating to lobbying expenditures of certain  
                          organizations.”

20          (4) *EFFECTIVE DATE*.—The amendments made  
21          by this subsection shall apply to calendar years begin-  
22          ning after December 31, 1993.



1 **SEC. 8223. MARK TO MARKET ACCOUNTING METHOD FOR**  
2 **SECURITIES DEALERS.**

3 (a) *GENERAL RULE.*—Subpart D of part II of sub-  
4 chapter E of chapter 1 (relating to inventories) is amended  
5 by adding at the end thereof the following new section:

6 **“SEC. 475. MARK TO MARKET ACCOUNTING METHOD FOR**  
7 **DEALERS IN SECURITIES.**

8 “(a) *GENERAL RULE.*—Notwithstanding any other  
9 provision of this subpart, the following rules shall apply  
10 to securities held by a dealer in securities:

11 “(1) Any security which is inventory in the  
12 hands of the dealer shall be included in inventory at  
13 its fair market value.

14 “(2) In the case of any security which is not in-  
15 ventory in the hands of the dealer and which is held  
16 at the close of any taxable year—

17 “(A) the dealer shall recognize gain or loss  
18 as if such security were sold for its fair market  
19 value on the last business day of such taxable  
20 year, and

21 “(B) any gain or loss shall be taken into ac-  
22 count for such taxable year.

23 Proper adjustment shall be made in the amount of  
24 any gain or loss subsequently realized for gain or loss  
25 taken into account under the preceding sentence. The  
26 Secretary may provide by regulations for the applica-

1        *tion of this paragraph at times other than the times*  
2        *provided in this paragraph.*

3        “(b) *EXCEPTIONS.*—

4                “(1) *IN GENERAL.*—*Subsection (a) shall not*  
5        *apply to—*

6                        “(A) *any security held for investment, and*

7                        “(B) *any security which is a hedge with re-*  
8        *spect to—*

9                                “(i) *a security to which subsection (a)*  
10        *does not apply, or*

11                                “(ii) *a position, right to income, or a*  
12        *liability which is not a security in the*  
13        *hands of the taxpayer.*

14        *To the extent provided in regulations, subparagraph*  
15        *(B) shall not apply to any security held by a person*  
16        *in its capacity as a dealer in securities.*

17                “(2) *IDENTIFICATION REQUIRED.*—*A security*  
18        *shall not be treated as described in subparagraph (A)*  
19        *or (B) of paragraph (1), as the case may be, unless*  
20        *such security is clearly identified in the dealer’s*  
21        *records as being described in such subparagraph be-*  
22        *fore the close of the day on which it was acquired,*  
23        *originated, or entered into (or such other time as the*  
24        *Secretary may by regulations prescribe).*

1           “(3) *SECURITIES SUBSEQUENTLY NOT EX-*  
2           *EMPT.—If a security ceases to be described in para-*  
3           *graph (1) at any time after it was identified as such*  
4           *under paragraph (2), subsection (a) shall apply to*  
5           *any changes in value of the security occurring after*  
6           *the cessation.*

7           “(4) *SPECIAL RULE FOR PROPERTY HELD FOR*  
8           *INVESTMENT.—To the extent provided in regulations,*  
9           *subparagraph (A) of paragraph (1) shall not apply to*  
10           *any security described in subparagraph (D) or (E) of*  
11           *subsection (c)(2) which is held by a dealer in such se-*  
12           *curities.*

13           “(c) *DEFINITIONS.—For purposes of this section—*

14           “(1) *DEALER IN SECURITIES DEFINED.—The*  
15           *term ‘dealer in securities’ means a taxpayer who—*

16                   “(A) *regularly purchases securities from or*  
17                   *sells securities to customers in the ordinary*  
18                   *course of a trade or business; or*

19                   “(B) *regularly offers to enter into, assume,*  
20                   *offset, assign or otherwise terminate positions in*  
21                   *securities with customers in the ordinary course*  
22                   *of a trade or business.*

23           “(2) *SECURITY DEFINED.—The term ‘security’*  
24           *means any—*

25                   “(A) *share of stock in a corporation;*

1           “(B) partnership or beneficial ownership  
2 interest in a widely held or publicly traded part-  
3 nership or trust;

4           “(C) note, bond, debenture, or other evidence  
5 of indebtedness;

6           “(D) interest rate, currency, or equity no-  
7 tional principal contract;

8           “(E) evidence of an interest in, or a deriva-  
9 tive financial instrument in, any security de-  
10 scribed in subparagraph (A), (B), (C), or (D), or  
11 any currency, including any option, forward  
12 contract, short position, and any similar finan-  
13 cial instrument in such a security or currency;  
14 and

15           “(F) position which—

16               “(i) is not a security described in sub-  
17 paragraph (A), (B), (C), (D), or (E),

18               “(ii) is a hedge with respect to such a  
19 security, and

20               “(iii) is clearly identified in the deal-  
21 er’s records as being described in this sub-  
22 paragraph before the close of the day on  
23 which it was acquired or entered into (or  
24 such other time as the Secretary may by  
25 regulations prescribe).

1     *Subparagraph (E) shall not include any contract to*  
2     *which section 1256(a) applies.*

3             “(3) *HEDGE.*—*The term ‘hedge’ means any posi-*  
4     *tion which reduces the dealer’s risk of interest rate or*  
5     *price changes or currency fluctuations, including any*  
6     *position which is reasonably expected to become a*  
7     *hedge within 60 days after the acquisition of the posi-*  
8     *tion.*

9             “(d) *SPECIAL RULES.*—*For purposes of this section—*

10             “(1) *COORDINATION WITH CERTAIN RULES.*—*The*  
11     *rules of sections 263(g), 263A, and 1256(a) shall not*  
12     *apply to securities to which subsection (a) applies,*  
13     *and section 1091 shall not apply (and section 1092*  
14     *shall apply) to any loss recognized under subsection*  
15     *(a).*

16             “(2) *IMPROPER IDENTIFICATION.*—*If a tax-*  
17     *payer—*

18             “(A) *identifies any security under sub-*  
19     *section (b)(2) as being described in subsection*  
20     *(b)(1) and such security is not so described, or*

21             “(B) *fails under subsection (c)(2)(F)(iii) to*  
22     *identify any position which is described in sub-*  
23     *section (c)(2)(F) (without regard to clause (iii)*  
24     *thereof) at the time such identification is re-*  
25     *quired,*

1     *the provisions of subsection (a) shall apply to such se-*  
2     *curity or position, except that any loss under this sec-*  
3     *tion prior to the disposition of the security or posi-*  
4     *tion shall be recognized only to the extent of gain pre-*  
5     *viously recognized under this section (and not pre-*  
6     *viously taken into account under this paragraph)*  
7     *with respect to such security or position.*

8             “(3) *CHARACTER OF GAIN OR LOSS.—*

9                 “(A) *IN GENERAL.—Except as provided in*  
10                 *subparagraph (B) or section 1236(b)—*

11                     “(i) *IN GENERAL.—Any gain or loss*  
12                     *with respect to a security under subsection*  
13                     *(a)(2) shall be treated as ordinary income*  
14                     *or loss.*

15                     “(ii) *SPECIAL RULE FOR DISPOS-*  
16                     *ITIONS.—If—*

17                         “(I) *gain or loss is recognized*  
18                         *with respect to a security before the*  
19                         *close of the taxable year, and*

20                         “(II) *subsection (a)(2) would have*  
21                         *applied if the security were held as of*  
22                         *the close of the taxable year,*  
23                     *such gain or loss shall be treated as ordi-*  
24                     *nary income or loss.*

1           “(B) *EXCEPTION.*—Subparagraph (A) shall  
2           not apply to any gain or loss which is allocable  
3           to a period during which—

4                   “(i) the security is described in sub-  
5                   section (b)(1)(B) (without regard to sub-  
6                   section (b)(2)),

7                   “(ii) the security is held by a person  
8                   other than in connection with its activities  
9                   as a dealer in securities, or

10                   “(iii) the security is improperly identi-  
11                   fied (within the meaning of subparagraph  
12                   (A) or (B) of paragraph (2)).

13           “(e) *REGULATORY AUTHORITY.*—The Secretary shall  
14           prescribe such regulations as may be necessary or appro-  
15           priate to carry out the purposes of this section, including  
16           rules—

17                   “(1) to prevent the use of year-end transfers, re-  
18                   lated parties, or other arrangements to avoid the pro-  
19                   visions of this section, and

20                   “(2) to provide for the application of this section  
21                   to any security which is a hedge which cannot be  
22                   identified with a specific security, position, right to  
23                   income, or liability.”

24           (b) *CONFORMING AMENDMENTS.*—

1           (1) Paragraph (1) of section 988(d) is amend-  
2 ed—

3                   (A) by striking “section 1256” and insert-  
4 ing “section 475 or 1256”, and

5                   (B) by striking “1092 and 1256” and in-  
6 serting “475, 1092, and 1256”.

7           (2) The table of sections for subpart D of part  
8 II of subchapter E of chapter 1 is amended by adding  
9 at the end thereof the following new item:

*“Sec. 475. Mark to market accounting method for dealers in securi-  
ties.”*

10           (c) *EFFECTIVE DATE.*—

11                   (1) *IN GENERAL.*—The amendments made by  
12 this section shall apply to all taxable years ending on  
13 or after December 31, 1993.

14                   (2) *CHANGE IN METHOD OF ACCOUNTING.*—In  
15 the case of any taxpayer required by this section to  
16 change its method of accounting for any taxable  
17 year—

18                           (A) such change shall be treated as initiated  
19 by the taxpayer,

20                           (B) such change shall be treated as made  
21 with the consent of the Secretary, and

22                           (C) except as provided in paragraph (3),  
23 the net amount of the adjustments required to be  
24 taken into account by the taxpayer under section



1           481 of the Internal Revenue Code of 1986 shall  
2           be taken into account ratably over the 5-taxable  
3           year period beginning with the first taxable year  
4           ending on or after December 31, 1993.

5           (3) *SPECIAL RULE FOR FLOOR SPECIALISTS AND*  
6           *MARKET MAKERS.*—

7           (A) *IN GENERAL.*—If—

8           (i) a taxpayer (or any predecessor)  
9           used the last-in first-out (LIFO) method of  
10          accounting with respect to any qualified se-  
11          curities for the 5-taxable year period ending  
12          with its last taxable year ending before De-  
13          cember 31, 1993, and

14          (ii) any portion of the net amount de-  
15          scribed in paragraph (2)(C) is attributable  
16          to the use of such method of accounting,

17          then paragraph (2)(C) shall be applied by taking  
18          such portion into account ratably over the 15-  
19          taxable year period beginning with the first tax-  
20          able year ending on or after December 31, 1993.

21          (B) *QUALIFIED SECURITY.*—For purposes of  
22          this paragraph, the term “qualified security”  
23          means any security acquired—

24          (i) by a floor specialist (as defined in  
25          section 1236(d)(2) of the Internal Revenue

1            *Code of 1986) in connection with the spe-*  
2            *cialist's duties as a specialist on an ex-*  
3            *change, but only if the security is one in*  
4            *which the specialist is registered with the*  
5            *exchange, or*

6            *(ii) by a taxpayer who is a market*  
7            *maker in connection with the taxpayer's du-*  
8            *ties as a market maker, but only if—*

9            *(I) the security is included on the*  
10           *National Association of Security Deal-*  
11           *ers Automated Quotation System,*

12           *(II) the taxpayer is registered as*  
13           *a market maker in such security with*  
14           *the National Association of Security*  
15           *Dealers, and*

16           *(III) as of the last day of the tax-*  
17           *able year preceding the taxpayer's first*  
18           *taxable year ending on or after Decem-*  
19           *ber 31, 1993, the taxpayer (or any*  
20           *predecessor) has been actively and reg-*  
21           *ularly engaged as a market maker in*  
22           *such security for the 2-year period end-*  
23           *ing on such date (or, if shorter, the pe-*  
24           *riod beginning 61 days after the secu-*

1                    *urity was listed in such quotation sys-*  
2                    *tem and ending on such date).*

3    **SEC. 8224. CLARIFICATION OF TREATMENT OF CERTAIN**  
4                    **FSLIC FINANCIAL ASSISTANCE.**

5            (a) *GENERAL RULE.*—*For purposes of chapter 1 of the*  
6    *Internal Revenue Code of 1986—*

7            (1) *any FSLIC assistance with respect to any*  
8            *loss of principal, capital, or similar amount upon the*  
9            *disposition of any asset shall be taken into account as*  
10           *compensation for such loss for purposes of section 165*  
11           *of such Code, and*

12           (2) *any FSLIC assistance with respect to any*  
13           *debt shall be taken into account for purposes of sec-*  
14           *tion 166, 585, or 593 of such Code in determining*  
15           *whether such debt is worthless (or the extent to which*  
16           *such debt is worthless) and in determining the*  
17           *amount of any addition to a reserve for bad debts*  
18           *arising from the worthlessness or partial worthlessness*  
19           *of such debts.*

20           (b) *FSLIC ASSISTANCE.*—*For purposes of this section,*  
21           *the term “FSLIC assistance” means any assistance (or*  
22           *right to assistance) with respect to a domestic building and*  
23           *loan association (as defined in section 7701(a)(19) of such*  
24           *Code without regard to subparagraph (C) thereof) under*  
25           *section 406(f) of the National Housing Act or section 21A*

1 *of the Federal Home Loan Bank Act (or under any similar*  
2 *provision of law).*

3 (c) *EFFECTIVE DATE.*—

4 (1) *IN GENERAL.*—*Except as otherwise provided*  
5 *in this subsection—*

6 (A) *The provisions of this section shall*  
7 *apply to taxable years ending on or after March*  
8 *4, 1991, but only with respect to FSLIC assist-*  
9 *ance not credited before March 4, 1991.*

10 (B) *If any FSLIC assistance not credited*  
11 *before March 4, 1991, is with respect to a loss*  
12 *sustained or charge-off in a taxable year ending*  
13 *before March 4, 1991, for purposes of determin-*  
14 *ing the amount of any net operating loss carry-*  
15 *over to a taxable year ending on or after March*  
16 *4, 1991, the provisions of this section shall apply*  
17 *to such assistance for purposes of determining*  
18 *the amount of the net operating loss for the tax-*  
19 *able year in which such loss was sustained or*  
20 *debt written off. Except as provided in the pre-*  
21 *ceding sentence, this section shall not apply to*  
22 *any FSLIC assistance with respect to a loss*  
23 *sustained or charge-off in a taxable year ending*  
24 *before March 4, 1991.*

1           (2) *EXCEPTIONS.*—*The provisions of this section*  
 2           *shall not apply to any assistance to which the amend-*  
 3           *ments made by section 1401(a)(3) of the Financial*  
 4           *Institutions Reform, Recovery, and Enforcement Act*  
 5           *of 1989 apply.*

6   **SEC. 8225. MODIFICATION OF CORPORATE ESTIMATED TAX**  
 7                                   **RULES.**

8           (a) *INCREASE IN REQUIRED INSTALLMENT BASED ON*  
 9    *CURRENT YEAR TAX.*—

10           (1) *IN GENERAL.*—*Clause (i) of section*  
 11           *6655(d)(1)(B) (relating to amount of required install-*  
 12           *ment) is amended by striking “91 percent” each place*  
 13           *it appears and inserting “100 percent”.*

14           (2) *CONFORMING AMENDMENTS.*—

15           (A) *Subsection (d) of section 6655 is*  
 16           *amended—*

17                                   (i) *by striking paragraph (3), and*

18                                   (ii) *by striking “91 PERCENT” in the*  
 19                                   *paragraph heading of paragraph (2) and*  
 20                                   *inserting “100 PERCENT”.*

21           (B) *Clause (ii) of section 6655(e)(2)(B) is*  
 22           *amended by striking the table contained therein*  
 23           *and inserting the following:*

<b><i>“In the case of the following re-</i></b>	<b><i>The applicable</i></b>
<b><i>quired installments:</i></b>	<b><i>percentage is:</i></b>
<i>1st .....</i>	<i>25</i>
<i>2nd .....</i>	<i>50</i>

3rd .....	75
4th .....	100."

1           (C) Clause (i) of section 6655(e)(3)(A) is  
 2           amended by striking "91 percent" and inserting  
 3           "100 percent".

4           (b) MODIFICATION OF PERIODS FOR APPLYING  
 5 ANNUALIZATION.—

6           (1) Clause (i) of section 6655(e)(2)(A) is amend-  
 7           ed—

8                   (A) by striking "or for the first 5 months"  
 9                   in subclause (II),

10                   (B) by striking "or for the first 8 months"  
 11                   in subclause (III), and

12                   (C) by striking "or for the first 11 months"  
 13                   in subclause (IV).

14           (2) Paragraph (2) of section 6655(e) is amended  
 15           by adding at the end thereof the following new sub-  
 16           paragraph:

17                   “(C) ELECTION FOR DIFFERENT  
 18                   ANNUALIZATION PERIODS.—

19                           “(i) If the taxpayer makes an election  
 20                           under this clause—

21                                   “(I) subclause (I) of subparagraph  
 22                                   (A)(i) shall be applied by substituting  
 23                                   ‘2 months’ for ‘3 months’,

1           “(II) subclause (II) of subpara-  
2 graph (A)(i) shall be applied by sub-  
3 stituting ‘4 months’ for ‘3 months’,

4           “(III) subclause (III) of subpara-  
5 graph (A)(i) shall be applied by sub-  
6 stituting ‘7 months’ for ‘6 months’, and

7           “(IV) subclause (IV) of subpara-  
8 graph (A)(i) shall be applied by sub-  
9 stituting ‘10 months’ for ‘9 months’.

10          “(ii) If the taxpayer makes an election  
11 under this clause—

12           “(I) subclause (II) of subpara-  
13 graph (A)(i) shall be applied by sub-  
14 stituting ‘5 months’ for ‘3 months’,

15           “(II) subclause (III) of subpara-  
16 graph (A)(i) shall be applied by sub-  
17 stituting ‘8 months’ for ‘6 months’, and

18           “(III) subclause (IV) of subpara-  
19 graph (A)(i) shall be applied by sub-  
20 stituting ‘11 months’ for ‘9 months’.

21          “(iii) An election under clause (i) or  
22 (ii) shall apply to the taxable year for  
23 which made and such an election shall be  
24 effective only if made on or before the date

1           required for the payment of the first re-  
2           quired installment for such taxable year.”

3           (3) The last sentence of section 6655(g)(3) is  
4           amended by striking “and subsection (e)(2)(A)” and  
5           inserting “and, except in the case of an election under  
6           subsection (e)(2)(C), subsection (e)(2)(A)”.

7           (c) *EFFECTIVE DATE.*—The amendments made by this  
8           section shall apply to taxable years beginning after Decem-  
9           ber 31, 1993.

10   **SEC. 8226. MODIFICATIONS OF DISCHARGE OF INDEBTED-**  
11                                   **NESS PROVISIONS.**

12           (a) *REPEAL OF STOCK FOR DEBT EXCEPTION IN DE-*  
13           *TERMINING INCOME FROM DISCHARGE OF INDEBTED-*  
14           *NESS.*—

15           (1) *IN GENERAL.*—Subsection (e) of section 108  
16           is amended—

17                           (A) by striking paragraph (10) and by re-  
18                           designating paragraph (11) as paragraph (10),  
19                           and

20                           (B) by amending paragraph (8) to read as  
21                           follows:

22                           “(8) *INDEBTEDNESS SATISFIED BY CORPORA-*  
23                           *TION’S STOCK.*—For purposes of determining income  
24                           of a debtor from discharge of indebtedness, if a debtor  
25                           corporation transfers stock to a creditor in satisfac-



1        *tion of its indebtedness, such corporation shall be*  
2        *treated as having satisfied the indebtedness with an*  
3        *amount of money equal to the fair market value of the*  
4        *stock.”*

5            (2) *CONFORMING AMENDMENT.—Subparagraph*  
6        *(C) of section 382(l)(5) is amended to read as follows:*

7                    “(C) *COORDINATION WITH SECTION 108.—In*  
8                    *applying section 108(e)(8) to any case to which*  
9                    *subparagraph (A) applies, there shall not be*  
10                   *taken into account any indebtedness for interest*  
11                   *described in subparagraph (B).”*

12            (3) *EFFECTIVE DATE.—*

13                    (A) *IN GENERAL.—Except as otherwise pro-*  
14                    *vided in this paragraph, the amendments made*  
15                    *by this subsection shall apply to stock transferred*  
16                    *after June 17, 1993, in satisfaction of any in-*  
17                    *debtedness.*

18                    (B) *EXCEPTION FOR TITLE 11 CASES.—The*  
19                    *amendments made by this subsection shall not*  
20                    *apply to stock transferred in satisfaction of any*  
21                    *indebtedness if such transfer is in a title 11 or*  
22                    *similar case (as defined in section 368(a)(3)(A)*  
23                    *of the Internal Revenue Code of 1986) which was*  
24                    *filed on or before June 17, 1993.*

1           (C) *EXCEPTION FOR BINDING CONTRACTS.*—

2           The amendments made by this section shall not  
3           apply to any stock transferred after June 17,  
4           1993, and before January 1, 1994, if such trans-  
5           fer is pursuant to a binding contract in effect on  
6           June 17, 1993, and at all times thereafter before  
7           the transfer.

8           (D) *EXCEPTION FOR CERTAIN FILINGS.*—

9           The amendments made by this section shall not  
10          apply to any stock transferred in satisfaction of  
11          any indebtedness if—

12                 (i) such transfer occurs after June 17,  
13                 1993, and before January 1, 1994, and

14                 (ii) the taxpayer had filed with the Se-  
15                 curities and Exchange Commission on or  
16                 before June 17, 1993, a registration state-  
17                 ment which proposed a stock-for-debt ex-  
18                 change with respect to such indebtedness,  
19                 and which discussed the possible application  
20                 of the stock-for-debt exception to such ex-  
21                 change.

22          (b) *TAX ATTRIBUTES SUBJECT TO REDUCTION.*—

23                 (1) *MINIMUM TAX CREDIT.*—Section 108(b)(2)  
24                 (relating to tax attributes affected; order of reduction)  
25                 is amended by redesignating subparagraphs (C), (D),

1     *and (E) as subparagraphs (D), (E), and (F) and by*  
2     *adding after subparagraph (B) the following new sub-*  
3     *paragraph:*

4             “(C) *MINIMUM TAX CREDIT.*—*The amount*  
5             *of the minimum tax credit available under sec-*  
6             *tion 53(b) as of the beginning of the taxable year*  
7             *immediately following the taxable year of the*  
8             *discharge.”*

9             (2) *PASSIVE ACTIVITY LOSSES AND CREDITS.*—  
10            *Section 108(b)(2), as amended by paragraph (1), is*  
11            *amended by redesignating subparagraph (F) as sub-*  
12            *paragraph (G) and by adding after subparagraph (E)*  
13            *the following new subparagraph:*

14            “(F) *PASSIVE ACTIVITY LOSS AND CREDIT*  
15            *CARRYOVERS.*—*Any passive activity loss or cred-*  
16            *it carryover of the taxpayer under section 469(b)*  
17            *from the taxable year of the discharge.”*

18            (3) *CONFORMING AMENDMENTS.*—

19            (A) *Subparagraph (B) of section 108(b)(3)*  
20            *is amended to read as follows:*

21            “(B) *CREDIT CARRYOVER REDUCTION.*—*The*  
22            *reductions described in subparagraphs (B), (C),*  
23            *and (G) shall be 33⅓ cents for each dollar ex-*  
24            *cluded by subsection (a). The reduction described*  
25            *in subparagraph (F) in any passive activity*

1           *credit carryover shall be 33<sup>1</sup>/<sub>3</sub> cents for each dol-*  
2           *lar excluded by subsection (a)."*

3           *(B) Subparagraph (B) of section 108(b)(4)*  
4           *is amended by striking "(C)" in the text and*  
5           *heading thereof and inserting "(D)".*

6           *(C) Subparagraph (C) of section 108(b)(4)*  
7           *is amended by striking "(E)" in the text and*  
8           *heading thereof and inserting "(G)".*

9           *(D) Subparagraph (B) of section 108(g)(3)*  
10          *is amended—*

11           *(i) by striking "subparagraphs (A),*  
12           *(B), (C), and (E)" and inserting "subpara-*  
13           *graphs (A), (B), (C), (D), (F), and (G)",*

14           *(ii) by striking "subparagraphs (B)*  
15           *and (E)" and inserting "subparagraphs*  
16           *(B), (C), and (G)", and*

17           *(iii) by inserting before the period at*  
18           *the end the following: "and the attribute de-*  
19           *scribed in subparagraph (F) of subsection*  
20           *(b)(2) to the extent attributable to any pas-*  
21           *sive activity credit carryover".*

22          *(4) EFFECTIVE DATE.—The amendments made*  
23          *by this section shall apply to taxable years beginning*  
24          *after December 31, 1993.*

1 **SEC. 8227. LIMITATION ON SECTION 936 CREDIT.**

2 (a) *GENERAL RULE.*—Subsection (a) of section 936  
3 (relating to Puerto Rico and possession tax credit) is  
4 amended—

5 (1) by striking “as provided in paragraph (3)”  
6 in paragraph (1) and inserting “as otherwise pro-  
7 vided in this section”;

8 (2) by adding at the end thereof the following  
9 new paragraph:

10 “(4) *LIMITATIONS ON CREDIT FOR ACTIVE BUSI-*  
11 *NESS INCOME.*—

12 “(A) *IN GENERAL.*—The amount of the  
13 credit determined under paragraph (1)(A) for  
14 any taxable year shall not exceed the sum of the  
15 following amounts:

16 “(i) 95 percent of the sum of—

17 “(I) the aggregate amount of the  
18 possession corporation’s qualified pos-  
19 session wages for such taxable year,  
20 plus

21 “(II) the allocable employee fringe  
22 benefit expenses of the possession cor-  
23 poration for the taxable year.

24 “(ii) The sum of—

25 “(I) 50 percent of the depreciation  
26 deductions allowable under section 167

1           to the possession corporation for the  
2           taxable year with respect to short-life  
3           qualified tangible property,

4           “(II) 75 percent of the deprecia-  
5           tion deductions allowable under section  
6           167 to the possession corporation for  
7           the taxable year with respect to me-  
8           dium-life qualified tangible property,  
9           and

10          “(III) 100 percent of the deprecia-  
11          tion deductions allowable under section  
12          167 to the possession corporation for  
13          the taxable year with respect to long-  
14          life qualified tangible property.

15          “(iii) If the possession corporation does  
16          not have an election to use the method de-  
17          scribed in subsection (h)(5)(C)(ii) (relating  
18          to profit split) in effect for the taxable year,  
19          the amount of qualified possession income  
20          taxes for the taxable year allocable to  
21          nonsheltered income.

22          “(B) ELECTION TO TAKE REDUCED CRED-

23          IT.—

1                   “(i) *IN GENERAL.*—If an election  
 2                   under this subparagraph applies to a pos-  
 3                   session corporation for any taxable year—

4                               “(I) subparagraph (A), and the  
 5                               provisions of subsection (i), shall not  
 6                               apply to such possession corporation  
 7                               for such taxable year, and

8                               “(II) the credit determined under  
 9                               paragraph (1)(A) for such taxable year  
 10                              shall be the applicable percentage of the  
 11                              credit which would otherwise have been  
 12                              determined under such paragraph.

13                   Notwithstanding subclause (I), a possession  
 14                   corporation to which an election under this  
 15                   subparagraph applies shall be entitled to the  
 16                   benefits of subsection (i)(3)(B) for taxes al-  
 17                   locable (on a pro rata basis) to taxable in-  
 18                   come the tax on which is not offset by rea-  
 19                   son of this subparagraph.

20                              “(ii) *APPLICABLE PERCENTAGE.*—The  
 21                              term ‘applicable percentage’ means the per-  
 22                              centage determined in accordance with the  
 23                              following table:

<b>“In the case of taxable year beginning in:</b>	<b>The percentage is:</b>
1994 .....	60
1995 .....	55
1996 .....	50

***“In the case of taxable year beginning in:***

***The percentage is:***

<i>1997 .....</i>	<i>45</i>
<i>1998 and thereafter .....</i>	<i>40.</i>

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

*“(iii) ELECTION.—*

*“(I) IN GENERAL.—An election under this subparagraph by any possession corporation may be made only for the corporation’s first taxable year beginning after December 31, 1993, for which it is a possession corporation.*

*“(II) PERIOD OF ELECTION.—An election under this subparagraph shall apply to the taxable year for which made and all subsequent taxable years unless revoked.*

*“(III) AFFILIATED GROUPS.—If, for any taxable year, an election is not in effect for any possession corporation which is a member of an affiliated group, any election under this subparagraph for any other member of such group is revoked for such taxable year and all subsequent taxable years. For purposes of this subclause, members of an affiliated group shall be determined without regard to the excep-*



1            *tions contained in section 1504(b) and*  
2            *as if the constructive ownership rules*  
3            *of section 1563(e) applied for purposes*  
4            *of section 1504(a). The Secretary may*  
5            *prescribe regulations to prevent the*  
6            *avoidance of this subclause through*  
7            *deconsolidation or otherwise.*

8            *“(C) CROSS REFERENCE.—*

***“For definitions and special rules applicable to  
this paragraph, see subsection (i).”; and***

9            *(3) by inserting “97.5 percent of” after “equal*  
10          *to” in paragraph (1).*

11          *(b) DEFINITIONS AND SPECIAL RULES.—Section 936*  
12          *is amended by adding at the end thereof the following new*  
13          *subsection:*

14          *“(i) DEFINITIONS AND SPECIAL RULES RELATING TO*  
15          *LIMITATIONS OF SUBSECTION (a)(4).—*

16          *“(1) QUALIFIED POSSESSION WAGES.—For pur-*  
17          *poses of this section—*

18                  *“(A) IN GENERAL.—The term ‘qualified*  
19                  *possession wages’ means wages paid or incurred*  
20                  *by the possession corporation during the taxable*  
21                  *year in connection with the active conduct of a*  
22                  *trade or business within a possession of the*  
23                  *United States to any employee for services per-*  
24                  *formed in such possession, but only if such serv-*

1            *ices are performed while the principal place of*  
2            *employment of such employee is within such pos-*  
3            *session.*

4            *“(B) LIMITATION ON AMOUNT OF WAGES*  
5            *TAKEN INTO ACCOUNT.—*

6            *“(i) IN GENERAL.—The amount of*  
7            *wages which may be taken into account*  
8            *under subparagraph (A) with respect to any*  
9            *employee for any taxable year shall not ex-*  
10           *ceed 85 percent of the contribution and ben-*  
11           *efit base determined under section 230 of*  
12           *the Social Security Act for the calendar*  
13           *year in which such taxable year begins.*

14           *“(ii) TREATMENT OF PART-TIME EM-*  
15           *PLOYEES, ETC.—If—*

16           *“(I) any employee is not em-*  
17           *ployed by the possession corporation on*  
18           *a substantially full-time basis at all*  
19           *times during the taxable year, or*

20           *“(II) the principal place of em-*  
21           *ployment of any employee with the*  
22           *possession corporation is not within a*  
23           *possession at all times during the tax-*  
24           *able year,*

1           *the limitation applicable under clause (i)*  
2           *with respect to such employee shall be the*  
3           *appropriate portion (as determined by the*  
4           *Secretary) of the limitation which would*  
5           *otherwise be in effect under clause (i).*

6           “(C) *TREATMENT OF CERTAIN EMPLOY-*  
7           *EES.—The term ‘qualified possession wages’ shall*  
8           *not include any wages paid to employees who*  
9           *are assigned by the employer to perform services*  
10           *for another person, unless the principal trade or*  
11           *business of the employer is to make employees*  
12           *available for temporary periods to other persons*  
13           *in return for compensation. All possession cor-*  
14           *porations treated as 1 corporation under para-*  
15           *graph (6) shall be treated as 1 employer for pur-*  
16           *poses of the preceding sentence.*

17           “(D) *WAGES.—*

18           “(i) *IN GENERAL.—Except as provided*  
19           *in clause (ii), the term ‘wages’ has the*  
20           *meaning given to such term by subsection*  
21           *(b) of section 3306 (determined without re-*  
22           *gard to any dollar limitation contained in*  
23           *such section). For purposes of the preceding*  
24           *sentence, such subsection (b) shall be ap-*

1           *plied as if the term ‘United States’ included*  
2           *all possessions of the United States.*

3           “(ii) *SPECIAL RULE FOR AGRICUL-*  
4           *TURAL LABOR AND RAILWAY LABOR.—In*  
5           *any case to which subparagraph (A) or (B)*  
6           *of paragraph (1) of section 51(h) applies,*  
7           *the term ‘wages’ has the meaning given to*  
8           *such term by section 51(h)(2).*

9           “(2) *ALLOCABLE EMPLOYEE FRINGE BENEFIT*  
10          *EXPENSES.—*

11           “(A) *IN GENERAL.—The allocable employee*  
12           *fringe benefit expenses of any possession corpora-*  
13           *tion for any taxable year is an amount which*  
14           *bears the same ratio to the amount determined*  
15           *under subparagraph (B) for such taxable year*  
16           *as—*

17                   “(i) *the aggregate amount of the pos-*  
18                   *session corporation’s qualified possession*  
19                   *wages for such taxable year, bears to*

20                           “(ii) *the aggregate amount of the wages*  
21                           *paid or incurred by such possession cor-*  
22                           *poration during such taxable year.*

23           *In no event shall the amount determined under*  
24           *the preceding sentence exceed 15 percent of the*  
25           *amount referred to in clause (i).*

1           “(B) *EXPENSES TAKEN INTO ACCOUNT.*—  
2           *For purposes of subparagraph (A), the amount*  
3           *determined under this subparagraph for any tax-*  
4           *able year is the aggregate amount allowable as*  
5           *a deduction under this chapter to the possession*  
6           *corporation for such taxable year (determined*  
7           *without regard to paragraph (5)) with respect*  
8           *to—*

9                   “(i) *employer contributions under a*  
10                   *stock bonus, pension, profit-sharing, or an-*  
11                   *nuity plan,*

12                   “(ii) *employer-provided coverage under*  
13                   *any accident or health plan for employees,*  
14                   *and*

15                   “(iii) *the cost of life or disability in-*  
16                   *surance provided to employees.*

17           *Any amount treated as wages under paragraph*  
18           *(1)(D) shall not be taken into account under this*  
19           *subparagraph.*

20           “(3) *TREATMENT OF POSSESSION TAXES.*—

21                   “(A) *AMOUNT OF CREDIT FOR POSSESSION*  
22                   *CORPORATIONS NOT USING PROFIT SPLIT.*—

23                   “(i) *IN GENERAL.*—*For purposes of*  
24                   *subsection (a)(4)(A)(iii), the amount of the*  
25                   *qualified possession income taxes for any*

1           taxable year allocable to nonsheltered in-  
2           come shall be an amount which bears the  
3           same ratio to the possession income taxes  
4           for such taxable year as—

5                   “(I) the increase in the tax liabil-  
6                   ity of the possession corporation under  
7                   this chapter by reason of subsection  
8                   (a)(4)(A) (without regard to clause  
9                   (iii) thereof) and paragraph (5) of this  
10                  subsection, bears to

11                   “(II) the tax liability of the pos-  
12                   session corporation for the taxable year  
13                   determined without regard to the credit  
14                   allowable under this section and with-  
15                   out regard to paragraph (5) of this  
16                   subsection.

17                   “(i) *LIMITATION ON AMOUNT OF*  
18                   *TAXES TAKEN INTO ACCOUNT.*—Possession  
19                   income taxes shall not be taken into account  
20                   under clause (i) for any taxable year to the  
21                   extent that the amount of such taxes exceeds  
22                   9 percent of the amount of the taxable in-  
23                   come for such taxable year.

24                   “(B) *DEDUCTION FOR POSSESSION COR-*  
25                   *PORATIONS USING PROFIT SPLIT.*—Notwithstand-

1        *ing subsection (c) if a possession corporation is*  
2        *not described in subsection (a)(4)(A)(iii) for any*  
3        *taxable year, such possession corporation shall be*  
4        *allowed a deduction for such taxable year in an*  
5        *amount which bears the same ratio to the posses-*  
6        *sion income taxes for such taxable year as—*

7                *“(i) the increase in the tax liability of*  
8                *the possession corporation under this chap-*  
9                *ter by reason of subsection (a)(4)(A) and*  
10              *paragraph (5) of this subsection, bears to*

11              *“(ii) the tax liability of the possession*  
12              *corporation for the taxable year determined*  
13              *without regard to the credit allowable under*  
14              *this section and without regard to para-*  
15              *graph (5) of this subsection.*

16        *In determining the credit under subsection (a)*  
17        *and in applying the preceding sentence, taxable*  
18        *income shall be determined without regard to the*  
19        *preceding sentence.*

20              *“(C) POSSESSION INCOME TAXES.—For*  
21              *purposes of this paragraph, the term ‘possession*  
22              *income taxes’ means any taxes of a possession of*  
23              *the United States which are treated as not being*  
24              *income, war profits, or excess profits taxes paid*

1           or accrued to a possession of the United States  
2           by reason of subsection (c).

3           “(4) CATEGORIES OF DEPRECIABLE PROP-  
4           PERTY.—For purposes of this section—

5                   “(A) QUALIFIED TANGIBLE PROPERTY.—  
6                   The term ‘qualified tangible property’ means  
7                   any tangible property used by the possession cor-  
8                   poration in a possession of the United States in  
9                   the active conduct of a trade or business within  
10                  such possession.

11                   “(B) SHORT-LIFE QUALIFIED TANGIBLE  
12                   PROPERTY.—The term ‘short-life qualified tan-  
13                   gible property’ means any qualified tangible  
14                   property to which section 168 applies and which  
15                   is 3-year property or 5-year property for pur-  
16                   poses of such section.

17                   “(C) MEDIUM-LIFE QUALIFIED TANGIBLE  
18                   PROPERTY.—The term ‘medium-life qualified  
19                   tangible property’ means any qualified tangible  
20                   property to which section 168 applies and which  
21                   is 7-year property or 10-year property for pur-  
22                   poses of such section.

23                   “(D) LONG-LIFE QUALIFIED TANGIBLE  
24                   PROPERTY.—The term ‘long-life qualified tan-  
25                   gible property’ means any qualified tangible



1           *property to which section 168 applies and which*  
2           *is not described in subparagraph (B) or (C).*

3           “(E) *TRANSITIONAL RULE.—In the case of*  
4           *any qualified tangible property to which section*  
5           *168 (as in effect on the day before the date of the*  
6           *enactment of the Tax Reform Act of 1986) ap-*  
7           *plies, any reference in this paragraph to section*  
8           *168 shall be treated as a reference to such section*  
9           *as so in effect.*

10          “(5) *DENIAL OF DOUBLE BENEFIT.—*

11           “(A) *IN GENERAL.—Notwithstanding any*  
12           *other provision of this chapter, no deduction*  
13           *shall be allowed to a possession corporation for—*

14                   “(i) *any qualified possession wages,*

15                   “(ii) *any allocable employee fringe*  
16                   *benefit expenses, and*

17                   “(iii) *any depreciation deductions re-*  
18                   *ferred to in subsection (a)(4)(A)(ii).*

19           “(B) *COORDINATION WITH OTHER PROVI-*  
20           *SIONS.—Subparagraph (A) shall not apply for*  
21           *purposes of—*

22                   “(i) *determining the amount of the*  
23                   *credit allowable under subsection (a)(1)(A)*  
24                   *or otherwise determining the taxable income*

1           *of the possession corporation under any*  
2           *other provision of this section, and*

3                   “(ii) *determining adjustments to the*  
4                   *basis of any property on account of depre-*  
5                   *ciation deductions.*”

6           “(6) *ELECTION TO COMPUTE CREDIT ON CON-*  
7           *SOLIDATED BASIS.—*

8                   “(A) *IN GENERAL.—Any affiliated group*  
9                   *may elect to treat all possession corporations*  
10                   *which would be members of such group but for*  
11                   *section 1504(b) (3) or (4) as 1 corporation for*  
12                   *purposes of this section. The credit determined*  
13                   *under this section with respect to such 1 corpora-*  
14                   *tion shall be allocated among such possession*  
15                   *corporations in such manner as the Secretary*  
16                   *may prescribe.*”

17                   “(B) *ELECTION.—An election under sub-*  
18                   *paragraph (A) shall apply to the taxable year*  
19                   *for which made and all succeeding taxable years*  
20                   *unless revoked with the consent of the Secretary.*”

21           “(7) *POSSESSION CORPORATION.—The term ‘pos-*  
22           *session corporation’ means a domestic corporation for*  
23           *which the election provided in subsection (a) is in ef-*  
24           *fect.*”

25           “(c) *MINIMUM TAX TREATMENT.—*

1           (1) *IN GENERAL.*—Clause (ii) of section  
2           56(g)(4)(C) (relating to treatment of special rule for  
3           certain dividends) is amended by striking “sections  
4           936 and 921” and inserting “sections 936 (including  
5           subsections (a)(4) and (i) thereof) and 921”.

6           (2) *TREATMENT OF FOREIGN TAXES.*—Clause  
7           (iii) of section 56(g)(4)(C) is amended by adding at  
8           the end thereof the following subclauses:

9                           “(IV) *SEPARATE APPLICATION OF*  
10                           *FOREIGN TAX CREDIT LIMITATIONS.*—  
11                           *In determining the alternative mini-*  
12                           *imum foreign tax credit, section 904(d)*  
13                           *shall be applied as if dividends from a*  
14                           *corporation eligible for the credit pro-*  
15                           *vided by section 936 were a separate*  
16                           *category of income referred to in a sub-*  
17                           *paragraph of section 904(d)(1).*

18                           “(V) *COORDINATION WITH LIMITA-*  
19                           *TION ON 936 CREDIT.*—Any reference in  
20                           *this clause to a dividend received from*  
21                           *a corporation eligible for the credit*  
22                           *provided by section 936 shall be treated*  
23                           *as a reference to the portion of any*  
24                           *such dividend for which the dividends*  
25                           *received deduction is disallowed under*

1                   *clause (i) after the application of*  
2                   *clause (ii)(I)."*

3           (d) *CONFORMING AMENDMENT.*—Paragraph (4) of sec-  
4 *tion 904(b) is amended by inserting before the period at*  
5 *the end thereof the following: "(without regard to sub-*  
6 *sections (a)(4) and (i) thereof)".*

7           (e) *INCREASE IN LIMITATION ON COVER OVER.*—Para-  
8 *graph (1) of section 7652(f) is amended to read as follows:*  
9                   *"(1) \$10.50 (\$11.30 in the case of distilled spir-*  
10 *its brought into the United States during the 5-year*  
11 *period beginning on July 1, 1995), or."*

12           (f) *EFFECTIVE DATE.*—The amendments made by this  
13 *section shall apply to taxable years beginning after Decem-*  
14 *ber 31, 1993; except that the amendment made by subsection*  
15 *(e) shall take effect on October 1, 1993.*

16 ***SEC. 8228. MODIFICATION TO LIMITATION ON DEDUCTION***  
17 ***FOR CERTAIN INTEREST.***

18           (a) *GENERAL RULE.*—Paragraph (3) of section 163(j)  
19 *(defining disqualified interest) is amended to read as fol-*  
20 *lows:*

21                   *"(3) DISQUALIFIED INTEREST.*—For purposes of  
22 *this subsection, the term 'disqualified interest'*  
23 *means—*

24                           *"(A) any interest paid or accrued by the*  
25 *taxpayer (directly or indirectly) to a related per-*

1           son if no tax is imposed by this subtitle with re-  
2           spect to such interest, and

3                   “(B) any interest paid or accrued by the  
4           taxpayer with respect to any indebtedness to a  
5           person who is not a related person if—

6                           “(i) there is a disqualified guarantee of  
7                           such indebtedness, and

8                                   “(ii) no gross basis tax is imposed by  
9                                   this subtitle with respect to such interest.”

10           (b) *DEFINITIONS.*—Paragraph (6) of section 163(j) is  
11           amended by adding at the end thereof the following new  
12           subparagraphs:

13                           “(D) *DISQUALIFIED GUARANTEE.*—

14                                   “(i) *IN GENERAL.*—Except as provided  
15                                   in clause (ii), the term ‘disqualified guaran-  
16                                   tee’ means any guarantee by a related per-  
17                                   son which is—

18   “(I) an organization exempt from  
19   taxation under this subtitle, or

20   “(II) a foreign person.

21   “(ii) *EXCEPTIONS.*—The term ‘dis-  
22   qualified guarantee’ shall not include a  
23   guarantee—

24   “(I) in any circumstances identi-  
25   fied by the Secretary by regulation,

1           where the interest on the indebtedness  
2           would have been subject to a net basis  
3           tax if the interest had been paid to the  
4           guarantor, or

5                   “(II) if the taxpayer owns a con-  
6                   trolling interest in the guarantor.

7           For purposes of subclause (II), except as  
8           provided in regulations, the term ‘a control-  
9           ling interest’ means direct or indirect own-  
10          ership of at least 80 percent of the total vot-  
11          ing power and value of all classes of stock  
12          of a corporation, or 80 percent of the profit  
13          and capital interests in any other entity.  
14          For purposes of the preceding sentence, the  
15          rules of paragraphs (1) and (5) of section  
16          267(c) shall apply; except that such rules  
17          shall also apply to interest in entities other  
18          than corporations.

19                   “(iii) GUARANTEE.—Except as pro-  
20                   vided in regulations, the term ‘guarantee’  
21                   includes any arrangement under which a  
22                   person (directly or indirectly through an  
23                   entity or otherwise) assures, on a condi-  
24                   tional or unconditional basis, the payment

1                   *of another person's obligation under any in-*  
2                   *debtedness.*

3                   “(E) *GROSS BASIS AND NET BASIS*  
4                   *TAXATION.—*

5                   “(i) *GROSS BASIS TAX.—The term*  
6                   *‘gross basis tax’ means any tax imposed by*  
7                   *this subtitle which is determined by ref-*  
8                   *erence to the gross amount of any item of*  
9                   *income without any reduction for any de-*  
10                   *duction allowed by this subtitle.*

11                   “(ii) *NET BASIS TAX.—The term ‘net*  
12                   *basis tax’ means any tax imposed by this*  
13                   *subtitle which is a not a gross basis tax.”*

14                   (c) *CONFORMING AMENDMENT.—Subparagraph (B) of*  
15                   *section 163(j)(5) is amended by striking “to a related per-*  
16                   *son”.*

17                   (d) *EFFECTIVE DATE.—The amendments made by this*  
18                   *section shall apply to interest paid or accrued in taxable*  
19                   *years beginning after December 31, 1993.*

1           **PART III—FOREIGN TAX PROVISIONS**

2           **Subpart A—Current Taxation of Certain Earnings of**  
3                           **Controlled Foreign Corporations**

4           **SEC. 8231. EARNINGS INVESTED IN EXCESS PASSIVE AS-**  
5                           **SETS.**

6           (a) *GENERAL RULE.*—Paragraph (1) of section 951(a)  
7           (relating to amounts included in gross income of United  
8           States shareholders) is amended by striking “and” at the  
9           end of subparagraph (A), by striking the period at the end  
10          of subparagraph (B) and inserting “; and”, and by adding  
11          at the end thereof the following new subparagraph:

12                           “(C) the amount determined under section  
13                           956A with respect to such shareholder for such  
14                           year (but only to the extent not excluded from  
15                           gross income under section 959(a)(3)).”

16          (b) *AMOUNT OF INCLUSION.*—Subpart F of part III  
17          of subchapter N of chapter 1 is amended by inserting after  
18          section 956 the following new section:

19          **“SEC. 956A. EARNINGS INVESTED IN EXCESS PASSIVE AS-**  
20                           **SETS.**

21               “(a) *GENERAL RULE.*—In the case of any controlled  
22               foreign corporation, the amount determined under this sec-  
23               tion with respect to any United States shareholder for any  
24               taxable year is the lesser of—

25                           “(1) the excess (if any) of—



1           “(A) such shareholder’s pro rata share of the  
2           amount of the controlled foreign corporation’s ex-  
3           cess passive assets for such taxable year, over

4           “(B) the amount of earnings and profits de-  
5           scribed in section 959(c)(1)(B) with respect to  
6           such shareholder, or

7           “(2) such shareholder’s pro rata share of the ap-  
8           plicable earnings of such controlled foreign corpora-  
9           tion determined after the application of section  
10          951(a)(1)(B).

11          “(b) *APPLICABLE EARNINGS.*—For purposes of this  
12          section, the term ‘applicable earnings’ means, with respect  
13          to any controlled foreign corporation, the sum of—

14               “(1) the amount referred to in section 316(a)(1)  
15               to the extent such amount was accumulated in taxable  
16               years beginning after September 30, 1993, and

17               “(2) the amount referred to in section 316(a)(2),  
18               but reduced by distributions made during the taxable year  
19               and reduced by the earnings and profits described in section  
20               959(c)(1) to the extent that the earnings and profits so de-  
21               scribed were accumulated in taxable years beginning after  
22               September 30, 1993.

23          “(c) *EXCESS PASSIVE ASSETS.*—For purposes of this  
24          section—

1           “(1) *IN GENERAL.*—*The excess passive assets of*  
2           *any controlled foreign corporation for any taxable*  
3           *year is the excess (if any) of—*

4                   “(A) *the average of the amounts of passive*  
5                   *assets held by such corporation as of the close of*  
6                   *each quarter of such taxable year, over*

7                   “(B) *25 percent of the average of the*  
8                   *amounts of total assets held by such corporation*  
9                   *as of the close of each quarter of such taxable*  
10                  *year.*

11           *For purposes of the preceding sentence, the amount*  
12           *taken into account with respect to any asset shall be*  
13           *its adjusted basis as determined for purposes of com-*  
14           *puting earnings and profits.*

15           “(2) *PASSIVE ASSET.*—

16                   “(A) *IN GENERAL.*—*Except as otherwise*  
17                   *provided in this section, the term ‘passive asset’*  
18                   *means any asset held by the controlled foreign*  
19                   *corporation which produces passive income (as*  
20                   *defined in section 1296(b)) or is held for the pro-*  
21                   *duction of such income.*

22                   “(B) *COORDINATION WITH SECTION 956.*—  
23                   *The term ‘passive asset’ shall not include any*  
24                   *United States property (as defined in section*  
25                   *956).*

1           “(3) *CERTAIN RULES TO APPLY.*—For purposes of  
2           this subsection, the rules of the following provisions  
3           shall apply:

4                   “(A) *Section 1296(c) (relating to look-thru*  
5                   *rules).*

6                   “(B) *Section 1297(d) (relating to leasing*  
7                   *rules).*

8                   “(C) *Section 1297(e) (relating to intangible*  
9                   *property).*

10           “(d) *TREATMENT OF CERTAIN CHAINS OF CON-*  
11 *TROLLED FOREIGN CORPORATION.*—

12                   “(1) *IN GENERAL.*—For purposes of applying  
13                   *subsection (c)—*

14                           “(A) *all controlled foreign corporations*  
15                           *which are members of the same CFC chain shall*  
16                           *be treated as 1 controlled foreign corporation,*  
17                           *and*

18                           “(B) *the amount of the excess passive assets*  
19                           *determined with respect to such 1 corporation*  
20                           *shall be allocated among the controlled foreign*  
21                           *corporations which are members of such chain in*  
22                           *proportion to their respective amounts of appli-*  
23                           *cable earnings.*

24                   “(2) *CFC CHAIN.*—For purposes of paragraph  
25                   (1), the term ‘CFC chain’ means any chain of con-

1 *trolled foreign corporations connected through stock*  
2 *ownership, but only if more than 50 percent (by vote*  
3 *or value) of the stock of each member of such chain*  
4 *(other than the top tier corporation) is owned (di-*  
5 *rectly or indirectly) by one or more other members of*  
6 *the chain.*

7 *“(e) SPECIAL RULE WHERE CORPORATION CEASES TO*  
8 *BE CONTROLLED FOREIGN CORPORATION DURING TAX-*  
9 *ABLE YEAR.—If any foreign corporation ceases to be a con-*  
10 *trolled foreign corporation during any taxable year—*

11 *“(1) the determination of any United States*  
12 *shareholder’s pro rata share shall be made on the*  
13 *basis of stock owned (within the meaning of section*  
14 *958(a)) by such shareholder on the last day during*  
15 *the taxable year on which the foreign corporation is*  
16 *a controlled foreign corporation, and*

17 *“(2) the amount of such corporation’s excess pas-*  
18 *sive assets for such taxable year shall be determined*  
19 *by only taking into account quarters ending on or be-*  
20 *fore such last day, and*

21 *“(3) in determining applicable earnings, the*  
22 *amount taken into account by reason of being de-*  
23 *scribed in paragraph (2) of section 316(a) shall be the*  
24 *portion of the amount so described which is allocable*  
25 *(on a pro rata basis) to the part of such year during*

1       *which the corporation is a controlled foreign corpora-*  
2       *tion.*

3       “(f) *REGULATIONS.*—*The Secretary shall prescribe*  
4       *such regulations as may be necessary to carry out the pur-*  
5       *poses of this section, including regulations to prevent the*  
6       *avoidance of the provisions of this section through reorga-*  
7       *nizations or otherwise.”*

8       (c) *PREVIOUSLY TAXED INCOME RULES.*—

9             (1) *IN GENERAL.*—*Subsection (a) of section 959*  
10       *(relating to exclusion from gross income of previously*  
11       *taxed earnings and profits) is amended by striking*  
12       *“or” at the end of paragraph (1), by adding “or” at*  
13       *the end of paragraph (2), and by inserting after*  
14       *paragraph (2) the following new paragraph:*

15             “(3) *such amounts would, but for this subsection,*  
16       *be included under section 951(a)(1)(C) in the gross*  
17       *income of,”*

18             (2) *ALLOCATION RULES.*—

19             (A) *Subsection (a) of section 959 is amend-*  
20       *ed by adding at the end thereof the following new*  
21       *sentence: “The rules of subsection (c) shall apply*  
22       *for purposes of paragraph (1) of this subsection*  
23       *and the rules of subsection (f) shall apply for*  
24       *purposes of paragraphs (2) and (3) of this sub-*  
25       *section.”*

1           (B) Section 959 is amended by adding at  
2           the end thereof the following new subsection:

3           “(f) ALLOCATION RULES FOR CERTAIN INCLUSIONS.—

4           “(1) IN GENERAL.—For purposes of this sec-  
5           tion—

6           “(A) amounts that would be included under  
7           subparagraph (B) of section 951(a)(1) (deter-  
8           mined without regard to this section) shall be  
9           treated as attributable first to earnings described  
10          in subsection (c)(2), and then to earnings de-  
11          scribed in subsection (c)(3), and

12          “(B) amounts that would be included under  
13          subparagraph (C) of section 951(a)(1) (deter-  
14          mined without regard to this section) shall be  
15          treated as attributable first to earnings described  
16          in subsection (c)(2) to the extent the earnings so  
17          described were accumulated in taxable years be-  
18          ginning after September 30, 1993, and then to  
19          earnings described in subsection (c)(3).

20          “(2) TREATMENT OF DISTRIBUTIONS.—In apply-  
21          ing this section, actual distributions shall be taken  
22          into account before amounts that would be included  
23          under subparagraphs (B) and (C) of section 951(a)(1)  
24          (determined without regard to this section).”

1           (C) Paragraph (1) of section 959(c) is  
2 amended to read as follows:

3           “(1) first to the aggregate of—

4                   “(A) earnings and profits attributable to  
5 amounts included in gross income under section  
6 951(a)(1)(B) (or which would have been included  
7 except for subsection (a)(2) of this section), and

8                   “(B) earnings and profits attributable to  
9 amounts included in gross income under section  
10 951(a)(1)(C) (or which would have been included  
11 except for subsection (a)(3) of this section),

12 with any distribution being allocated between earn-  
13 ings and profits described in subparagraph (A) and  
14 earnings and profits described in subparagraph (B)  
15 proportionately on the basis of the respective amounts  
16 of such earnings and profits.”.

17           (3) CONFORMING AMENDMENTS.—

18                   (A) Subsections (a) and (b) of section 959  
19 are each amended by striking “earnings and  
20 profits for a taxable year” and inserting “earn-  
21 ings and profits”.

22                   (B) Paragraph (2) of section 959(c) is  
23 amended to read as follows:

24                   “(2) then to earnings and profits attributable to  
25 amounts included in gross income under section

1       951(a)(1)(A) (but reduced by amounts not included  
2       under subparagraph (B) or (C) of section 951(a)(1)  
3       because of the exclusions in paragraphs (2) and (3)  
4       of subsection (a) of this section), and”

5               (C) Subsection (b) of section 989 is amend-  
6       ed by striking “section 951(a)(1)(B)” and insert-  
7       ing “subparagraph (B) or (C) of section  
8       951(a)(1)”.

9       (d) MODIFICATIONS TO PASSIVE FOREIGN INVEST-  
10      MENT COMPANY RULES.—

11             (1) ADJUSTED BASIS USED IN CERTAIN DETER-  
12      MINATIONS.—Subsection (a) of section 1296 is amend-  
13      ed by striking the material following paragraph (2)  
14      and inserting the following:

15      “In the case of a controlled foreign corporation (or any  
16      other foreign corporation if such corporation so elects), the  
17      determination under paragraph (2) shall be based on the  
18      adjusted bases (as determined for purposes of computing  
19      earnings and profits) of its assets in lieu of their value.  
20      Such an election, once made, may be revoked only with the  
21      consent of the Secretary.”

22             (2) TREATMENT OF CERTAIN SUBPART F INCLU-  
23      SIONS.—Subsection (b) of section 1297 is amended by  
24      adding at the end thereof the following new para-  
25      graph:



1           “(9) *TREATMENT OF CERTAIN SUBPART F INCLU-*  
2           *SIONS.*—Any amount included in gross income under  
3           subparagraph (B) or (C) of section 951(a)(1) shall be  
4           treated as a distribution received with respect to the  
5           stock.”

6           (3) *TREATMENT OF CERTAIN DEALERS IN SECUR-*  
7           *RITIES.*—Subsection (b) of section 1296 is amended  
8           by adding at the end thereof the following new para-  
9           graph:

10           “(3) *TREATMENT OF CERTAIN DEALERS IN SECUR-*  
11           *RITIES.*—

12           “(A) *IN GENERAL.*—In the case of any for-  
13           foreign corporation which is a controlled foreign  
14           corporation (as defined in section 957(a)), the  
15           term ‘passive income’ does not include any in-  
16           come derived in the active conduct of a securities  
17           business by such corporation if such corporation  
18           is registered as a securities broker or dealer  
19           under section 15(a) of the Securities Exchange  
20           Act of 1934 or is registered as a Government se-  
21           curities broker or dealer under section 15C(a) of  
22           such Act. To the extent provided in regulations,  
23           such term shall not include any income derived  
24           in the active conduct of a securities business by

1           *a controlled foreign corporation which is not so*  
2           *registered.*

3           “(B) *APPLICATION OF LOOK-THRU*  
4           *RULES.—For purposes of paragraph (2)(C),*  
5           *rules similar to the rules of subparagraph (A) of*  
6           *this paragraph shall apply in determining*  
7           *whether any income of a related person (whether*  
8           *or not a corporation) is passive income.*

9           “(C) *LIMITATION.—The preceding provi-*  
10          *sions of this paragraph shall only apply in the*  
11          *case of persons who are United States sharehold-*  
12          *ers (as defined in section 951(b)) in the con-*  
13          *trolled foreign corporation.”*

14          (4) *LEASING AND INTANGIBLE ASSET RULES.—*  
15          *Section 1297 is amended by redesignating subsection*  
16          *(d) as subsection (f) and by inserting after subsection*  
17          *(c) the following new subsections:*

18          “(d) *TREATMENT OF CERTAIN LEASED PROPERTY.—*  
19          *For purposes of this part:*

20                 “(1) *IN GENERAL.—Any tangible personal prop-*  
21                 *erty with respect to which a foreign corporation is the*  
22                 *lessee under a lease with a term of at least 12 months*  
23                 *shall be treated as an asset actually held by such cor-*  
24                 *poration.*

25                 “(2) *DETERMINATION OF ADJUSTED BASIS.—*

1           “(A) *IN GENERAL.*—*The adjusted basis of*  
2           *any asset to which paragraph (1) applies shall*  
3           *be the unamortized portion (as determined under*  
4           *regulations prescribed by the Secretary) of the*  
5           *present value of the payments under the lease for*  
6           *the use of such property.*

7           “(B) *PRESENT VALUE.*—*For purposes of*  
8           *subparagraph (A), the present value of payments*  
9           *described in subparagraph (A) shall be deter-*  
10           *mined in the manner provided in regulations*  
11           *prescribed by the Secretary—*

12                   “(i) *as of the beginning of the lease*  
13                   *term, and*

14                   “(ii) *except as provided in such regula-*  
15                   *tions, by using a discount rate equal to the*  
16                   *applicable Federal rate determined under*  
17                   *section 1274(d)—*

18                           “(I) *by substituting the lease term*  
19                           *for the term of the debt instrument,*  
20                           *and*

21                           “(II) *without regard to paragraph*  
22                           *(2) or (3) thereof.*

23           “(3) *EXCEPTIONS.*—*This subsection shall not*  
24           *apply in any case where—*

1           “(A) the lessor is a related person (as de-  
2           fined in section 954(d)(3)) with respect to the  
3           foreign corporation, or

4           “(B) a principal purpose of leasing the  
5           property was to avoid the provisions of this  
6           section.

7           “(e) *SPECIAL RULES FOR CERTAIN INTANGIBLES.*—

8           “(1) *RESEARCH EXPENDITURES.*—The adjusted  
9           basis of the total assets of a controlled foreign cor-  
10          poration shall be increased by the research or experi-  
11          mentation expenditures (within the meaning of sec-  
12          tion 174) paid or incurred by such foreign corpora-  
13          tion during the taxable year and the preceding 2 tax-  
14          able years.

15          “(2) *CERTAIN LICENSED INTANGIBLES.*—In the  
16          case of any intangible property (as defined in section  
17          936(h)(3)(B)) with respect to which a controlled for-  
18          eign corporation is a licensee and which is used by  
19          such foreign corporation in the active conduct of a  
20          trade or business, the adjusted basis of the total assets  
21          of such foreign corporation shall be increased by an  
22          amount equal to 300 percent of the payments made  
23          during the taxable year for the use of such intangible  
24          property. For purposes of the preceding sentence, pay-  
25          ments to a foreign person shall not be taken into ac-

1        *count if such foreign person is a related person (as*  
2        *defined in section 954(d)(3)) with respect to the con-*  
3        *trolled foreign corporation.*

4            *“(3) CONTROLLED FOREIGN CORPORATION.—For*  
5        *purposes of this subsection, the term ‘controlled for-*  
6        *foreign corporation’ has the meaning given such term by*  
7        *section 957(a).”*

8        *(e) EFFECTIVE DATE.—The amendments made by this*  
9        *section shall apply to taxable years of foreign corporations*  
10       *beginning after September 30, 1993, and to taxable years*  
11       *of United States shareholders in which or with which such*  
12       *taxable years of foreign corporations end.*

13       **SEC. 8232. MODIFICATION TO TAXATION OF INVESTMENT IN**  
14            **UNITED STATES PROPERTY.**

15        *(a) GENERAL RULE.—Section 956 (relating to invest-*  
16        *ment of earnings in United States property) is amended—*

17            *(1) by redesignating subsections (b) and (c) as*  
18        *subsections (c) and (d), respectively, and*

19            *(2) by striking subsection (a) and inserting the*  
20        *following:*

21        *“(a) GENERAL RULE.—In the case of any controlled*  
22        *foreign corporation, the amount determined under this sec-*  
23        *tion with respect to any United States shareholder for any*  
24        *taxable year is the lesser of—*

25            *“(1) the excess (if any) of—*

1           “(A) such shareholder’s pro rata share of the  
2           average of the amounts of United States property  
3           held (directly or indirectly) by the controlled for-  
4           eign corporation as of the close of each quarter  
5           of such taxable year, over

6           “(B) the amount of earnings and profits de-  
7           scribed in section 959(c)(1)(A) with respect to  
8           such shareholder, or

9           “(2) such shareholder’s pro rata share of the ap-  
10          plicable earnings of such controlled foreign corpora-  
11          tion.

12          The amount taken into account under paragraph (1) with  
13          respect to any property shall be its adjusted basis as deter-  
14          mined for purposes of computing earnings and profits, re-  
15          duced by any liability to which the property is subject.

16          “(b) ADJUSTMENTS FOR CERTAIN DISTRIBUTIONS;  
17          OTHER SPECIAL RULES.—

18                 “(1) APPLICABLE EARNINGS.—For purposes of  
19                 this section, the term ‘applicable earnings’ has the  
20                 meaning given to such term by section 956A(b), ex-  
21                 cept that the provisions of such section disregarding  
22                 earnings and profits accumulated in taxable years be-  
23                 ginning before October 1, 1993 shall be disregarded.

24                 “(2) SPECIAL RULE WHERE CORPORATION  
25                 CEASES TO BE CONTROLLED FOREIGN CORPORA-

1        *TION.—Rules similar to the rules of section 956A(e)*  
2        *shall apply for purposes of this section.”*

3        *(b) CONFORMING AMENDMENTS.—*

4            *(1) Subparagraph (B) of section 951(a)(1) is*  
5        *amended to read as follows:*

6            *“(B) the amount determined under section*  
7            *956 with respect to such shareholder for such*  
8            *year (but only to the extent not excluded from*  
9            *gross income under section 959(a)(2)); and”*

10          *(2) Subsection (a) of section 951 is amended by*  
11        *striking paragraph (4).*

12          *(c) EFFECTIVE DATE.—The amendments made by this*  
13        *section shall apply to taxable years of controlled foreign cor-*  
14        *porations beginning after September 30, 1993, and to tax-*  
15        *able years of United States shareholders in which or with*  
16        *which such taxable years of controlled foreign corporations*  
17        *end.*

18        **SEC. 8233. OTHER MODIFICATIONS TO SUBPART F.**

19          *(a) SAME COUNTRY EXCEPTION NOT TO APPLY TO*  
20        *CERTAIN DIVIDENDS.—*

21            *(1) IN GENERAL.—Paragraph (3) of section*  
22            *954(c) (relating to certain income received from relat-*  
23            *ed persons) is amended by adding at the end thereof*  
24            *the following new subparagraph:*

1           “(C) *EXCEPTION FOR CERTAIN DIVI-*  
2           *DENDS.—Subparagraph (A)(i) shall not apply to*  
3           *any dividend with respect to any stock which is*  
4           *attributable to earnings and profits of the dis-*  
5           *tributing corporation accumulated during any*  
6           *period during which the person receiving such*  
7           *dividend did not hold such stock.”*

8           (2) *EFFECTIVE DATE.—The amendment made by*  
9           *paragraph (1) shall apply to taxable years of con-*  
10           *trolled foreign corporations beginning after September*  
11           *30, 1993, and to taxable years of United States share-*  
12           *holders in which or with which such taxable years of*  
13           *controlled foreign corporations end.*

14           (b) *SIMPLIFICATION OF SECTION 960(b).—*

15           (1) *IN GENERAL.—Subsection (b) of section 960*  
16           *is amended—*

17                   (A) *by redesignating paragraphs (3) and*  
18                   (4) *as paragraphs (4) and (5), respectively, and*

19                   (B) *by striking paragraphs (1) and (2) and*  
20                   *inserting the following new paragraphs:*

21           “(1) *INCREASE IN SECTION 904 LIMITATION.—In*  
22           *the case of any taxpayer who—*

23                   (A) *either (i) chose to have the benefits of*  
24                   *subpart A of this part for a taxable year begin-*  
25                   *ning after September 30, 1993, in which he was*



1           *required under section 951(a) to include any*  
2           *amount in his gross income, or (ii) did not pay*  
3           *or accrue for such taxable year any income, war*  
4           *profits, or excess profits taxes to any foreign*  
5           *country or to any possession of the United*  
6           *States,*

7           *“(B) chooses to have the benefits of subpart*  
8           *A of this part for any taxable year in which he*  
9           *receives 1 or more distributions or amounts*  
10           *which are excludable from gross income under*  
11           *section 959(a) and which are attributable to*  
12           *amounts included in his gross income for taxable*  
13           *years referred to in subparagraph (A), and*

14           *“(C) for the taxable year in which such dis-*  
15           *tributions or amounts are received, pays, or is*  
16           *deemed to have paid, or accrues income, war*  
17           *profits, or excess profits taxes to a foreign coun-*  
18           *try or to any possession of the United States*  
19           *with respect to such distributions or amounts,*

20           *the limitation under section 904 for the taxable year*  
21           *in which such distributions or amounts are received*  
22           *shall be increased by the lesser of the amount of such*  
23           *taxes paid, or deemed paid, or accrued with respect*  
24           *to such distributions or amounts or the amount in the*

1 *excess limitation account as of the beginning of such*  
2 *taxable year.*

3 “(2) *EXCESS LIMITATION ACCOUNT.*—

4 “(A) *ESTABLISHMENT OF ACCOUNT.*—*Each*  
5 *taxpayer meeting the requirements of paragraph*  
6 *(1)(A) shall establish an excess limitation ac-*  
7 *count. The opening balance of such account shall*  
8 *be zero.*

9 “(B) *INCREASES IN ACCOUNT.*—*For each*  
10 *taxable year beginning after September 30, 1993,*  
11 *the taxpayer shall increase the amount in the ex-*  
12 *cess limitation account by the excess (if any)*  
13 *of—*

14 “(i) *the amount by which the limita-*  
15 *tion under section 904(a) for such taxable*  
16 *year was increased by reason of the total*  
17 *amount of the inclusions in gross income*  
18 *under section 951(a) for such taxable year,*  
19 *over*

20 “(ii) *the amount of any income, war*  
21 *profits, and excess profits taxes paid, or*  
22 *deemed paid, or accrued to any foreign*  
23 *country or possession of the United States*  
24 *which were allowable as a credit under sec-*  
25 *tion 901 for such taxable year and which*

1           *would not have been allowable but for the*  
2           *inclusions in gross income described in*  
3           *clause (i).*

4           *Proper reductions in the amount added to the*  
5           *account under the preceding sentence for any*  
6           *taxable year shall be made for any increase in*  
7           *the credit allowable under section 901 for such*  
8           *taxable year by reason of a carryback if such in-*  
9           *crease would not have been allowable but for the*  
10          *inclusions in gross income described in clause*  
11          *(i).*

12           “(C) *DECREASES IN ACCOUNT.*—*For each*  
13          *taxable year beginning after September 30, 1993,*  
14          *for which the limitation under section 904 was*  
15          *increased under paragraph (1), the taxpayer*  
16          *shall reduce the amount in the excess limitation*  
17          *account by the amount of such increase.*

18           “(3) *DISTRIBUTIONS OF INCOME PREVIOUSLY*  
19          *TAXED IN YEARS BEGINNING BEFORE OCTOBER 1,*  
20          *1993.*—*If the taxpayer receives a distribution or*  
21          *amount in a taxable year beginning after September*  
22          *30, 1993, which is excluded from gross income under*  
23          *section 959(a) and is attributable to any amount in-*  
24          *cluded in gross income under section 951(a) for a tax-*  
25          *able year beginning before October 1, 1993, the limi-*

1        *tation under section 904 for the taxable year in which*  
 2        *such amount or distribution is received shall be in-*  
 3        *creased by the amount determined under this sub-*  
 4        *section as in effect on the day before the date of the*  
 5        *enactment of the Revenue Reconciliation Act of 1993.”*

6            (2) *EFFECTIVE DATE.*—*The amendment made by*  
 7        *paragraph (1) shall apply to taxable years beginning*  
 8        *after September 30, 1993.*

9        ***Subpart B—Allocation of Research and Experimental***  
 10                                        ***Expenditures***

11        ***SEC. 8234. ALLOCATION OF RESEARCH AND EXPERIMENTAL***  
 12                                        ***EXPENDITURES.***

13            (a) *GENERAL RULE.*—*Subparagraph (B) of section*  
 14        *864(f)(1) (relating to allocation of research and experi-*  
 15        *mental expenditures) is amended by striking “64 percent”*  
 16        *each place it appears and inserting “50 percent”.*

17            (b) *CONFORMING AMENDMENTS.*—

18            (1) *Subsection (f) of section 864 is amended by*  
 19        *striking paragraph (5) and inserting the following*  
 20        *new paragraphs:*

21            “(5) *REGULATIONS.*—*The Secretary shall pre-*  
 22        *scribe such regulations as may be appropriate to*  
 23        *carry out the purposes of this subsection, including*  
 24        *regulations relating to the determination of whether*  
 25        *any expenses are attributable to activities conducted*

1        *in the United States or outside the United States and*  
2        *regulations providing such adjustments to the provi-*  
3        *sions of this subsection as may be appropriate in the*  
4        *case of cost-sharing arrangements and contract re-*  
5        *search.*

6            “(6) *APPLICABILITY.—This subsection shall*  
7        *apply to the taxpayer’s first taxable year (beginning*  
8        *on or before August 1, 1994) following the taxpayer’s*  
9        *last taxable year to which Revenue Procedure 92–56*  
10       *applies or would apply if the taxpayer elected the*  
11       *benefits of such Revenue Procedure.”*

12            (2) *Subparagraph (D) of section 864(f)(4) is*  
13       *amended by striking “subparagraph (C)” and insert-*  
14       *ing “subparagraph (B) or (C)”.*

15            **Subpart C—Other Provisions**

16        **SEC. 8235. REPEAL OF CERTAIN EXCEPTIONS FOR WORKING**  
17            **CAPITAL.**

18            (a) *PROVISIONS RELATING TO OIL AND GAS IN-*  
19       *COME.—*

20            (1) *AMENDMENTS TO SECTION 907.—*

21            (A) *Paragraph (1) of section 907(c) is*  
22       *amended by adding at the end thereof the follow-*  
23       *ing new flush sentence:*

1 “Such term does not include any dividend or interest in-  
2 come which is passive income (as defined in section  
3 904(d)(2)(A)).”.

4 (B) Paragraph (2) of section 907(c) is  
5 amended by adding at the end thereof the follow-  
6 ing new flush sentence:

7 “Such term does not include any dividend or interest in-  
8 come which is passive income (as defined in section  
9 904(d)(2)(A)).”.

10 (2) SEPARATE APPLICATION OF FOREIGN TAX  
11 CREDIT.—Clause (iii) of section 904(d)(2)(A) is  
12 amended by inserting “and” at the end of subclause  
13 (II), by striking “, and” at the end of subclause (III)  
14 and inserting a period, and by striking subclause  
15 (IV).

16 (3) TREATMENT UNDER SUBPART F.—

17 (A) Paragraph (1) of section 954(g) is  
18 amended by adding at the end thereof the follow-  
19 ing new flush sentence:

20 Such term shall not include any foreign personal holding  
21 company income (as defined in subsection (c)).”.

22 (B) Paragraph (8) of section 954(b) is  
23 amended by striking “(1),”.

24 (b) TREATMENT OF SHIPPING INCOME.—Subsection (f)  
25 of section 954 is amended by adding at the end thereof the

1 following new sentence: “Such term shall not include any  
2 dividend or interest income which is foreign personal hold-  
3 ing company income (as defined in subsection (c)).”

4 (c) *EFFECTIVE DATE.*—The amendments made by this  
5 section shall apply to taxable years beginning after Decem-  
6 ber 31, 1992.

7 **SEC. 8236. MODIFICATIONS OF ACCURACY-RELATED PEN-**  
8 **ALTY.**

9 (a) *THRESHOLD REQUIREMENT.*—Clause (ii) of sec-  
10 tion 6662(e)(1)(B) (relating to substantial valuation  
11 misstatement under chapter 1) is amended to read as  
12 follows:

13 “(ii) the net section 482 transfer price  
14 adjustment for the taxable year exceeds the  
15 lesser of \$5,000,000 or 10 percent of the tax-  
16 payer’s gross receipts.”

17 (b) *CERTAIN ADJUSTMENTS EXCLUDED IN DETERMIN-*  
18 *ING THRESHOLD.*—Subparagraph (B) of section 6662(e)(3)  
19 is amended to read as follows:

20 “(B) *CERTAIN ADJUSTMENTS EXCLUDED IN*  
21 *DETERMINING THRESHOLD.*—For purposes of de-  
22 termining whether the threshold requirements of  
23 paragraph (1)(B)(ii) are met, the following shall  
24 be excluded:

1           “(i) Any portion of the net increase in  
2 taxable income referred to in subparagraph  
3 (A) which is attributable to any redeter-  
4 mination of a price if—

5                   “(I) it is established that the tax-  
6 payer determined such price in accord-  
7 ance with a specific pricing method set  
8 forth in the regulations prescribed  
9 under section 482 and that the tax-  
10 payer’s use of such method was reason-  
11 able,

12                   “(II) the taxpayer has documenta-  
13 tion (which was in existence as of the  
14 time of filing the return) which sets  
15 forth the determination of such price  
16 in accordance with such a method and  
17 which establishes that the use of such  
18 method was reasonable, and

19                   “(III) the taxpayer provides such  
20 documentation to the Secretary within  
21 30 days of a request for such docu-  
22 mentation.

23           “(ii) Any portion of the net increase in  
24 taxable income referred to in subparagraph  
25 (A) which is attributable to a redetermina-



1            *tion of price where such price was not deter-*  
2            *mined in accordance with such a specific*  
3            *pricing method if—*

4            *“(I) the taxpayer establishes that*  
5            *none of such pricing methods was like-*  
6            *ly to result in a price that would clear-*  
7            *ly reflect income, the taxpayer used an-*  
8            *other pricing method to determine such*  
9            *price, and such other pricing method*  
10           *was likely to result in a price that*  
11           *would clearly reflect income,*

12           *“(II) the taxpayer has documenta-*  
13           *tion (which was in existence as of the*  
14           *time of filing the return) which sets*  
15           *forth the determination of such price*  
16           *in accordance with such other method*  
17           *and which establishes that the require-*  
18           *ments of subclause (I) were satisfied,*  
19           *and*

20           *“(III) the taxpayer provides such*  
21           *documentation to the Secretary within*  
22           *30 days of request for such documenta-*  
23           *tion.*

24           *“(iii) Any portion of such net increase*  
25           *which is attributable to any transaction*

1           *solely between foreign corporations unless,*  
2           *in the case of any such corporations, the*  
3           *treatment of such transaction affects the de-*  
4           *termination of income from sources within*  
5           *the United States or taxable income effec-*  
6           *tively connected with the conduct of a trade*  
7           *or business within the United States.”*

8           (c) *COORDINATION WITH REASONABLE CAUSE EXCEP-*  
9           *TION.—Paragraph (3) of section 6662(e) is amended by*  
10          *adding at the end thereof the following new subparagraph:*

11                   “(D) *COORDINATION WITH REASONABLE*  
12                   *CAUSE EXCEPTION.—For purposes of section*  
13                   *6664(c) the taxpayer shall not be treated as hav-*  
14                   *ing reasonable cause for any portion of an*  
15                   *underpayment attributable to a net section 482*  
16                   *transfer price adjustment unless such taxpayer*  
17                   *meets the requirements of clause (i), (ii), or (iii)*  
18                   *of subparagraph (B) with respect to such por-*  
19                   *tion.”*

20          (d) *CONFORMING AMENDMENT.—Clause (iii) of section*  
21          *6662(h)(2)(A) is amended to read as follows:*

22                                   “(iii) *in paragraph (1)(B)(ii)—*  
23   “(I)           ‘\$20,000,000’           for  
24   ‘\$5,000,000’, and

1                   “(II) ‘20 percent’ for ‘10 per-  
2                   cent’.”

3           (e) *EFFECTIVE DATE.*—*The amendments made by this*  
4 *section shall apply to taxable years beginning after Decem-*  
5 *ber 31, 1993.*

6 **SEC. 8237. DENIAL OF PORTFOLIO INTEREST EXEMPTION**  
7 **FOR CONTINGENT INTEREST.**

8           (a) *GENERAL RULE.*—

9                   (1) *Subsection (h) of section 871 (relating to re-*  
10 *peal of tax on interest of nonresident alien individ-*  
11 *uals received from certain portfolio debt investments)*  
12 *is amended by redesignating paragraphs (4), (5), and*  
13 *(6) as paragraphs (5), (6), and (7), respectively, and*  
14 *by inserting after paragraph (3) the following new*  
15 *paragraph:*

16                   “(4) *PORTFOLIO INTEREST NOT TO INCLUDE*  
17 *CERTAIN CONTINGENT INTEREST.*—*For purposes of*  
18 *this subsection—*

19                   “(A) *IN GENERAL.*—*Except as otherwise*  
20 *provided in this paragraph, the term ‘portfolio*  
21 *interest’ shall not include—*

22                   “(i) *any interest if the amount of such*  
23 *interest is determined by reference to—*

1                   “(I) any receipts, sales or other  
2 cash flow of the debtor or a related per-  
3 son,

4                   “(II) any income or profits of the  
5 debtor or a related person,

6                   “(III) any change in value of any  
7 property of the debtor or a related per-  
8 son, or

9                   “(IV) any dividend, partnership  
10 distributions, or similar payments  
11 made by the debtor or a related person,  
12 or

13                   “(ii) any other type of contingent in-  
14 terest that is identified by the Secretary by  
15 regulation, where a denial of the portfolio  
16 interest exemption is necessary or appro-  
17 priate to prevent avoidance of Federal in-  
18 come tax.

19                   “(B) RELATED PERSON.—The term ‘related  
20 person’ means any person who is related to the  
21 debtor within the meaning of section 267(b) or  
22 707(b)(1), or who is a party to any arrangement  
23 undertaken for a purpose of avoiding the appli-  
24 cation of this paragraph.

1           “(C) *EXCEPTIONS.*—Subparagraph (A)(i)  
2           *shall not apply to—*

3                   “(i) *any amount of interest solely by*  
4                   *reason of the fact that the timing of any in-*  
5                   *terest or principal payment is subject to a*  
6                   *contingency,*

7                   “(ii) *any amount of interest solely by*  
8                   *reason of the fact that the interest is paid*  
9                   *with respect to nonrecourse or limited re-*  
10                  *course indebtedness,*

11                  “(iii) *any amount of interest all or*  
12                  *substantially all of which is determined by*  
13                  *reference to any other amount of interest*  
14                  *not described in subparagraph (A) (or by*  
15                  *reference to the principal amount of indebt-*  
16                  *edness on which such other interest is paid),*

17                  “(iv) *any amount of interest solely by*  
18                  *reason of the fact that the debtor or a relat-*  
19                  *ed person enters into a hedging transaction*  
20                  *to reduce the risk of interest rate or cur-*  
21                  *rency fluctuations with respect to such in-*  
22                  *terest,*

23                  “(v) *any amount of interest determined*  
24                  *by reference to—*

1           “(I) changes in the value of prop-  
2           erty (including stock) that is actively  
3           traded (within the meaning of section  
4           1092(d)) other than property described  
5           in section 897(c)(1) or (g),

6           “(II) the yield on property de-  
7           scribed in subclause (I), other than a  
8           debt instrument that pays interest de-  
9           scribed in subparagraph (A), or stock  
10          or other property that represents a ben-  
11          eficial interest in the debtor or a relat-  
12          ed person, or

13          “(III) changes in any index of the  
14          value of property described in  
15          subclause (I) or of the yield on prop-  
16          erty described in subclause (II), and

17          “(vi) any other type of interest identi-  
18          fied by the Secretary by regulation.

19          “(D) EXCEPTION FOR CERTAIN EXISTING  
20          INDEBTEDNESS.—Subparagraph (A) shall not  
21          apply to any interest paid or accrued with re-  
22          spect to any indebtedness with a fixed term—

23          “(i) which was issued on or before  
24          April 7, 1993, or

1                   “(ii) which was issued after such date  
2                   pursuant to a written binding contract in  
3                   effect on such date and at all times there-  
4                   after before such indebtedness was issued.”

5                   (2) Subsection (c) of section 881 is amended by  
6                   redesignating paragraphs (4), (5), and (6) as para-  
7                   graphs (5), (6), and (7), respectively, and by insert-  
8                   ing after paragraph (3) the following new paragraph:

9                   “(4) PORTFOLIO INTEREST NOT TO INCLUDE  
10                  CERTAIN CONTINGENT INTEREST.—For purposes of  
11                  this subsection, the term ‘portfolio interest’ shall not  
12                  include any interest which is treated as not being  
13                  portfolio interest under the rules of section 871(h)(4).”

14                  (b) CONFORMING AMENDMENTS.—

15                  (1) Clause (ii) of section 871(h)(2)(B) is amend-  
16                  ed by striking “paragraph (4)” and inserting “para-  
17                  graph (5)”.

18                  (2) Clause (ii) of section 881(c)(2)(B) is amend-  
19                  ed by striking “section 871(h)(4)” and inserting “sec-  
20                  tion 871(h)(5)”.

21                  (3) Paragraph (6) of section 881(c) (as redesign-  
22                  ated by subsection (a)) is amended by striking “sec-  
23                  tion 871(h)(5)” each place it appears and inserting  
24                  “section 871(h)(6)”.

1           (4) Paragraph (9) of section 1441(c) is amended  
2 by striking “section 871(h)(3)” and inserting “section  
3 871(h)(3) or (4)”.

4           (5) Subsection (a) of section 1442 is amended—

5                   (A) by striking “871(h)(3)” and inserting  
6 “871(h)(3) or (4)”, and

7                   (B) by striking “881(c)(3)” and inserting  
8 “881(c)(3) or (4)”.

9           (c) *EFFECTIVE DATE.*—The amendments made by this  
10 section shall apply to interest received after December 31,  
11 1993.

12 ***SEC. 8238. REGULATIONS DEALING WITH CONDUIT AR-***  
13 ***RANGEMENTS.***

14           Section 7701 is amended by redesignating subsection  
15 (l) as subsection (m) and by inserting after subsection (k)  
16 the following new subsection:

17           “(l) *REGULATIONS RELATING TO CONDUIT ARRANGE-*  
18 *MENTS.*—The Secretary may prescribe regulations  
19 recharacterizing any multiple-party financing transaction  
20 as a transaction directly among any 2 or more of such par-  
21 ties where the Secretary determines that such  
22 recharacterization is appropriate to prevent avoidance of  
23 any tax imposed by this title.”



1 **SEC. 8239. TREATMENT OF EXPORT OF CERTAIN SOFTWOOD**

2 **LOGS.**

3 (a) *FOREIGN SALES CORPORATIONS.*—Paragraph (2)  
4 of section 927(a) (relating to exclusion of certain property)  
5 is amended by striking “or” at the end of subparagraph  
6 (C), by striking the period at the end of subparagraph (D)  
7 and inserting “, or”, and by adding at the end the follow-  
8 ing:

9 “(E) any unprocessed timber which is a  
10 softwood.

11 For purposes of subparagraph (E), the term ‘unproc-  
12 essed timber’ means any log, cant, or similar form of  
13 timber.”

14 (b) *DOMESTIC INTERNATIONAL SALES CORPORA-*  
15 *TIONS.*—Paragraph (2) of section 993(c) (relating to exclu-  
16 sion of certain property) is amended—

17 (1) by striking “or” at the end of subparagraph  
18 (C), by striking the period at the end of subparagraph  
19 (D) and inserting “, or”, and by adding after sub-  
20 paragraph (D) the following new subparagraph:

21 “(E) any unprocessed timber which is a  
22 softwood.”, and

23 (2) by adding at the end the following new sen-  
24 tence: “For purposes of subparagraph (E), the term  
25 ‘unprocessed timber’ means any log, cant, or similar  
26 form of timber.”

1           (c) *SOURCE RULE.*—Subsection (b) of section 865 (re-  
2    lating to source rules for personal property sales) is amend-  
3    ed by adding at the end the following: “Notwithstanding  
4    the preceding sentence, any income from the sale of any  
5    unprocessed timber which is a softwood and was cut from  
6    an area in the United States shall be sourced in the United  
7    States and the rules of sections 862(a)(6) and 863(b) shall  
8    not apply to any such income. For purposes of the preceding  
9    sentence, the term ‘unprocessed timber’ means any log, cant,  
10   or similar form of timber.”

11           (d) *ELIMINATION OF DEFERRAL.*—Subsection (d) of  
12   section 954 is amended by adding at the end the following  
13   new paragraph:

14                   “(4) *SPECIAL RULE FOR CERTAIN TIMBER PROD-*  
15                   *UCTS.*—For purposes of subsection (a)(2), the term  
16                   ‘foreign base company sales income’ includes any in-  
17                   come (whether in the form of profits, commissions,  
18                   fees, or otherwise) derived in connection with—

19                           “(A) the sale of any unprocessed timber re-  
20                           ferred to in section 865(b), or

21                           “(B) the milling of any such timber outside  
22                           the United States.

23                   Subpart G shall not apply to any amount treated as  
24                   subpart F income by reason of this paragraph.”

1           (e) *EFFECTIVE DATE.*—The amendments made by this  
2 section shall apply to sales, exchanges, or other dispositions  
3 after the date of the enactment of this Act.

4       **PART IV—TRANSPORTATION FUELS PROVISIONS**

5               **Subpart A—Transportation Fuels Tax**

6       **SEC. 8241. TRANSPORTATION FUELS TAX.**

7           (a) *GASOLINE.*—

8               (1) *IN GENERAL.*—Clause (iii) of section  
9 4081(a)(2)(B) (relating to rates of tax) is amended to  
10 read as follows:

11                       “(iii) the deficit reduction rate is 6.8 cents  
12 a gallon (4.3 cents a gallon on and after October  
13 1, 1995).”

14               (2) *DEFICIT REDUCTION RATE MADE PERMA-*  
15 *NENT.*—Section 4081(d) (relating to termination) is  
16 amended by striking paragraph (3).

17           (b) *DIESEL FUEL AND AVIATION FUEL.*—

18               (1) *DIESEL FUEL.*—

19                       (A) *IN GENERAL.*—Paragraph (4) of section  
20 4091(b) (relating to rate of tax) is amended by  
21 striking “2.5 cents per gallon” and inserting  
22 “6.8 cents per gallon (4.3 cents per gallon on  
23 and after October 1, 1995)”.

24                       (B) *DIESEL FUEL DEFICIT REDUCTION*  
25 *RATE MADE PERMANENT.*—Section 4091(b)(6)

1           *(relating to termination) is amended by striking*  
2           *subparagraph (D).*

3           (2) *AVIATION FUEL.—*

4                 (A) *GASOLINE IN NONCOMMERCIAL AVIA-*  
5                 *TION.—Paragraph (3) of section 4041(c) is*  
6                 *amended to read as follows:*

7                     “(3) *RATE OF TAX.—The rate of tax imposed by*  
8                     *paragraph (2) on any gasoline is 1 cent.”*

9           (3) *CONFORMING AMENDMENTS.—*

10                 (A) *Subparagraphs (A) and (B) of section*  
11                 *4093(c)(2) are amended to read as follows:*

12                     “(A) *NO REFUND OF CERTAIN TAXES ON*  
13                     *FUEL USED IN DIESEL-POWERED TRAINS.—In*  
14                     *the case of fuel sold for use in a diesel-powered*  
15                     *train, paragraph (1) shall not apply to so much*  
16                     *of the tax imposed by section 4091 as is attrib-*  
17                     *utable to the Leaking Underground Storage Tank*  
18                     *Trust Fund financing rate and the diesel fuel*  
19                     *deficit reduction rate imposed under such sec-*  
20                     *tion. The preceding sentence shall not apply in*  
21                     *the case of fuel sold for exclusive use by a State*  
22                     *or any political subdivision thereof.*

23                     “(B) *NO REFUND OF CERTAIN TAXES ON*  
24                     *FUEL USED IN AIRCRAFT.—In the case of fuel*  
25                     *sold for use in any aircraft (except supplies for*

1           vessels or aircraft within the meaning of section  
2           4221(d)(3)), paragraph (1) also shall not apply  
3           to so much of the tax imposed by section 4091  
4           as is attributable to the Leaking Underground  
5           Storage Tank Trust Fund financing rate and the  
6           aviation fuel deficit reduction rate imposed by  
7           such section. The preceding sentence shall not  
8           apply in the case of fuel sold for exclusive use by  
9           a State or any political subdivision thereof.”

10                   (B) Section 4093(d) is amended by insert-  
11                   ing “and the aviation fuel deficit reduction rate”  
12                   after “rate”.

13           (c) *SPECIAL FUELS.*—Section 4041(m)(1)(A) is  
14           amended by striking “1.25 cents” and inserting “5.55 cents  
15           (4.3 cents on and after October 1, 1995)”.

16           (d) *FUEL USED IN COMMERCIAL TRANSPORTATION ON*  
17           *INLAND WATERWAYS.*—

18                   (1) *IN GENERAL.*—Section 4042(b)(1) (relating  
19                   to amount of tax) is amended—

20                           (A) by striking “and” at the end of sub-  
21                           paragraph (A),

22                           (B) by striking the period at the end of sub-  
23                           paragraph (B) and inserting “; and”, and

24                           (C) by adding at the end thereof the follow-  
25                           ing new subparagraph:

1           “(C) the deficit reduction rate.”

2           (2) *RATE.*—Section 4042(b)(2) (relating to rates)  
3 is amended by adding at the end the following new  
4 subparagraph:

5           “(C) The deficit reduction rate is 4.3 cents  
6 per gallon.”

7 (e) *CONFORMING AMENDMENTS.*—

8           (1) Section 6421(f) is amended—

9           (A) by striking subparagraph (B) of para-  
10 graph (2) and inserting the following:

11           “(B) in aviation which is not noncommer-  
12 cial aviation (as so defined) with respect to the  
13 tax imposed by section 4081 at the Leaking Un-  
14 derground Storage Tank Trust Fund financing  
15 rate and at the deficit reduction rate to the ex-  
16 tent such deficit reduction rate does not exceed  
17 4.3 cents per gallon.”, and

18           (B) by inserting “and at the deficit reduc-  
19 tion rate to the extent such deficit reduction rate  
20 does not exceed 4.3 cents per gallon” after “fi-  
21 nancing rate” in paragraph (3), and

22           (C) by inserting “AND DEFICIT REDUCTION  
23 TAX” after “TAX” in the heading for paragraph  
24 (3).

1           (2) *Section 6427(l) is amended by striking para-*  
2 *graphs (3) and (4) and inserting the following new*  
3 *paragraphs:*

4           “(3) *NO REFUND OF CERTAIN TAXES ON FUEL*  
5 *USED IN DIESEL-POWERED TRAINS.—In the case of*  
6 *fuel used in a diesel-powered train, paragraph (1)*  
7 *shall not apply to so much of the tax imposed by sec-*  
8 *tion 4091 as is attributable to the Leaking Under-*  
9 *ground Storage Tank Trust Fund financing rate and*  
10 *the diesel fuel deficit reduction rate imposed by such*  
11 *section. The preceding sentence shall not apply in the*  
12 *case of fuel sold for exclusive use by a State or any*  
13 *political subdivision thereof.*

14           “(4) *NO REFUND OF CERTAIN TAXES ON FUEL*  
15 *USED IN AIRCRAFT.—In the case of fuel used in any*  
16 *aircraft (except supplies for vessels or aircraft within*  
17 *the meaning of section 4221(d)(3)), paragraph (1)*  
18 *also shall not apply to so much of the tax imposed*  
19 *by section 4091 as is attributable to the Leaking Un-*  
20 *derground Storage Tank Trust Fund financing rate*  
21 *and the aviation fuel deficit reduction rate imposed*  
22 *by such section. The preceding sentence shall not*  
23 *apply in the case of fuel sold for exclusive use by a*  
24 *State or any political subdivision thereof.”*

1           (3) Section 9502(b)(3) is amended by inserting  
2           “and the deficit reduction rate” after “financing  
3           rate”.

4           (4) Section 9503(b)(4)(B) is amended by insert-  
5           ing “and the deficit reduction rates under such sec-  
6           tions to the extent such rates do not exceed 4.3 cents  
7           per gallon” after “such sections”.

8           (5) Section 9503(c)(4)(D) is amended by insert-  
9           ing “and the deficit reduction rates under such sec-  
10          tions to the extent such rates do not exceed 4.3 cents  
11          per gallon” after “such sections”.

12          (6) Section 9503(c)(5)(B) is amended by insert-  
13          ing “and the deficit reduction rate under such section  
14          to the extent such rate does not exceed 4.3 cents per  
15          gallon” after “such section”.

16          (7) Section 9503(c)(6)(D) is amended by insert-  
17          ing “and the deficit reduction rate to the extent such  
18          rate does not exceed 4.3 cents per gallon” after “fi-  
19          nancing rate”.

20          (8) Section 9506(b) is amended by inserting  
21          “and the deficit reduction rate” after “financing  
22          rate”.

23          (f) *EFFECTIVE DATE.*—The amendments made by this  
24          section shall take effect on October 1, 1993.

25          (g) *FLOOR STOCKS TAXES.*—



1           (1) *IMPOSITION OF TAX.*—*In the case of gasoline,*  
2 *diesel fuel, and aviation fuel on which tax was im-*  
3 *posed under section 4081 or 4091 of the Internal Rev-*  
4 *enue Code of 1986 before October 1, 1993, and which*  
5 *is held on such date by any person, there is hereby*  
6 *imposed a floor stocks tax of 4.3 cents per gallon on*  
7 *such gasoline, diesel fuel, and aviation fuel.*

8           (2) *LIABILITY FOR TAX AND METHOD OF PAY-*  
9 *MENT.*—

10           (A) *LIABILITY FOR TAX.*—*A person holding*  
11 *gasoline, diesel fuel, or aviation fuel on October*  
12 *1, 1993, to which the tax imposed by paragraph*  
13 *(1) applies shall be liable for such tax.*

14           (B) *METHOD OF PAYMENT.*—*The tax im-*  
15 *posed by paragraph (1) shall be paid in such*  
16 *manner as the Secretary shall prescribe.*

17           (C) *TIME FOR PAYMENT.*—*The tax imposed*  
18 *by paragraph (1) shall be paid on or before No-*  
19 *vember 30, 1993.*

20           (3) *DEFINITIONS.*—*For purposes of this sub-*  
21 *section—*

22           (A) *HELD BY A PERSON.*—*Gasoline, diesel*  
23 *fuel, and aviation fuel shall be considered as*  
24 *“held by a person” if title thereto has passed to*

1           *such person (whether or not delivery to the per-*  
2           *son has been made).*

3           (B) *GASOLINE.*—*The term “gasoline” has*  
4           *the meaning given such term by section 4082 of*  
5           *such Code.*

6           (C) *DIESEL FUEL.*—*The term “diesel fuel”*  
7           *has the meaning given such term by section 4092*  
8           *of such Code.*

9           (D) *AVIATION FUEL.*—*The term “aviation*  
10          *fuel” has the meaning given such term by section*  
11          *4092 of such Code.*

12          (E) *SECRETARY.*—*The term “Secretary”*  
13          *means the Secretary of the Treasury or his dele-*  
14          *gate.*

15          (4) *EXCEPTION FOR EXEMPT USES.*—*The tax*  
16          *imposed by paragraph (1) shall not apply to gasoline,*  
17          *diesel fuel, or aviation fuel held by any person exclu-*  
18          *sively for any use to the extent a credit or refund of*  
19          *the tax imposed by section 4081 or 4091 of such Code,*  
20          *as the case may be, is allowable for such use.*

21          (5) *EXCEPTION FOR FUEL HELD IN VEHICLE*  
22          *TAX.*—*No tax shall be imposed by paragraph (1) on*  
23          *gasoline or diesel fuel held in the tank of a motor ve-*  
24          *hicle or motorboat.*

1           (6) *EXCEPTION FOR CERTAIN AMOUNTS OF*  
2 *FUEL.—*

3           (A) *IN GENERAL.—No tax shall be imposed*  
4 *by paragraph (1)—*

5                 (i) *on gasoline held on October 1, 1993,*  
6 *by any person if the aggregate amount of*  
7 *gasoline held by such person on such date*  
8 *does not exceed 4,000 gallons, and*

9                 (ii) *on diesel fuel or aviation fuel held*  
10 *on October 1, 1993, by any person if the ag-*  
11 *gregate amount of diesel fuel or aviation*  
12 *fuel held by such person on such date does*  
13 *not exceed 2,000 gallons.*

14 *The preceding sentence shall apply only if such*  
15 *person submits to the Secretary (at the time and*  
16 *in the manner required by the Secretary) such*  
17 *information as the Secretary shall require for*  
18 *purposes of this paragraph.*

19           (B) *EXEMPT FUEL.—For purposes of sub-*  
20 *paragraph (A), there shall not be taken into ac-*  
21 *count fuel held by any person which is exempt*  
22 *from the tax imposed by paragraph (1) by rea-*  
23 *son of paragraph (4) or (5).*

24           (C) *CONTROLLED GROUPS.—For purposes of*  
25 *this paragraph—*

1 (i) CORPORATIONS.—

2 (I) IN GENERAL.—All persons  
3 treated as a controlled group shall be  
4 treated as 1 person.

5 (II) CONTROLLED GROUP.—The  
6 term “controlled group” has the mean-  
7 ing given to such term by subsection  
8 (a) of section 1563 of such Code; except  
9 that for such purposes the phrase  
10 “more than 50 percent” shall be sub-  
11 stituted for the phrase “at least 80 per-  
12 cent” each place it appears in such  
13 subsection.

14 (ii) NONINCORPORATED PERSONS  
15 UNDER COMMON CONTROL.—Under regula-  
16 tions prescribed by the Secretary, principles  
17 similar to the principles of clause (i) shall  
18 apply to a group of persons under common  
19 control where 1 or more of such persons is  
20 not a corporation.

21 (7) OTHER LAW APPLICABLE.—All provisions of  
22 law, including penalties, applicable with respect to  
23 the taxes imposed by section 4081 of such Code in the  
24 case of gasoline and section 4091 of such Code in the  
25 case of diesel fuel shall, insofar as applicable and not

1 *inconsistent with the provisions of this subsection,*  
 2 *apply with respect to the floor stock taxes imposed by*  
 3 *paragraph (1) to the same extent as if such taxes were*  
 4 *imposed by such section 4081 or 4091.*

5 ***Subpart B—Modifications to Tax on Diesel Fuel***

6 ***SEC. 8242. MODIFICATIONS TO TAX ON DIESEL FUEL.***

7 *(a) IN GENERAL.—Subparts A and B of part III of*  
 8 *subchapter A of chapter 32 (relating to manufacturers ex-*  
 9 *cise taxes), as amended by subpart A, are amended to read*  
 10 *as follows:*

11 ***“Subpart A—Gasoline and Diesel Fuel***

*“Sec. 4081. Imposition of tax.*

*“Sec. 4082. Exemptions for diesel fuel.*

*“Sec. 4083. Definitions and special rule.*

*“Sec. 4084. Cross references.*

12 ***“SEC. 4081. IMPOSITION OF TAX.***

13 *“(a) TAX IMPOSED.—*

14 *“(1) TAX ON REMOVAL, ENTRY, OR SALE.—*

15 *“(A) IN GENERAL.—There is hereby im-*  
 16 *posed a tax at the rate specified in paragraph*  
 17 *(2) on—*

18 *“(i) the removal of a taxable fuel from*  
 19 *any refinery,*

20 *“(ii) the removal of a taxable fuel from*  
 21 *any terminal,*

1           “(iii) the entry into the United States  
2 of any taxable fuel for consumption, use, or  
3 warehousing, and

4           “(iv) the sale of a taxable fuel to any  
5 person who is not registered under section  
6 4101 unless there was a prior taxable re-  
7 moval or entry of such fuel under clause (i),  
8 (ii), or (iii).

9           “(B) EXEMPTION FOR BULK TRANSFERS TO  
10 REGISTERED TERMINALS OR REFINERIES.—The  
11 tax imposed by this paragraph shall not apply  
12 to any removal or entry of a taxable fuel trans-  
13 ferred in bulk to a terminal or refinery if the  
14 person removing or entering the taxable fuel and  
15 the operator of such terminal or refinery are reg-  
16 istered under section 4101.

17           “(2) RATES OF TAX.—

18           “(A) IN GENERAL.—The rate of the tax im-  
19 posed by this section is the sum of—

20           “(i) the Highway Trust Fund financ-  
21 ing rate,

22           “(ii) the Leaking Underground Storage  
23 Tank Trust Fund financing rate, and

24           “(iii) the deficit reduction rate.

1           “(B) *RATES.*—*For purposes of subpara-*  
2           *graph (A)—*

3                   “(i) *the Highway Trust Fund financ-*  
4                   *ing rate is—*

5                           “(I) *11.5 cents per gallon in the*  
6                           *case of gasoline, and*

7                           “(II) *17.5 cents per gallon in the*  
8                           *case of diesel fuel,*

9                           “(ii) *the Leaking Underground Storage*  
10                          *Tank Trust Fund financing rate is 0.1 cent*  
11                          *per gallon, and*

12                           “(iii) *the deficit reduction rate is 6.8*  
13                           *cents per gallon (4.3 cents per gallon on*  
14                           *and after October 1, 1995).*

15           “(b) *TREATMENT OF REMOVAL OR SUBSEQUENT SALE*  
16           *BY BLENDER.*—

17                   “(1) *IN GENERAL.*—*There is hereby imposed a*  
18                   *tax at the rate specified in subsection (a) on taxable*  
19                   *fuel removed or sold by the blender thereof.*

20                   “(2) *CREDIT FOR TAX PREVIOUSLY PAID.*—*If—*

21                           “(A) *tax is imposed on the removal or sale*  
22                           *of a taxable fuel by reason of paragraph (1), and*

23                           “(B) *the blender establishes the amount of*  
24                           *the tax paid with respect to such fuel by reason*  
25                           *of subsection (a),*

1        *the amount of the tax so paid shall be allowed as a*  
2        *credit against the tax imposed by reason of para-*  
3        *graph (1).*

4        *“(c) TAXABLE FUELS MIXED WITH ALCOHOL AT RE-*  
5        *FINERY, ETC.—*

6            *“(1) REDUCED RATES.—*

7                    *“(A) IN GENERAL.—Under regulations pre-*  
8                    *scribed by the Secretary, subsection (a) shall be*  
9                    *applied by substituting rates which are the ap-*  
10                   *plicable fraction of the otherwise applicable rates*  
11                   *in the case of the removal or entry of any taxable*  
12                   *fuel for use in producing at the time of such re-*  
13                   *moval or entry a qualified alcohol mixture. Sub-*  
14                   *ject to such terms and conditions as the Sec-*  
15                   *retary may prescribe (including the application*  
16                   *of section 4101), the treatment under the preced-*  
17                   *ing sentence also shall apply to use in producing*  
18                   *such a mixture after the time of such removal or*  
19                   *entry.*

20                   *“(B) APPLICABLE FRACTION.—For purposes*  
21                   *of subparagraph (A), the applicable fraction is—*

22                            *“(i) in the case of a qualified alcohol*  
23                            *mixture which contains gasoline, the frac-*  
24                            *tion the numerator of which is 10 and the*  
25                            *denominator of which is—*



1                   “(I) 9 in the case of 10 percent  
2                   gasohol,

3                   “(II) 9.23 in the case of 7.7 per-  
4                   cent gasohol, and

5                   “(III) 9.43 in the case of 5.7 per-  
6                   cent gasohol, and

7                   “(ii) in the case of a qualified alcohol  
8                   mixture which does not contain gasoline,  
9                    $\frac{10}{9}$ .

10                   “(2) LATER SEPARATION OF FUEL FROM QUALI-  
11                   FIED ALCOHOL MIXTURE.—If any person separates  
12                   the taxable fuel from a qualified alcohol mixture on  
13                   which tax was imposed under subsection (a) at the  
14                   otherwise applicable Highway Trust Fund financing  
15                   rate (or its equivalent) by reason of this subsection  
16                   (or with respect to which a credit or payment was al-  
17                   lowed or made by reason of section 6427(f)(1)), such  
18                   person shall be treated as the refiner of such taxable  
19                   fuel. The amount of tax imposed on any removal of  
20                   such fuel by such person shall be reduced by the  
21                   amount of tax imposed (and not credited or refunded)  
22                   on any prior removal or entry of such fuel.

23                   “(3) ALCOHOL; QUALIFIED ALCOHOL MIXTURE.—  
24                   For purposes of this subsection—

1           “(A) *ALCOHOL*.—The term ‘alcohol’ includes  
2           methanol and ethanol but does not include alco-  
3           hol produced from petroleum, natural gas, or  
4           coal (including peat). Such term does not in-  
5           clude alcohol with a proof of less than 190 (de-  
6           termined without regard to any added dena-  
7           turants).

8           “(B) *QUALIFIED ALCOHOL MIXTURE*.—The  
9           term ‘qualified alcohol mixture’ means—

10           “(i) any mixture of gasoline with alco-  
11           hol if at least 5.7 percent of such mixture  
12           is alcohol, and

13           “(ii) any mixture of diesel fuel with al-  
14           cohol if at least 10 percent of such mixture  
15           is alcohol.

16           “(4) *OTHERWISE APPLICABLE RATES FOR GASO-*  
17           *LINE MIXTURES*.—For purposes of this subsection—

18           “(A) *IN GENERAL*.—In the case of the High-  
19           way Trust Fund financing rate, the otherwise  
20           applicable rate for gasoline in a qualified alcohol  
21           mixture is—

22           “(i) 6.1 cents a gallon for 10 percent  
23           gasohol,

24           “(ii) 7.342 cents a gallon for 7.7 per-  
25           cent gasohol, and

1                   “(iii) 8.422 cents a gallon for 5.7 per-  
2                   cent gasohol.

3                   In the case of a mixture none of the alcohol in  
4                   which consists of ethanol, clauses (i), (ii), and  
5                   (iii) shall be applied by substituting ‘5.5 cents’  
6                   for ‘6.1 cents’, ‘6.88 cents’ for ‘7.342 cents’, and  
7                   ‘8.08 cents’ for ‘8.422 cents’.

8                   “(B) 10 PERCENT GASOHOL.—The term ‘10  
9                   percent gasohol’ means any mixture of gasoline  
10                  with alcohol if at least 10 percent of such mix-  
11                  ture is alcohol.

12                  “(C) 7.7 PERCENT GASOHOL.—The term  
13                  ‘7.7 percent gasohol’ means any mixture of gaso-  
14                  line with alcohol if at least 7.7 percent, but not  
15                  10 percent or more, of such mixture is alcohol.

16                  “(D) 5.7 PERCENT GASOHOL.—The term  
17                  ‘5.7 percent gasohol’ means any mixture of gaso-  
18                  line with alcohol if at least 5.7 percent, but not  
19                  7.7 percent or more, of such mixture is alcohol.

20                  “(5) OTHERWISE APPLICABLE RATES FOR DIE-  
21                  SEL FUEL MIXTURES.—For purposes of this sub-  
22                  section, in the case of the Highway Trust Fund fi-  
23                  nancing rate, the otherwise applicable rate for diesel  
24                  fuel in a qualified alcohol mixture is 12.1 cents per  
25                  gallon (11.5 cents per gallon in the case of a qualified

1     *alcohol mixture none of the alcohol in which consists*  
2     *of ethanol).*

3             “(6) *TERMINATION.*—*Paragraph (1) shall not*  
4     *apply to any removal or sale after September 30,*  
5     *2000.*

6             “(d) *TERMINATION.*—

7                 “(1) *HIGHWAY TRUST FUND FINANCING RATE.*—  
8     *On and after October 1, 1999, the Highway Trust*  
9     *Fund financing rate under subsection (a)(2) shall not*  
10    *apply.*

11               “(2) *LEAKING UNDERGROUND STORAGE TANK*  
12    *TRUST FUND FINANCING RATE.*—*The Leaking Under-*  
13    *ground Storage Tank Trust Fund financing rate*  
14    *under subsection (a)(2) shall not apply after Decem-*  
15    *ber 31, 1995.*

16             “(e) *REFUNDS IN CERTAIN CASES.*—*Under regulations*  
17    *prescribed by the Secretary, if any person who paid the tax*  
18    *imposed by this section with respect to any taxable fuel es-*  
19    *tablishes to the satisfaction of the Secretary that a prior*  
20    *tax was paid (and not credited or refunded) with respect*  
21    *to such taxable fuel, then an amount equal to the tax paid*  
22    *by such person shall be allowed as a refund (without inter-*  
23    *est) to such person in the same manner as if it were an*  
24    *overpayment of tax imposed by this section.*

1 **“SEC. 4082. EXEMPTIONS FOR DIESEL FUEL.**

2       “(a) *IN GENERAL.*—*Except as provided in subsection*  
3 *(d), the tax imposed by section 4081 shall not apply to die-*  
4 *sel fuel—*

5               “(1) *which the Secretary determines is destined*  
6 *for a nontaxable use, and*

7               “(2) *which is indelibly dyed in accordance with*  
8 *regulations which the Secretary shall prescribe.*

9 *Such regulations shall allow an individual choice of dye*  
10 *color approved by the Secretary or chosen from any list of*  
11 *approved dye colors that the Secretary may publish.*

12       “(b) *NONTAXABLE USE.*—*For purposes of this section,*  
13 *the term ‘nontaxable use’ means—*

14               “(1) *any use which is exempt from the tax im-*  
15 *posed by section 4041(a)(1) other than by reason of*  
16 *the imposition of tax on any sale thereof,*

17               “(2) *any use in a train, and*

18               “(3) *any use described in section 6427(b)(1).*

19       “(c) *REGULATIONS.*—*The Secretary shall prescribe*  
20 *such regulations as may be necessary to carry out this sec-*  
21 *tion, including regulations requiring the conspicuous label-*  
22 *ing of retail diesel fuel pumps and other delivery facilities*  
23 *to assure that persons are aware of which fuel is available*  
24 *only for nontaxable uses.*

1 “(d) *CROSS REFERENCE.*—

**“For tax on train, motorboat, and certain bus uses  
of fuel purchased tax-free, see section 4041(a)(1).**

2 **“SEC. 4083. DEFINITIONS AND SPECIAL RULE.**

3 “(a) *TAXABLE FUEL.*—For purposes of this subpart—

4 “(1) *IN GENERAL.*—The term ‘taxable fuel’  
5 means—

6 “(A) gasoline, and

7 “(B) diesel fuel.

8 “(2) *GASOLINE.*—The term ‘gasoline’ includes, to  
9 the extent prescribed in regulations—

10 “(A) gasoline blend stocks, and

11 “(B) products commonly used as additives  
12 in gasoline.

13 For purposes of subparagraph (A), the term ‘gasoline  
14 blend stock’ means any petroleum product component  
15 of gasoline.

16 “(3) *DIESEL FUEL.*—The term ‘diesel fuel’  
17 means any liquid (other than gasoline) which is suit-  
18 able for use as a fuel in a diesel-powered highway ve-  
19 hicle, a diesel-powered train, or a diesel-powered boat.

20 “(b) *CERTAIN USES DEFINED AS REMOVAL.*—If any  
21 person uses taxable fuel (other than in the production of  
22 gasoline, diesel fuel, or special fuels referred to in section  
23 4041), such use shall for the purposes of this chapter be con-  
24 sidered a removal.

1 **“SEC. 4084. CROSS REFERENCES.**

**“(1) For provisions to relieve farmers from excise tax in the case of gasoline used on the farm for farming purposes, see section 6420.**

**“(2) For provisions to relieve purchasers of gasoline from excise tax in the case of gasoline used for certain nonhighway purposes, used by local transit systems, or sold for certain exempt purposes, see section 6421.**

**“(3) For provisions to relieve purchasers from excise tax in the case of taxable fuel not used for taxable purposes, see section 6427.**

2 **“Subpart B—Aviation Fuel**

*“Sec. 4091. Imposition of tax.*

*“Sec. 4092. Exemptions.*

*“Sec. 4093. Definitions.*

3 **“SEC. 4091. IMPOSITION OF TAX.**4 **“(a) TAX ON SALE.—**

5 **“(1) IN GENERAL.—***There is hereby imposed a*  
6 *tax on the sale of aviation fuel by the producer or the*  
7 *importer thereof or by any producer of aviation fuel.*

8 **“(2) USE TREATED AS SALE.—***For purposes of*  
9 *paragraph (1), if any producer uses aviation fuel*  
10 *(other than for a nontaxable use as defined in section*  
11 *6427(l)(2)(B)) on which no tax has been imposed*  
12 *under such paragraph, then such use shall be consid-*  
13 *ered a sale.*

14 **“(b) RATE OF TAX.—**

15 **“(1) IN GENERAL.—***The rate of the tax imposed*  
16 *by subsection (a) shall be the sum of—*

17 **“(A) the Airport and Airway Trust Fund**  
18 **financing rate,**

1           “(B) *the Leaking Underground Storage*  
2           *Tank Trust Fund financing rate.*

3           “(2) *AIRPORT AND AIRWAY TRUST FUND FINANC-*  
4           *ING RATE.—For purposes of paragraph (1), the Air-*  
5           *port and Airway Trust Fund financing rate is 17.5*  
6           *cents per gallon.*

7           “(3) *LEAKING UNDERGROUND STORAGE TANK*  
8           *TRUST FUND FINANCING RATE.—For purposes of*  
9           *paragraph (1), the Leaking Underground Storage*  
10          *Tank Trust Fund financing rate is 0.1 cent per*  
11          *gallon.*

12          “(4) *DEFICIT REDUCTION RATE.—For purposes*  
13          *of paragraph (1), the deficit reduction rate is 4.3*  
14          *cents per gallon.*

15          “(5) *TERMINATION OF RATES.—*

16                 “(A) *The Airport and Airway Trust Fund*  
17                 *financing rate shall not apply on and after Jan-*  
18                 *uary 1, 1996.*

19                 “(B) *The Leaking Underground Storage*  
20                 *Tank Fund financing rate shall not apply dur-*  
21                 *ing any period during which the Leaking Under-*  
22                 *ground Storage Tank Trust Fund financing rate*  
23                 *under section 4081 does not apply.*

24          “(c) *REDUCED RATE OF TAX FOR AVIATION FUEL IN*  
25          *ALCOHOL MIXTURE, ETC.—*



1           “(1) *IN GENERAL.*—*The Airport and Airway*  
2 *Trust Fund financing rate shall be—*

3                   “(A) *4.1 cents per gallon in the case of the*  
4 *sale of any mixture of aviation fuel if—*

5                           “(i) *at least 10 percent of such mixture*  
6 *consists of alcohol (as defined in section*  
7 *4081(c)(3)), and*

8                           “(ii) *the aviation fuel in such mixture*  
9 *was not taxed under subparagraph (B), and*

10                           “(B) *4.56 cents per gallon in the case of the*  
11 *sale of aviation fuel for use (at the time of such*  
12 *sale) in producing a mixture described in sub-*  
13 *paragraph (A).*

14 *In the case of a sale described in subparagraph (B),*  
15 *the Leaking Underground Storage Tank Trust Fund*  
16 *financing rate shall be  $\frac{1}{9}$  cent per gallon and the def-*  
17 *icit reduction rate shall be  $\frac{10}{9}$  of such rate.*

18           “(2) *LATER SEPARATION.*—*If any person sepa-*  
19 *rates the aviation fuel from a mixture of the aviation*  
20 *fuel and alcohol on which tax was imposed under sub-*  
21 *section (a) at the Airport and Airway Trust Fund fi-*  
22 *nancing rate equivalent to 4.1 cents per gallon by*  
23 *reason of this subsection (or with respect to which a*  
24 *credit or payment was allowed or made by reason of*  
25 *section 6427(f)(1)), such person shall be treated as the*

1        *producer of such aviation fuel. The amount of tax im-*  
2        *posed on any sale of such aviation fuel by such person*  
3        *shall be reduced by the amount of tax imposed (and*  
4        *not credited or refunded) on any prior sale of such*  
5        *fuel.*

6            *“(3) TERMINATION.—Paragraph (1) shall not*  
7        *apply to any sale after September 30, 2000.*

8            *“(d) LOWER RATES OF TAX ON ALCOHOL MIXTURES*  
9        *NOT MADE FROM ETHANOL.—In the case of a mixture de-*  
10       *scribed in subsection (c)(1)(A)(i) none of the alcohol in*  
11       *which is ethanol—*

12            *“(1) subsections (c)(1)(A) and (c)(2) shall each*  
13       *be applied by substituting rates which are 0.6 cents*  
14       *less than the rates contained therein, and*

15            *“(2) subsection (c)(1)(B) shall be applied by sub-*  
16       *stituting rates which are 10% of the rates determined*  
17       *under paragraph (1).*

18        **“SEC. 4092. EXEMPTIONS.**

19            *“(a) NONTAXABLE USES.—The Airport and Airway*  
20       *Trust Fund financing rate under section 4091 shall not*  
21       *apply to aviation fuel sold by a producer or importer for*  
22       *use by the purchaser in a nontaxable use (as defined in*  
23       *section 6427(l)(2)(B)).*

24            *“(b) SALES TO PRODUCER.—Under regulations pre-*  
25       *scribed by the Secretary, the tax imposed by section 4091*

1 *shall not apply to aviation fuel sold to a producer of such*  
2 *fuel.*

3 “(c) *SUPPLIES FOR VESSELS AND AIRCRAFT.*—The  
4 *Leaking Underground Storage Tank Trust Fund financing*  
5 *rate and the deficit reduction rate under section 4091 shall*  
6 *not apply to aviation fuel sold for use or used as supplies*  
7 *for vessels or aircraft (within the meaning of section*  
8 *4221(d)(3)).*

9 “**SEC. 4093. DEFINITIONS.**

10 “(a) *AVIATION FUEL.*—For purposes of this subpart,  
11 *the term ‘aviation fuel’ means any liquid (other than any*  
12 *product taxable under section 4081) which is suitable for*  
13 *use as a fuel in an aircraft.*

14 “(b) *PRODUCER.*—For purposes of this subpart—

15 “(1) *CERTAIN PERSONS TREATED AS PRODUC-*  
16 *ERS.*—

17 “(A) *IN GENERAL.*—The term ‘producer’ in-  
18 *cludes any person described in subparagraph (B)*  
19 *and registered under section 4101 with respect to*  
20 *the tax imposed by section 4091.*

21 “(B) *PERSONS DESCRIBED.*—A person is  
22 *described in this subparagraph if such person*  
23 *is—*

24 “(i) *a refiner, blender, or wholesale dis-*  
25 *tributor of aviation fuel, or*

1                   “(ii) a dealer selling aviation fuel ex-  
2                   clusively to producers of aviation fuel.

3                   “(C) *REDUCED RATE PURCHASERS TREAT-*  
4                   *ED AS PRODUCERS.*—Any person to whom avia-  
5                   tion fuel is sold at a reduced rate under this sub-  
6                   part shall be treated as the producer of such fuel.

7                   “(2) *WHOLESALE DISTRIBUTOR.*—For purposes  
8                   of paragraph (1), the term ‘wholesale distributor’ in-  
9                   cludes any person who sells aviation fuel to producers,  
10                  retailers, or to users who purchase in bulk quantities  
11                  and deliver into bulk storage tanks. Such term does  
12                  not include any person who (excluding the term  
13                  ‘wholesale distributor’ from paragraph (1)) is a pro-  
14                  ducer or importer.”

15                  (b) *CIVIL PENALTY FOR USING REDUCED-RATE FUEL*  
16 *FOR TAXABLE USE.*—

17                  (1) *IN GENERAL.*—Part I of subchapter B of  
18                  chapter 68 (relating to assessable penalties) is amend-  
19                  ed by adding at the end thereof the following new sec-  
20                  tion:

21                  “**SEC. 6714. DYED FUEL SOLD FOR USE OR USED IN TAX-**  
22                  **ABLE USE.**

23                  “(a) *IMPOSITION OF PENALTY.*—If any dyed fuel—

1           “(1) is sold or held for sale by any person for  
2           any use which such person knows or has reason to  
3           know is not a reduced-tax use of such fuel, or

4           “(2) is used by any person for a use other than  
5           a reduced-tax use and such person knew, or had rea-  
6           son to know, that such fuel was so dyed,

7           then, in addition to the tax, such person shall pay a penalty  
8           on such sale or use.

9           “(b) AMOUNT OF PENALTY.—The amount of the pen-  
10          alty under subsection (a) on any sale or use shall be the  
11          greater of—

12           “(1) \$1,000, or

13           “(2) an amount equal to twice the excess of the  
14          aggregate taxes which should have been imposed  
15          under section 4081 on the fuel so sold or used over the  
16          prior taxes (if any) imposed on such fuel under such  
17          section which have not been credited or refunded.

18          “(c) DEFINITIONS.—For purposes of this section—

19           “(1) DYED FUEL.—The term ‘dyed fuel’ means  
20          diesel fuel dyed in accordance with section 4082.

21           “(2) REDUCED-TAX USE.—The term ‘reduced-tax  
22          use’ means, with respect to any fuel, the use for which  
23          such fuel was dyed.”

1           (2) *CLERICAL AMENDMENT.*—*The table of sec-*  
2           *tions for such part I is amended by adding at the end*  
3           *thereof the following new item:*

*“Sec. 6714. Dyed fuel sold for use or used in taxable use.”*

4           (c) *REGISTERED VENDORS TO ADMINISTER CLAIMS*  
5           *FOR REFUND OF DIESEL FUEL.*—*Section 6427(l) (relating*  
6           *to nontaxable uses of diesel fuel and aviation fuel) is*  
7           *amended by adding at the end the following new paragraph:*

8                    *“(5) REGISTERED VENDORS TO ADMINISTER*  
9                    *CLAIMS FOR REFUND OF DIESEL FUEL SOLD TO*  
10                    *FARMERS AND STATE AND LOCAL GOVERNMENTS.—*

11                    *“(A) IN GENERAL.—Paragraph (1) shall*  
12                    *not apply to the ultimate purchaser of undyed*  
13                    *diesel fuel used on a farm for farming purposes*  
14                    *(within the meaning of section 6420(c)) or for*  
15                    *the exclusive use of a State or local government.*

16                    *“(B) PAYMENT TO ULTIMATE, REGISTERED*  
17                    *VENDOR.—The amount which would have other-*  
18                    *wise been paid under paragraph (1) (without re-*  
19                    *gard to subparagraph (A)) shall be paid to the*  
20                    *ultimate vendor of such fuel, if such vendor—*

21                    *“(i) is registered under section 4101,*  
22                    *and*

23                    *“(ii) meets the requirements of section*  
24                    *6416(a).”*

25           (d) *TECHNICAL AND CONFORMING AMENDMENTS.*—

1           (1) Subsection (c) of section 40 is amended by  
2 striking “, section 4081(c), or section 4091(c)” and  
3 inserting “or section 4081(c)”.

4           (2) Subsection (a) of section 4101 is amended by  
5 striking “4081” and inserting “4041(a)(1), 4081,”.

6           (3) Section 4102 is amended by striking “gasoline” and inserting “any taxable fuel (as defined in  
7 section 4083)”.

8           (4) Paragraph (1) of section 4041(a), as amended by subtitle A, is amended to read as follows:

9           “(1) TAX ON DIESEL FUEL IN CERTAIN CASES.—

10           “(A) IN GENERAL.—There is hereby imposed a tax on any liquid other than gasoline (as  
11 defined in section 4083)—

12           “(i) sold by any person to an owner,  
13 lessee, or other operator of a diesel-powered  
14 highway vehicle, a diesel-powered train, or  
15 a diesel-powered boat for use as a fuel in  
16 such vehicle, train, or boat, or

17           “(ii) used by any person as a fuel in  
18 a diesel-powered highway vehicle, a diesel-  
19 powered train, or a diesel-powered boat un-  
20 less there was a taxable sale of such fuel  
21 under clause (i).  
22  
23  
24

1           “(B) *EXEMPTION FOR PREVIOUSLY TAXED*  
2 *FUEL.*—No tax shall be imposed by this para-  
3 *graph on the sale or use of diesel fuel if there was*  
4 *a taxable removal of such fuel under section 4081*  
5 *and the tax thereon was not credited or refunded.*

6           “(C) *RATE OF TAX.*—

7           “(i) *IN GENERAL.*—Except as otherwise  
8 *provided in this subparagraph, the rate of*  
9 *the tax imposed by this paragraph shall be*  
10 *the sum of the Highway Trust Fund financ-*  
11 *ing rate on diesel fuel and the deficit reduc-*  
12 *tion rate in effect under section 4081 at the*  
13 *time of such sale or use.*

14           “(ii) *CERTAIN RATES NOT TO APPLY TO*  
15 *TRAINS.*—

16           “(I) *HIGHWAY TRUST FUND FI-*  
17 *NANCING RATE.*—The Highway Trust  
18 *Fund financing rate shall not apply to*  
19 *any sale for use, or use, of fuel in a*  
20 *train.*

21           “(II) *DEFICIT REDUCTION*  
22 *RATE.*—The deficit reduction rate shall  
23 *not apply to any sale for use, or use,*  
24 *of fuel in a train if such fuel is used*



1                   *by a State or any political subdivision*  
2                   *thereof*

3                   “(iii) *CERTAIN BUS USES.*—*If the lim-*  
4                   *itation in section 6427(b)(2)(A) applies to*  
5                   *fuel sold for use or used in an automobile*  
6                   *bus, the Highway Trust Fund financing*  
7                   *rate shall be 3 cents per gallon and so much*  
8                   *of the deficit reduction rate as exceeds 4.3*  
9                   *cents per gallon shall not apply.*”

10                  (5) *Paragraph (2) of section 4041(a), as amend-*  
11                  *ed by subtitle A, is amended by striking “or para-*  
12                  *graph (1) of this subsection” and by inserting “on*  
13                  *gasoline” after “Highway Trust Fund financing*  
14                  *rate”.*

15                  (6) *Paragraph (1) of section 4041(c), as amend-*  
16                  *ed by subpart A, is amended by striking “the aviation*  
17                  *fuel deficit reduction rate” and inserting “the deficit*  
18                  *reduction rate imposed under section 4091 on”.*

19                  (7) *Paragraph (2) of section 4041(c) is amended*  
20                  *by striking “any product taxable under section 4081”*  
21                  *and inserting “gasoline (as defined in section 4083)”.*

22                  (8) *Paragraph (2) of section 4041(d) is amend-*  
23                  *ed—*

1           (A) by striking “(other than a product tax-  
2           able under section 4081)” and inserting “(other  
3           than gasoline (as defined in section 4083))”, and

4           (B) by striking “section 4091” and insert-  
5           ing “section 4081”.

6           (9) Paragraph (3) of section 4041(d) is amended  
7           by striking “(other than any product taxable under  
8           section 4081)” and inserting “(other than gasoline (as  
9           defined in section 4083))”.

10          (10) Subparagraph (A) of section 4041(k)(1) is  
11          amended by striking “sections 4081(c) and 4091(c),  
12          as the case may be” and inserting “section 4081(c)”.

13          (11) Subparagraph (B) of section 4041(m)(1) is  
14          amended by striking “section 4091(d)(1)” and insert-  
15          ing “section 4091(c)(1)”.

16          (12) Section 6206 is amended by striking “4041  
17          or 4091” and inserting “4041, 4081, or 4091”.

18          (13) The heading for subsection (f) of section  
19          6302 is amended by inserting “AND DIESEL FUEL”  
20          after “GASOLINE”.

21          (14) Paragraph (1) of section 6412(a) is amend-  
22          ed by striking “gasoline” each place it appears (in-  
23          cluding the heading) and inserting “taxable fuel”.

1           (15)(A) Subparagraph (A) of section 6416(a)(4)  
2           is amended by striking “product” each place it ap-  
3           pears and inserting “gasoline”.

4           (B) Subparagraph (B) of section 6416(a)(4) is  
5           amended by striking all that follows “substituting”  
6           and inserting “‘any gasoline taxable under section  
7           4081’ for ‘aviation fuel’ therein.”

8           (16) The third sentence of section 6416(b)(2) is  
9           amended by inserting “any tax imposed under section  
10          4081 on diesel fuel and” after “in the case of”.

11          (17) Sections 6420(c)(5) and 6421(e)(1) are each  
12          amended by striking “section 4082(b)” and inserting  
13          “section 4083(a)”.

14          (18) Section 6421(e)(2)(B)(iv), as added in sub-  
15          title A, is amended

16                (A) by striking “4091” both places it ap-  
17                pears and inserting “4081”, and

18                (B) by striking “diesel fuel deficit” in  
19                subclause (I) and inserting “deficit”.

20          (19) Subsection (b) of section 6427 is amended—

21                (A) by striking “if any fuel” in paragraph  
22                (1) and inserting “if any fuel other than gaso-  
23                line (as defined in section 4083(a))”, and

24                (B) by striking “4091” each place it ap-  
25                pears and inserting “4081”.

1           (20)(A) Paragraph (1) of section 6427(f) is  
2 amended by striking “, 4091(c)(1)(A), or  
3 4091(d)(1)(A)” and inserting “or 4091(c)(1)(A)”.

4           (B) Paragraph (2) of section 6427(f) is amended  
5 to read as follows:

6           “(2) DEFINITIONS.—For purposes of paragraph  
7 (1)—

8           “(A) REGULAR TAX RATE.—The term ‘regu-  
9 lar tax rate’ means—

10           “(i) in the case of gasoline or diesel  
11 fuel, the aggregate rate of tax imposed by  
12 section 4081 determined without regard to  
13 subsection (c) thereof, and

14           “(ii) in the case of aviation fuel, the  
15 aggregate rate of tax imposed by section  
16 4091 determined without regard to sub-  
17 section (c) thereof.

18           “(B) INCENTIVE TAX RATE.—The term ‘in-  
19 centive tax rate’ means—

20           “(i) in the case of gasoline or diesel  
21 fuel, the aggregate rate of tax imposed by  
22 section 4081 with respect to fuel described  
23 in subsection (c)(1) thereof, and

24           “(ii) in the case of aviation fuel, the  
25 aggregate rate of tax imposed by section

1           4091 with respect to fuel described in sub-  
2           section (c)(1)(B) thereof.”

3           (21) Subsection (h) of section 6427 is amended  
4           by striking “section 4082(b)” and inserting “section  
5           4083(a)(2)”.

6           (22) Paragraph (3) of section 6427(i) is amend-  
7           ed—

8           (A) by striking “GASOHOL” in the heading  
9           and inserting “ALCOHOL MIXTURE”, and

10          (B) by striking “gasoline used to produce  
11          gasohol (as defined in section 4081(c)(1))” in  
12          subparagraph (A) and inserting “gasoline or die-  
13          sel fuel used to produce a qualified alcohol mix-  
14          ture (as defined in section 4081(c)(3))”.

15          (23) The heading of paragraph (4) of section  
16          6427(i) is amended by inserting “4081 OR” before  
17          “4091”.

18          (24) Subsection (l) of section 6427, as amended  
19          by subpart A, is amended to read as follows:

20          “(l) NONTAXABLE USES OF DIESEL FUEL AND AVIA-  
21          TION FUEL.—

22          “(1) IN GENERAL.—Except as provided in sub-  
23          section (k) and in paragraphs (3) and (4) of this sub-  
24          section, if—

1           “(A) any diesel fuel on which tax has been  
2           imposed by section 4081, or

3           “(B) any aviation fuel on which tax has  
4           been imposed by section 4091,

5           is used by any person in a nontaxable use, the Sec-  
6           retary shall pay (without interest) to the ultimate  
7           purchaser of such fuel an amount equal to the aggre-  
8           gate amount of tax imposed on such fuel under sec-  
9           tion 4081 or 4091, as the case may be.

10           “(2) NONTAXABLE USE.—For purposes of this  
11           subsection, the term ‘nontaxable use’ means—

12           “(A) in the case of diesel fuel, any use  
13           which is exempt from the tax imposed by section  
14           4041(a)(1) other than by reason of the imposi-  
15           tion of tax on any sale thereof, and

16           “(B) in the case of aviation fuel, any use  
17           which is exempt from the tax imposed by section  
18           4041(c)(1) other than by reason of the imposition  
19           of tax on any sale thereof.

20           “(3) NO REFUND OF CERTAIN TAXES ON FUEL  
21           USED IN DIESEL-POWERED TRAINS.—Fuel used in a  
22           diesel-powered train shall be treated as a nontaxable  
23           use for purposes of this section, except that paragraph  
24           (1) shall not apply to so much of the tax imposed by  
25           section 4081 as is attributable to the Leaking Under-

1 *ground Storage Tank Trust Fund financing rate and*  
2 *the deficit reduction rate imposed by such section, un-*  
3 *less such fuel was used by a State or any political*  
4 *subdivision thereof.*

5 *“(4) NO REFUND OF CERTAIN TAXES ON FUELS*  
6 *USED IN AIRCRAFT.—In the case of fuel used in any*  
7 *aircraft (other than as supplies for vessels or aircraft,*  
8 *within the meaning of section 4221(d)(3)), paragraph*  
9 *(1) also shall not apply to so much of the tax imposed*  
10 *by section 4091 as is attributable to the Leaking Un-*  
11 *derground Storage Tank Trust Fund financing rate*  
12 *and the deficit reduction rate imposed by such sec-*  
13 *tion. The preceding sentence shall not apply if such*  
14 *fuel was used by a State or any political subdivision*  
15 *thereof.”*

16 *(25) Paragraph (1) of section 9503(b) is amend-*  
17 *ed—*

18 *(A) by striking “gasoline),” in subpara-*  
19 *graph (E) and inserting “gasoline and diesel*  
20 *fuel), and”,*

21 *(B) by striking subparagraph (F), and*

22 *(C) by redesignating subparagraph (G) as*  
23 *subparagraph (F).*

1           (26)(A) Subparagraph (B) of section 9503(b)(4)  
2           is amended by striking “, 4081, and 4091” and in-  
3           serting “and 4081”.

4           (B) Subparagraph (C) of section 9503(b)(4), as  
5           amended by subtitle A, is amended by striking  
6           “4091” and inserting “4081”.

7           (27) Subparagraph (D) of section 9503(c)(6) is  
8           amended by striking “, 4081, and 4091” and insert-  
9           ing “and 4081”.

10          (28) Paragraph (2) of section 9503(e) is amend-  
11          ed—

12               (A) by striking “, 4081, and 4091” and in-  
13               serting “and 4081”, and

14               (B) by striking “, 4081, or 4091” and in-  
15               serting “or 4081”.

16          (29) Subsection (b) of section 9508 is amended—

17               (A) by inserting “and diesel fuel” after  
18               “gasoline” in paragraph (2),

19               (B) by striking “diesel fuel and” in para-  
20               graph (3), and

21               (C) by striking “4091” in the last sentence,  
22               as added by subtitle A, and inserting “4081”.

23          (30) The table of subparts for part III of sub-  
24          chapter A of chapter 32 is amended by striking the



1 *items relating to subparts A and B and inserting the*  
2 *following new items:*

*“Subpart A. Gasoline and diesel fuel.*  
*“Subpart B. Aviation fuel.”*

3 *(e) EFFECTIVE DATE.—The amendments made by this*  
4 *section shall take effect on January 1, 1994.*

5 ***SEC. 8243. FLOOR STOCKS TAX.***

6 *(a) IN GENERAL.—There is hereby imposed a floor*  
7 *stocks tax on diesel fuel held by any person on January*  
8 *1, 1994, if—*

9 *(1) no tax was imposed on such fuel under sec-*  
10 *tion 4041(a) or 4091 of the Internal Revenue Code of*  
11 *1986 as in effect on the day before the date of the en-*  
12 *actment of this Act, and*

13 *(2) tax would have been imposed by section 4081*  
14 *of such Code, as amended by this Act, on any prior*  
15 *removal, entry, or sale of such fuel had such section*  
16 *4081 applied to such fuel for periods before such date*  
17 *of enactment.*

18 *(b) RATE OF TAX.—The rate of the tax imposed by*  
19 *subsection (a) shall be the amount of tax which would be*  
20 *imposed under section 4081 of the Internal Revenue Code*  
21 *of 1986 if there were a taxable sale of such fuel on such*  
22 *date.*

23 *(c) LIABILITY AND PAYMENT OF TAX.—*

1           (1) *LIABILITY FOR TAX.*—A person holding the  
2           diesel fuel on January 1, 1994, to which the tax im-  
3           posed by this section applies shall be liable for such  
4           tax.

5           (2) *METHOD OF PAYMENT.*—The tax imposed by  
6           this section shall be paid in such manner as the Sec-  
7           retary shall prescribe.

8           (3) *TIME FOR PAYMENT.*—The tax imposed by  
9           this section shall be paid on or before July 31, 1994.

10          (d) *DEFINITIONS.*—For purposes of this section—

11           (1) *DIESEL FUEL.*—The term “diesel fuel” has  
12           the meaning given such term by section 4083(a) of  
13           such Code.

14           (2) *SECRETARY.*—The term “Secretary” means  
15           the Secretary of the Treasury or his delegate.

16          (e) *EXCEPTIONS.*—

17           (1) *PERSONS ENTITLED TO CREDIT OR RE-*  
18           *FUND.*—The tax imposed by this section shall not  
19           apply to fuel held by any person exclusively for any  
20           use to the extent a credit or refund of the tax imposed  
21           by section 4081 is allowable for such use.

22           (2) *COMPLIANCE WITH DYEING REQUIRED.*—  
23           Paragraph (1) shall not apply to the holder of any  
24           fuel if the holder of such fuel fails to comply with any

1        *requirement imposed by the Secretary with respect to*  
2        *dyeing.*

3        *(f) OTHER LAWS APPLICABLE.—All provisions of law,*  
4        *including penalties, applicable with respect to the taxes im-*  
5        *posed by section 4081 of such Code shall, insofar as applica-*  
6        *ble and not inconsistent with the provisions of this section,*  
7        *apply with respect to the floor stock taxes imposed by this*  
8        *section to the same extent as if such taxes were imposed*  
9        *by such section 4081.*

10        ***Subpart C—Extension of Motor Fuel Tax Rates;***

11        ***Increased Deposits Into Highway Trust Fund***

12        ***SEC. 8244. EXTENSION OF MOTOR FUEL TAX RATES; IN-***  
13        ***CREASED DEPOSITS INTO HIGHWAY TRUST***  
14        ***FUND.***

15        *(a) IN GENERAL.—Clause (i) of section 4081(a)(2)(B),*  
16        *as amended by subpart B, is amended—*

17                *(1) by striking “11.5 cents” and inserting “14*  
18                *cents”, and*

19                *(2) by striking “17.5 cents” and inserting “20*  
20                *cents”.*

21        *(b) CONFORMING AMENDMENTS.—*

22                *(1) Subparagraph (A) of section 4081(c)(4), as*  
23        *so amended, is amended to read as follows:*

24                        *“(A) IN GENERAL.—In the case of the High-*  
25                        *way Trust Fund financing rate, the otherwise*

1           *applicable rate for gasoline in a qualified alcohol*  
2           *mixture is—*

3                     “(i) 8.6 cents a gallon for 10 percent  
4                     *gasohol,*

5                     “(ii) 9.842 cents a gallon for 7.7 per-  
6                     *cent gasohol, and*

7                     “(iii) 10.922 cents a gallon for 5.7 per-  
8                     *cent gasohol.*

9           *In the case of a mixture none of the alcohol in which*  
10           *consists of ethanol, clauses (i), (ii), and (iii) shall be*  
11           *applied by substituting ‘8.0 cents’ for ‘8.6 cents’, ‘9.38*  
12           *cents’ for ‘9.842 cents’, and ‘10.58 cents’ for ‘10.922’.”*

13           (2) *Paragraph (5) of section 4081(c), as so*  
14           *amended, is amended—*

15                     (A) *by striking “12.1 cents” and inserting*  
16                     *“14.6 cents”, and*

17                     (B) *by striking “11.5 cents” and inserting*  
18                     *“14.0”.*

19           (3) *Subparagraph (A) of section 4041(m)(1), as*  
20           *amended by subpart A, is amended to read as follows:*

21                     “(A) *under subsection (a)(2) the Highway*  
22                     *Trust Fund financing shall be 7 cents per gallon*  
23                     *and the deficit reduction rate shall be 4.3 cents*  
24                     *per gallon, and”.*

1           (4) Clause (ii) of section 4041(a)(1)(C), as so  
2           amended, is amended—

3                   (A) by striking “The Highway Trust Fund  
4                   financing rate” and inserting “So much of the  
5                   Highway Trust Fund financing rate as exceeds  
6                   2.5 cents per gallon”, and

7                   (B) by striking “HIGHWAY RATE” in the  
8                   heading and inserting “PORTION OF HIGHWAY  
9                   RATE”.

10          (5) Paragraph (4) of section 6427(l), as amended  
11          by subpart B, is amended—

12                   (A) by inserting “2.5 cents per gallon of the  
13                   Highway Trust Fund financing rate and” after  
14                   “attributable to”, and

15                   (B) by striking “DEFICIT REDUCTION TAX”  
16                   in the heading and inserting “PORTION OF TAX”.

17          (6) Subsection (b) of section 9503 is amended by  
18          adding at the end thereof the following new para-  
19          graph:

20                   “(6) RETENTION OF CERTAIN TAXES IN GENERAL  
21                   FUND.—

22                   “(A) IN GENERAL.—There shall not be  
23                   taken into account under paragraphs (1) and  
24                   (2)—

1           “(i) the tax imposed by section 4081  
2           on diesel fuel used in any train, and

3           “(ii) so much of the nonhighway rec-  
4           reational fuel taxes (as defined in subsection  
5           (c)(6)(D)) as are attributable to 2.5 cents of  
6           the Highway Trust Fund financing rate.

7           “(B) TRANSFERS FROM HIGHWAY TRUST  
8           FUND.—For purposes of determining the amount  
9           paid from the Highway Trust Fund under sub-  
10          section (c)(6), the Highway Trust Fund financ-  
11          ing rate shall be treated as being 2.5 cents less  
12          than the otherwise applicable rate.”

13          (c) INCREASE IN DEPOSITS IN MASS TRANSIT AC-  
14          COUNT.—Paragraph (2) of section 9503(e) is amended by  
15          striking “1.5 cents” and inserting “2 cents”.

16          (d) EFFECTIVE DATE.—The amendments made by this  
17          section shall take effect October 1, 1995, but the amendment  
18          made by subsection (c) shall apply only to amounts attrib-  
19          utable to taxes imposed on or after such date.

20                   **PART V—COMPLIANCE PROVISIONS**

21           **SEC. 8251. MODIFICATIONS TO SUBSTANTIAL UNDERSTATE-**  
22                   **MENT AND RETURN-PREPARER PENALTIES.**

23           (a) REASONABLE BASIS REQUIRED.—

24                   (1) SUBSTANTIAL UNDERSTATEMENT PENALTY.—  
25           Clause (ii) of section 6662(d)(2)(B) (relating to re-

1        *duction for understatement due to position of tax-*  
2        *payer or disclosed item) is amended to read as fol-*  
3        *lows:*

4                                *“(ii) any item if—*

5                                        *“(I) the relevant facts affecting the*  
6                                        *item’s tax treatment are adequately*  
7                                        *disclosed in the return or in a state-*  
8                                        *ment attached to the return, and*

9                                        *“(II) there is a reasonable basis*  
10                                        *for the tax treatment of such item by*  
11                                        *the taxpayer.”*

12        *(b) EFFECTIVE DATE.—The amendments made by this*  
13        *section shall apply to returns the due dates for which (deter-*  
14        *mined without regard to extensions) are after December 31,*  
15        *1993.*

16        ***SEC. 8252. RETURNS RELATING TO THE CANCELLATION OF***  
17                                        ***INDEBTEDNESS BY CERTAIN FINANCIAL EN-***  
18                                        ***TITIES.***

19        *(a) IN GENERAL.—Subpart B of part III of subchapter*  
20        *A of chapter 61 (relating to information concerning trans-*  
21        *actions with other persons) is amended by adding at the*  
22        *end thereof the following new section:*

1 ***“SEC. 6050P. RETURNS RELATING TO THE CANCELLATION***  
2 ***OF INDEBTEDNESS BY CERTAIN FINANCIAL***  
3 ***ENTITIES.***

4 *“(a) IN GENERAL.—Any applicable financial entity*  
5 *which discharges (in whole or in part) the indebtedness of*  
6 *any person during any calendar year shall make a return*  
7 *(at such time and in such form as the Secretary may by*  
8 *regulations prescribe) setting forth—*

9 *“(1) the name, address, and TIN of each person*  
10 *whose indebtedness was discharged during such cal-*  
11 *endar year,*

12 *“(2) the date of the discharge and the amount of*  
13 *the indebtedness discharged, and*

14 *“(3) such other information as the Secretary*  
15 *may prescribe.*

16 *“(b) EXCEPTION.—Subsection (a) shall not apply to*  
17 *any discharge of less than \$600.*

18 *“(c) DEFINITIONS AND SPECIAL RULES.—For pur-*  
19 *poses of this section—*

20 *“(1) APPLICABLE FINANCIAL ENTITY.—The term*  
21 *‘applicable financial entity’ means—*

22 *“(A) any financial institution described in*  
23 *section 581 or 591(a) and any credit union,*

24 *“(B) the Federal Deposit Insurance Cor-*  
25 *poration, the Resolution Trust Corporation, the*  
26 *National Credit Union Administration, and any*



1           *other Federal executive agency (as defined in sec-*  
2           *tion 6050M), and any successor or subunit of*  
3           *any of the foregoing, and*

4                   “(C) *any other corporation which is a di-*  
5           *rect or indirect subsidiary of an entity referred*  
6           *to in subparagraph (A) but only if, by virtue of*  
7           *being affiliated with such entity, such other cor-*  
8           *poration is subject to supervision and examina-*  
9           *tion by a Federal or State agency which regu-*  
10           *lates entities referred to in subparagraph (A).*

11                   “(2) *GOVERNMENTAL UNITS.—In the case of an*  
12           *entity described in paragraph (1)(B), any return*  
13           *under this section shall be made by the officer or em-*  
14           *ployee appropriately designated for the purpose of*  
15           *making such return.*

16                   “(d) *STATEMENTS TO BE FURNISHED TO PERSONS*  
17           *WITH RESPECT TO WHOM INFORMATION IS REQUIRED TO*  
18           *BE FURNISHED.—Every applicable financial entity re-*  
19           *quired to make a return under subsection (a) shall furnish*  
20           *to each person whose name is required to be set forth in*  
21           *such return a written statement showing—*

22                           “(1) *the name and address of the entity required*  
23           *to make such return, and*

24                           “(2) *the information required to be shown on the*  
25           *return with respect to such person.*

1 *The written statement required under the preceding sen-*  
2 *tence shall be furnished to the person on or before January*  
3 *31 of the year following the calendar year for which the*  
4 *return under subsection (a) was made.”*

5 *(b) PENALTIES.—*

6 *(1) RETURNS.—Subparagraph (B) of section*  
7 *6724(d)(1) is amended by redesignating clauses (viii)*  
8 *through (xv) as clauses (ix) through (xvi), respec-*  
9 *tively, and by inserting after clause (vii) the following*  
10 *new clause:*

11 *“(viii) section 6050P (relating to re-*  
12 *turns relating to the cancellation of indebt-*  
13 *edness by certain financial entities),”.*

14 *(2) STATEMENTS.—Paragraph (2) of section*  
15 *6724(d) is amended by redesignating subparagraphs*  
16 *(P) through (S) as subparagraphs (Q) through (T),*  
17 *respectively, and by inserting after subparagraph (O)*  
18 *the following new subparagraph:*

19 *“(P) section 6050P(d) (relating to returns*  
20 *relating to the cancellation of indebtedness by*  
21 *certain financial entities),”.*

22 *(c) CLERICAL AMENDMENT.—The table of sections for*  
23 *subpart B of part III of subchapter A of chapter 61 is*

1 amended by adding at the end thereof the following new  
2 item:

*“Sec. 6050P. Returns relating to the cancellation of indebtedness by certain financial entities.”*

3 (d) *EFFECTIVE DATE.*—The amendments made by this  
4 section shall apply to discharges of indebtedness after the  
5 date of the enactment of this Act.

6 **PART VI—TREATMENT OF INTANGIBLES**

7 **SEC. 8261. AMORTIZATION OF GOODWILL AND CERTAIN**  
8 **OTHER INTANGIBLES.**

9 (a) *GENERAL RULE.*—Part VI of subchapter B of  
10 chapter 1 (relating to itemized deductions for individuals  
11 and corporations) is amended by adding at the end thereof  
12 the following new section:

13 **“SEC. 197. AMORTIZATION OF GOODWILL AND CERTAIN**  
14 **OTHER INTANGIBLES.**

15 “(a) *GENERAL RULE.*—A taxpayer shall be entitled to  
16 an amortization deduction with respect to any amortizable  
17 section 197 intangible. The amount of such deduction shall  
18 be determined by amortizing 75 percent of the adjusted  
19 basis (for purposes of determining gain) of such intangible  
20 ratably over the 14-year period beginning with the month  
21 in which such intangible was acquired.

22 “(b) *NO OTHER DEPRECIATION OR AMORTIZATION*  
23 *DEDUCTION ALLOWABLE.*—Except as provided in sub-  
24 section (a), no depreciation or amortization deduction shall

1 *be allowable with respect to any amortizable section 197*  
2 *intangible.*

3 “(c) *AMORTIZABLE SECTION 197 INTANGIBLE.*—For  
4 *purposes of this section—*

5 “(1) *IN GENERAL.*—Except as otherwise provided  
6 *in this section, the term ‘amortizable section 197 in-*  
7 *tangible’ means any section 197 intangible—*

8 “(A) *which is acquired by the taxpayer*  
9 *after the date of the enactment of this section,*  
10 *and*

11 “(B) *which is held in connection with the*  
12 *conduct of a trade or business or an activity de-*  
13 *scribed in section 212.*

14 “(2) *EXCLUSION OF SELF-CREATED INTANGI-*  
15 *BLES, ETC.*—The term ‘amortizable section 197 intan-

16 *gible’ shall not include any section 197 intangible—*  
17 “(A) *which is not described in subpara-*  
18 *graph (D), (E), or (F) of subsection (d)(1), and*

19 “(B) *which is created by the taxpayer.*

20 *This paragraph shall not apply if the intangible is*  
21 *created in connection with a transaction (or series of*  
22 *related transactions) involving the acquisition of as-*  
23 *sets constituting a trade or business or substantial*  
24 *portion thereof.*

1           “(3) *ANTI-CHURNING RULES.*—

**“For exclusion of intangibles acquired in certain transactions, see subsection (f)(9).**

2           “(d) *SECTION 197 INTANGIBLE.*—For purposes of this  
3 *section*—

4           “(1) *IN GENERAL.*—Except as otherwise provided  
5 *in this section, the term ‘section 197 intangible’*  
6 *means*—

7           “(A) *goodwill,*

8           “(B) *going concern value,*

9           “(C) *any of the following intangible items:*

10           “(i) *workforce in place including its*  
11 *composition and terms and conditions (con-*  
12 *tractual or otherwise) of its employment,*

13           “(ii) *business books and records, oper-*  
14 *ating systems, or any other information*  
15 *base (including lists or other information*  
16 *with respect to current or prospective cus-*  
17 *tomers),*

18           “(iii) *any patent, copyright, formula,*  
19 *process, design, pattern, knowhow, format,*  
20 *or other similar item,*

21           “(iv) *any customer-based intangible,*

22           “(v) *any supplier-based intangible,*

23           *and*

24           “(vi) *any other similar item,*

1           “(D) any license, permit, or other right  
2 granted by a governmental unit or an agency or  
3 instrumentality thereof,

4           “(E) any covenant not to compete (or other  
5 arrangement to the extent such arrangement has  
6 substantially the same effect as a covenant not to  
7 compete) entered into in connection with an ac-  
8 quisition (directly or indirectly) of an interest in  
9 a trade or business or substantial portion there-  
10 of, and

11           “(F) any franchise, trademark, or trade  
12 name.

13           “(2) CUSTOMER-BASED INTANGIBLE.—

14           “(A) IN GENERAL.—The term ‘customer-  
15 based intangible’ means—

16                   “(i) composition of market,

17                   “(ii) market share, and

18                   “(iii) any other value resulting from  
19 future provision of goods or services pursu-  
20 ant to relationships (contractual or other-  
21 wise) in the ordinary course of business  
22 with customers.

23           “(B) SPECIAL RULE FOR FINANCIAL INSTI-  
24 TUTIONS.—In the case of a financial institution,

1           the term ‘customer-based intangible’ includes de-  
2           posit base and similar items.

3           “(3) *SUPPLIER-BASED INTANGIBLE.*—The term  
4           ‘supplier-based intangible’ means any value resulting  
5           from future acquisitions of goods or services pursuant  
6           to relationships (contractual or otherwise) in the ordi-  
7           nary course of business with suppliers of goods or  
8           services to be used or sold by the taxpayer.

9           “(e) *EXCEPTIONS.*—For purposes of this section, the  
10          term ‘section 197 intangible’ shall not include any of the  
11          following:

12           “(1) *FINANCIAL INTERESTS.*—Any interest—

13                   “(A) in a corporation, partnership, trust, or  
14                   estate, or

15                   “(B) under an existing futures contract, for-  
16                   eign currency contract, notional principal con-  
17                   tract, or other similar financial contract.

18           “(2) *LAND.*—Any interest in land.

19           “(3) *COMPUTER SOFTWARE.*—

20                   “(A) *IN GENERAL.*—Any—

21                           “(i) computer software which is read-  
22                           ily available for purchase by the general  
23                           public, is subject to a nonexclusive license,  
24                           and has not been substantially modified,  
25                           and

1           “(ii) other computer software which is  
2           not acquired in a transaction (or series of  
3           related transactions) involving the acquisi-  
4           tion of assets constituting a trade or busi-  
5           ness or substantial portion thereof.

6           “(B) *COMPUTER SOFTWARE DEFINED.*—For  
7           purposes of subparagraph (A), the term ‘com-  
8           puter software’ means any program designed to  
9           cause a computer to perform a desired function.  
10          Such term shall not include any data base or  
11          similar item unless the data base or item is in  
12          the public domain and is incidental to the oper-  
13          ation of otherwise qualifying computer software.

14          “(4) *CERTAIN INTERESTS OR RIGHTS ACQUIRED*  
15          *SEPARATELY.*—Any of the following not acquired in  
16          a transaction (or series of related transactions) in-  
17          volving the acquisition of assets constituting a trade  
18          business or substantial portion thereof:

19                 “(A) Any interest in a film, sound record-  
20                 ing, video tape, book, or similar property.

21                 “(B) Any right to receive tangible property  
22                 or services under a contract or granted by a gov-  
23                 ernmental unit or agency or instrumentality  
24                 thereof.

25                 “(C) Any interest in a patent or copyright.



1           “(D) To the extent provided in regulations,  
2           any right under a contract (or granted by a gov-  
3           ernmental unit or an agency or instrumentality  
4           thereof) if such right—

5                   “(i) has a fixed duration of less than  
6                   14 years, or

7                   “(ii) is fixed as to amount and, with-  
8                   out regard to this section, would be recover-  
9                   able under a method similar to the unit-of-  
10                  production method.

11           “(5) INTERESTS UNDER LEASES AND DEBT IN-  
12           STRUMENTS.—Any interest under—

13                   “(A) an existing lease of tangible property,  
14                   or

15                   “(B) except as provided in subsection  
16                   (d)(2)(B), any existing indebtedness.

17           “(6) TREATMENT OF SPORTS FRANCHISES.—A  
18           franchise to engage in professional football, basketball,  
19           baseball, or other professional sport, and any item ac-  
20           quired in connection with such a franchise.

21           “(7) MORTGAGE SERVICING.—Any right to serv-  
22           ice indebtedness which is secured by residential real  
23           property unless such right is acquired in a trans-  
24           action (or series of related transactions) involving the  
25           acquisition of assets (other than rights described in

1     *this paragraph) constituting a trade or business or*  
2     *substantial portion thereof.*

3             “(8) *CERTAIN TRANSACTION COSTS.—Any fees*  
4     *for professional services, and any transaction costs,*  
5     *incurred by parties to a transaction with respect to*  
6     *which any portion of the gain or loss is not recog-*  
7     *nized under part III of subchapter C.*

8             “(f) *SPECIAL RULES.—*

9             “(1) *TREATMENT OF CERTAIN DISPOSITIONS,*  
10     *ETC.—If there is a disposition of any amortizable sec-*  
11     *tion 197 intangible acquired in a transaction or se-*  
12     *ries of related transactions (or any such intangible*  
13     *becomes worthless) and one or more other amortizable*  
14     *section 197 intangibles acquired in such transaction*  
15     *or series of related transactions are retained—*

16             “(A) *no loss shall be recognized by reason of*  
17             *such disposition (or such worthlessness), and*

18             “(B) *appropriate adjustments to the ad-*  
19             *justed bases of such retained intangibles shall be*  
20             *made for any loss not recognized under subpara-*  
21             *graph (A).*

22     *All persons treated as a single taxpayer under section*  
23     *41(f)(1) shall be so treated for purposes of the preced-*  
24     *ing sentence.*

25             “(2) *TREATMENT OF CERTAIN TRANSFERS.—*

1           “(A) *IN GENERAL.*—*In the case of any sec-*  
2           *tion 197 intangible transferred in a transaction*  
3           *described in subparagraph (B), the transferee*  
4           *shall be treated as the transferor for purposes of*  
5           *applying this section with respect to so much of*  
6           *the adjusted basis in the hands of the transferee*  
7           *as does not exceed the adjusted basis in the hands*  
8           *of the transferor.*

9           “(B) *TRANSACTIONS COVERED.*—*The trans-*  
10          *actions described in this subparagraph are—*

11           “(i) *any transaction described in sec-*  
12          *tion 332, 351, 361, 721, 731, 1031, or 1033,*  
13          *and*

14           “(ii) *any transaction between members*  
15          *of the same affiliated group during any tax-*  
16          *able year for which a consolidated return is*  
17          *made by such group.*

18          “(3) *TREATMENT OF AMOUNTS PAID PURSUANT*  
19          *TO COVENANTS NOT TO COMPETE, ETC.*—*Any amount*  
20          *paid or incurred pursuant to a covenant or arrange-*  
21          *ment referred to in subsection (d)(1)(E) shall be treat-*  
22          *ed as an amount chargeable to capital account.*

23          “(4) *TREATMENT OF FRANCHISES, ETC.*—

1           “(A) *FRANCHISE*.—The term ‘franchise’ has  
2           the meaning given to such term by section  
3           1253(b)(1).

4           “(B) *TREATMENT OF RENEWALS*.—Any re-  
5           newal of a franchise, trademark, or trade name  
6           (or of a license, a permit, or other right referred  
7           to in subsection (d)(1)(D)) shall be treated as an  
8           acquisition. The preceding sentence shall only  
9           apply with respect to costs incurred in connec-  
10          tion with such renewal.

11          “(C) *CERTAIN AMOUNTS NOT TAKEN INTO*  
12          *ACCOUNT*.—Any amount to which section  
13          1253(d)(1) applies shall not be taken into ac-  
14          count under this section.

15          “(5) *TREATMENT OF CERTAIN REINSURANCE*  
16          *TRANSACTIONS*.—In the case of any amortizable sec-  
17          tion 197 intangible resulting from an assumption re-  
18          insurance transaction, the amount taken into account  
19          as the adjusted basis of such intangible under this sec-  
20          tion shall be the excess of—

21                 “(A) the amount paid or incurred by the  
22                 acquirer under the assumption reinsurance  
23                 transaction, over

1           “(B) the amount required to be capitalized  
2           under section 848 in connection with such trans-  
3           action.

4           Subsection (b) shall not apply to any amount re-  
5           quired to be capitalized under section 848.

6           “(6) TREATMENT OF CERTAIN SUBLEASES.—For  
7           purposes of this section, a sublease shall be treated in  
8           the same manner as a lease of the underlying prop-  
9           erty involved.

10          “(7) TREATMENT AS DEPRECIABLE.—For pur-  
11          poses of this chapter, any amortizable section 197 in-  
12          tangible shall be treated as property which is of a  
13          character subject to the allowance for depreciation  
14          provided in section 167.

15          “(8) TREATMENT OF CERTAIN INCREMENTS IN  
16          VALUE.—This section shall not apply to any incre-  
17          ment in value if, without regard to this section, such  
18          increment is properly taken into account in determin-  
19          ing the cost of property which is not a section 197 in-  
20          tangible.

21          “(9) ANTI-CHURNING RULES.—For purposes of  
22          this section—

23                  “(A) IN GENERAL.—The term ‘amortizable  
24                  section 197 intangible’ shall not include any sec-  
25                  tion 197 intangible which is described in sub-

1        *paragraph (A) or (B) of subsection (d)(1) (or for*  
2        *which depreciation or amortization would not*  
3        *have been allowable but for this section) and*  
4        *which is acquired by the taxpayer after the date*  
5        *of the enactment of this section, if—*

6                *“(i) the intangible was held or used at*  
7                *any time on or after July 25, 1991, and on*  
8                *or before such date of enactment by the tax-*  
9                *payer or a related person,*

10                *“(ii) the intangible was acquired from*  
11                *a person who held such intangible at any*  
12                *time on or after July 25, 1991, and on or*  
13                *before such date of enactment, and, as part*  
14                *of the transaction, the user of such intangi-*  
15                *ble does not change, or*

16                *“(iii) the taxpayer grants the right to*  
17                *use such intangible to a person (or a person*  
18                *related to such person) who held or used*  
19                *such intangible at any time on or after*  
20                *July 25, 1991, and on or before such date*  
21                *of enactment.*

22        *For purposes of this subparagraph, the deter-*  
23        *mination of whether the user of property changes*  
24        *as part of a transaction shall be determined in*  
25        *accordance with regulations prescribed by the*

1           *Secretary. For purposes of this subparagraph,*  
2           *deductions allowable under section 1253(d) shall*  
3           *be treated as deductions allowable for amortiza-*  
4           *tion.*

5           “(B) *EXCEPTION WHERE GAIN RECOG-*  
6           *NIZED.—If—*

7                   “(i) *subparagraph (A) would not*  
8                   *apply to an intangible acquired by the tax-*  
9                   *payer but for the last sentence of subpara-*  
10                   *graph (C)(i), and*

11                   “(ii) *the person from whom the tax-*  
12                   *payer acquired the intangible elects, not-*  
13                   *withstanding any other provision of this*  
14                   *title—*

15                           “(I) *to recognize gain on the dis-*  
16                           *position of the intangible, and*

17                           “(II) *to pay a tax on such gain*  
18                           *which, when added to any other in-*  
19                           *come tax on such gain under this title,*  
20                           *equals such gain multiplied by the*  
21                           *highest rate of income tax applicable to*  
22                           *such person under this title,*

23                   *then subparagraph (A) shall apply to the*  
24                   *intangible only to the extent that the tax-*  
25                   *payer’s adjusted basis in the intangible ex-*

1           ceeds the gain recognized under clause  
2           (ii)(I).

3           “(C) *RELATED PERSON DEFINED.*—For  
4           purposes of this paragraph—

5           “(i) *RELATED PERSON.*—A person  
6           (hereinafter in this paragraph referred to as  
7           the ‘related person’) is related to any person  
8           if—

9           “(I) the related person bears a re-  
10          lationship to such person specified in  
11          section 267(b) or section 707(b)(1), or

12          “(II) the related person and such  
13          person are engaged in trades or busi-  
14          nesses under common control (within  
15          the meaning of subparagraphs (A) and  
16          (B) of section 41(f)(1)).

17          For purposes of subclause (I), in applying  
18          section 267(b) or 707(b)(1), ‘20 percent’  
19          shall be substituted for ‘50 percent’.

20          “(ii) *TIME FOR MAKING DETERMINA-*  
21          *TION.*—A person shall be treated as related  
22          to another person if such relationship exists  
23          immediately before or immediately after the  
24          acquisition of the intangible involved.



1           “(D) *ACQUISITIONS BY REASON OF*  
2           *DEATH.*—Subparagraph (A) shall not apply to  
3           the acquisition of any property by the taxpayer  
4           if the basis of the property in the hands of the  
5           taxpayer is determined under section 1014(a).

6           “(E) *SPECIAL RULE FOR PARTNERSHIPS.*—  
7           With respect to any increase in the basis of part-  
8           nership property under section 732, 734, or 743,  
9           determinations under this paragraph shall be  
10          made at the partner level and each partner shall  
11          be treated as having owned and used such part-  
12          ner’s proportionate share of the partnership as-  
13          sets.

14          “(F) *ANTI-ABUSE RULES.*—The term ‘amor-  
15          tizable section 197 intangible’ does not include  
16          any section 197 intangible acquired in a trans-  
17          action, one of the principal purposes of which is  
18          to avoid the requirement of subsection (c)(1) that  
19          the intangible be acquired after the date of the  
20          enactment of this section or to avoid the provi-  
21          sions of subparagraph (A).

22          “(g) *SPECIAL RULES FOR ACQUISITION OF CERTAIN*  
23          *COMPUTER SOFTWARE BUSINESSES.*—

24                 “(1) *IN GENERAL.*—In the case of any section  
25                 197 intangible acquired in a transaction to which

1        *this subsection applies, subsection (a) shall be applied*  
2        *with respect to one-half of the 75 percent of its ad-*  
3        *justed basis which is amortizable under subsection (a)*  
4        *by substituting ‘5-year period’ for ‘14-year period’.*

5            *“(2) TRANSACTIONS TO WHICH SUBSECTION AP-*  
6        *PLIES.—*

7            *“(A) IN GENERAL.—This subsection shall*  
8        *apply to a transaction (or series of related trans-*  
9        *actions) involving the acquisition of assets con-*  
10       *stituting a trade or business or substantial por-*  
11       *tion thereof if—*

12            *“(i) the principal business activity of*  
13        *the trade or business (or portion) is com-*  
14        *puter software development, computer sales,*  
15        *licensing, or leasing, the provision of com-*  
16        *puter software services, or a combination*  
17        *thereof, and*

18            *“(ii) during the testing period, the ag-*  
19        *gregate computer software development costs*  
20        *of such trade or business (or portion) are*  
21        *not less than 17 percent of the greater of—*

22            *“(I) the aggregate gross receipts of*  
23        *such trade or business (or portion), or*

1                   “(II) the aggregate gross expendi-  
2                   tures of such trade or business (or por-  
3                   tion).

4                   “(B) *COMPUTER SOFTWARE DEVELOPMENT*  
5                   *COSTS.*—For purposes of subparagraph (A), the  
6                   term ‘computer software development costs’  
7                   means the sum of—

8                   “(i) the computer software development  
9                   costs which qualify as research and experi-  
10                  mentation expenditures under section 174,  
11                  plus

12                  “(ii) the amortization deductions of the  
13                  trade or business with respect to computer  
14                  software not acquired in a transaction (or  
15                  series of related transactions) involving the  
16                  acquisition of assets constituting a trade or  
17                  business or substantial portion thereof.

18                  “(C) *TESTING PERIOD.*—For purposes of  
19                  subparagraph (A), the term ‘testing period’  
20                  means the 5-year period ending on the date of  
21                  the last transaction described in subparagraph  
22                  (A) pursuant to which the section 197 intangible  
23                  was acquired (or, if shorter, the entire period of  
24                  existence of the trade or business (or portion) be-  
25                  fore such date).

1       “(h) *REGULATIONS.*—*The Secretary shall prescribe*  
2 *such regulations as may be appropriate to carry out the*  
3 *purposes of this section, including such regulations as may*  
4 *be appropriate to prevent avoidance of the purposes of this*  
5 *section through related persons or otherwise.*”

6       (b) *MODIFICATIONS TO DEPRECIATION RULES.*—

7           (1) *TREATMENT OF CERTAIN PROPERTY EX-*  
8 *CLUDED FROM SECTION 197.*—*Section 167 (relating to*  
9 *depreciation deduction) is amended by redesignating*  
10 *subsection (f) as subsection (g) and by inserting after*  
11 *subsection (e) the following new subsection:*

12       “(f) *TREATMENT OF CERTAIN PROPERTY EXCLUDED*  
13 *FROM SECTION 197.*—

14           “(1) *COMPUTER SOFTWARE.*—

15               “(A) *IN GENERAL.*—*If a depreciation de-*  
16 *duction is allowable under subsection (a) with*  
17 *respect to any computer software, such deduction*  
18 *shall be computed by using the straight line*  
19 *method and a useful life of 36 months.*

20               “(B) *COMPUTER SOFTWARE.*—*For purposes*  
21 *of this section, the term ‘computer software’ has*  
22 *the meaning given to such term by section*  
23 *197(e)(3)(B); except that such term shall not in-*  
24 *clude any such software which is an amortizable*  
25 *section 197 intangible.*

1           “(2) *CERTAIN INTERESTS OR RIGHTS ACQUIRED*  
2           *SEPARATELY.—If a depreciation deduction is allow-*  
3           *able under subsection (a) with respect to any property*  
4           *described in subparagraph (B), (C), or (D) of section*  
5           *197(e)(4), such deduction shall be computed in ac-*  
6           *cordance with regulations prescribed by the Secretary.*

7           “(3) *MORTGAGE SERVICING RIGHTS.—If a depre-*  
8           *ciation deduction is allowable under subsection (a)*  
9           *with respect to any right described in section*  
10           *197(e)(7), such deduction shall be computed by using*  
11           *the straight line method and a useful life of 108*  
12           *months.”*

13           (2) *ALLOCATION OF BASIS IN CASE OF LEASED*  
14           *PROPERTY.—Subsection (c) of section 167 is amended*  
15           *to read as follows:*

16           “(c) *BASIS FOR DEPRECIATION.—*

17           “(1) *IN GENERAL.—The basis on which exhaus-*  
18           *tion, wear and tear, and obsolescence are to be al-*  
19           *lowed in respect of any property shall be the adjusted*  
20           *basis provided in section 1011, for the purpose of de-*  
21           *termining the gain on the sale or other disposition of*  
22           *such property.*

23           “(2) *SPECIAL RULE FOR PROPERTY SUBJECT TO*  
24           *LEASE.—If any property is acquired subject to a*  
25           *lease—*

1           “(A) no portion of the adjusted basis shall  
2           be allocated to the leasehold interest, and

3           “(B) the entire adjusted basis shall be taken  
4           into account in determining the depreciation de-  
5           duction (if any) with respect to the property sub-  
6           ject to the lease.”

7           (c) AMENDMENTS TO SECTION 1253.—Subsection (d)  
8           of section 1253 is amended by striking paragraphs (2), (3),  
9           (4), and (5) and inserting the following:

10           “(2) OTHER PAYMENTS.—Any amount paid or  
11           incurred on account of a transfer, sale, or other dis-  
12           position of a franchise, trademark, or trade name to  
13           which paragraph (1) does not apply shall be treated  
14           as an amount chargeable to capital account.

15           “(3) RENEWALS, ETC.—For purposes of deter-  
16           mining the term of a transfer agreement under this  
17           section, there shall be taken into account all renewal  
18           options (and any other period for which the parties  
19           reasonably expect the agreement to be renewed).”

20           (d) AMENDMENT TO SECTION 848.—Subsection (g) of  
21           section 848 is amended by striking “this section” and in-  
22           serting “this section or section 197”.

23           (e) AMENDMENTS TO SECTION 1060.—

1           (1) Paragraph (1) of section 1060(b) is amended  
2           by striking “goodwill or going concern value” and in-  
3           serting “section 197 intangibles”.

4           (2) Paragraph (1) of section 1060(d) is amended  
5           by striking “goodwill or going concern value (or simi-  
6           lar items)” and inserting “section 197 intangibles”.

7           (f) TECHNICAL AND CONFORMING AMENDMENTS.—

8           (1) Subsection (g) of section 167 (as redesignated  
9           by subsection (b)) is amended to read as follows:

10          “(g) CROSS REFERENCES.—

**“(1) For additional rule applicable to depreciation  
of improvements in the case of mines, oil and gas  
wells, other natural deposits, and timber, see section  
611.**

**“(2) For amortization of goodwill and certain other  
intangibles, see section 197.”**

11          (2) Subsection (f) of section 642 is amended by  
12          striking “section 169” and inserting “sections 169  
13          and 197”.

14          (3) Subsection (a) of section 1016 is amended by  
15          striking paragraph (19) and by redesignating the fol-  
16          lowing paragraphs accordingly.

17          (4) Subparagraph (C) of section 1245(a)(2) is  
18          amended by striking “193, or 1253(d) (2) or (3)” and  
19          inserting “or 193”.

20          (5) Paragraph (3) of section 1245(a) is amended  
21          by striking “section 185 or 1253(d) (2) or (3)”.

1           (6) *The table of sections for part VI of sub-*  
2 *chapter B of chapter 1 is amended by adding at the*  
3 *end thereof the following new item:*

*“Sec. 197. Amortization of goodwill and certain other intangibles.”.*

4           (g) *EFFECTIVE DATE.—*

5           (1) *IN GENERAL.—Except as otherwise provided*  
6 *in this subsection, the amendments made by this sec-*  
7 *tion shall apply with respect to property acquired*  
8 *after the date of the enactment of this Act.*

9           (2) *ELECTION TO HAVE AMENDMENTS APPLY TO*  
10 *PROPERTY ACQUIRED AFTER JULY 25, 1991.—*

11           (A) *IN GENERAL.—If an election under this*  
12 *paragraph applies to the taxpayer—*

13           (i) *the amendments made by this sec-*  
14 *tion shall apply to property acquired by the*  
15 *taxpayer after July 25, 1991,*

16           (ii) *subsection (c)(1)(A) of section 197*  
17 *of the Internal Revenue Code of 1986 (as*  
18 *added by this section) (and so much of sub-*  
19 *section (f)(9)(A) of such section 197 as pre-*  
20 *cedes clause (i) thereof) shall be applied*  
21 *with respect to the taxpayer by treating*  
22 *July 25, 1991, as the date of the enactment*  
23 *of such section, and*

24           (iii) *in applying subsection (f)(9) of*  
25 *such section, with respect to any property*



1           *acquired by the taxpayer on or before the*  
2           *date of the enactment of this Act, only hold-*  
3           *ing or use on July 25, 1991, shall be taken*  
4           *into account.*

5           *(B) ELECTION.—An election under this*  
6           *paragraph shall be made at such time and in*  
7           *such manner as the Secretary of the Treasury or*  
8           *his delegate may prescribe. Such an election by*  
9           *any taxpayer, once made—*

10                   *(i) may be revoked only with the con-*  
11                   *sent of the Secretary, and*

12                   *(ii) shall apply to the taxpayer making*  
13                   *such election and any other taxpayer under*  
14                   *common control with the taxpayer (within*  
15                   *the meaning of subparagraphs (A) and (B)*  
16                   *of section 41(f)(1) of such Code) at any time*  
17                   *after November 22, 1991, and on or before*  
18                   *the date on which such election is made.*

19           *(3) ELECTIVE BINDING CONTRACT EXCEPTION.—*

20                   *(A) IN GENERAL.—The amendments made*  
21                   *by this section shall not apply to any acquisition*  
22                   *of property by the taxpayer if—*

23                   *(i) such acquisition is pursuant to a*  
24                   *written binding contract in effect on the*

1           *date of the enactment of this Act and at all*  
2           *times thereafter before such acquisition,*

3                   *(ii) an election under paragraph (2)*  
4           *does not apply to the taxpayer, and*

5                   *(iii) the taxpayer makes an election*  
6           *under this paragraph with respect to such*  
7           *contract.*

8           (B) *ELECTION.*—*An election under this*  
9           *paragraph shall be made at such time and in*  
10          *such manner as the Secretary of the Treasury or*  
11          *his delegate shall prescribe. Such an election,*  
12          *once made—*

13                   *(i) may be revoked only with the con-*  
14          *sent of the Secretary, and*

15                   *(ii) shall apply to all property ac-*  
16          *quired pursuant to the contract with respect*  
17          *to which such election was made.*

18   **SEC. 8262. TREATMENT OF CERTAIN PAYMENTS TO RE-**  
19                   **TIRED OR DECEASED PARTNER.**

20          (a) *SECTION 736(b) NOT TO APPLY IN CERTAIN*  
21          *CASES.*—*Subsection (b) of section 736 (relating to pay-*  
22          *ments for interest in partnership) is amended by adding*  
23          *at the end thereof the following new paragraph:*

24                   “(3) *LIMITATION ON APPLICATION OF PARA-*  
25          *GRAPH (2).*—*Paragraph (2) shall apply only if—*

1           “(A) capital is not a material income-pro-  
2           ducing factor for the partnership, and

3           “(B) the retiring or deceased partner was a  
4           general partner in the partnership.”

5           (b) *LIMITATION ON DEFINITION OF UNREALIZED RE-*  
6           *CEIVABLES.*—

7           (1) *IN GENERAL.*—Subsection (c) of section 751  
8           (defining unrealized receivables) is amended—

9           (A) by striking “sections 731, 736, and  
10           741” each place they appear and inserting “,  
11           sections 731 and 741 (but not for purposes of  
12           section 736)”, and

13           (B) by striking “section 731, 736, or 741”  
14           each place it appears and inserting “section 731  
15           or 741”.

16           (2) *TECHNICAL AMENDMENTS.*—

17           (A) Subsection (e) of section 751 is amended  
18           by striking “sections 731, 736, and 741” and in-  
19           serting “sections 731 and 741”.

20           (B) Section 736 is amended by striking sub-  
21           section (c).

22           (c) *EFFECTIVE DATE.*—

23           (1) *IN GENERAL.*—The amendments made by  
24           this section shall apply in the case of partners retir-  
25           ing or dying on or after January 5, 1993.

1           (2) *BINDING CONTRACT EXCEPTION.*—The  
2           *amendments made by this section shall not apply to*  
3           *any partner retiring on or after January 5, 1993, if*  
4           *a written contract to purchase such partner’s interest*  
5           *in the partnership was binding on January 4, 1993,*  
6           *and at all times thereafter before such purchase.*

7           ***PART VII—MISCELLANEOUS PROVISIONS***

8           ***SEC. 8271. DENIAL OF DEDUCTION RELATING TO TRAVEL***  
9                                   ***EXPENSES.***

10           (a) *IN GENERAL.*—Section 274(m) (relating to addi-  
11           *tional limitations on travel expenses) is amended by adding*  
12           *at the end thereof the following new paragraph:*

13                           “(3) *TRAVEL EXPENSES OF SPOUSE, DEPEND-*  
14                           *ENT, OR OTHERS.*—No deduction shall be allowed  
15                           *under this chapter (other than section 217) for travel*  
16                           *expenses paid or incurred with respect to a spouse,*  
17                           *dependent, or other individual accompanying the tax-*  
18                           *payer (or an officer or employee of the taxpayer) on*  
19                           *business travel, unless—*

20                                   “(A) *the spouse, dependent, or other indi-*  
21                                   *vidual is an employee of the taxpayer,*

22                                   “(B) *the travel of the spouse, dependent, or*  
23                                   *other individual is for a bona fide business pur-*  
24                                   *pose, and*

1           “(C) such expenses would otherwise be de-  
2           ductible by the spouse, dependent, or other indi-  
3           vidual.”

4           (b) *EFFECTIVE DATE.*—The amendment made by this  
5 section shall apply to amounts paid or incurred after De-  
6 cember 31, 1993.

7   **SEC. 8272. INCREASE IN WITHHOLDING FROM SUPPLE-**  
8                                   **MENTAL WAGE PAYMENTS.**

9           If an employer elects under Treasury Regulation  
10 31.3402(g)-1 to determine the amount to be deducted and  
11 withheld from any supplemental wage payment by using  
12 a flat percentage rate, the rate to be used in determining  
13 the amount to be so deducted and withheld shall not be less  
14 than 28 percent. The preceding sentence shall apply to pay-  
15 ments made after December 31, 1993.

16   **SEC. 8273. EXCISE TAX ON CERTAIN VACCINES MADE PER-**  
17                                   **MANENT.**

18           (a) *TAX.*—Subsection (c) of section 4131 (relating to  
19 tax on certain vaccines) is amended to read as follows:

20           “(c) *APPLICATION OF SECTION.*—The tax imposed by  
21 this section shall apply—

22                   “(1) after December 31, 1987, and before Janu-  
23                   ary 1, 1993, and

1           “(2) during periods after the date of the enact-  
2           ment of the Omnibus Budget Reconciliation Act of  
3           1993.”

4           (b) *TRUST FUND.*—Paragraph (1) of section 9510(c)  
5           (relating to expenditures from Vaccine Injury Compensa-  
6           tion Trust Fund) is amended by striking “and before Octo-  
7           ber 1, 1992,”.

8           (c) *FLOOR STOCKS TAX.*—

9           (1) *IMPOSITION OF TAX.*—On any taxable vac-  
10          cine—

11                   (A) which was sold by the manufacturer,  
12                   producer, or importer before the date of the en-  
13                   actment of this Act,

14                   (B) on which no tax was imposed by section  
15                   4131 of the Internal Revenue Code of 1986 (or,  
16                   if such tax was imposed, was credited or re-  
17                   funded), and

18                   (C) which is held on such date by any per-  
19                   son for sale or use,  
20           there is hereby imposed a tax in the amount deter-  
21           mined under section 4131(b) of such Code.

22           (2) *LIABILITY FOR TAX AND METHOD OF PAY-*  
23          *MENT.*—

24                   (A) *LIABILITY FOR TAX.*—The person hold-  
25                   ing any taxable vaccine to which the tax im-

1           posed by paragraph (1) applies shall be liable for  
2           such tax.

3           (B) *METHOD OF PAYMENT.*—The tax im-  
4           posed by paragraph (1) shall be paid in such  
5           manner as the Secretary shall prescribe by regu-  
6           lations.

7           (C) *TIME FOR PAYMENT.*—The tax imposed  
8           by paragraph (1) shall be paid on or before the  
9           last day of the 6th month beginning after the  
10          date of the enactment of this Act.

11          (3) *DEFINITIONS.*—For purposes of this sub-  
12          section, terms used in this subsection which are also  
13          used in section 4131 of such Code shall have the re-  
14          spective meanings such terms have in such section.

15          (4) *OTHER LAWS APPLICABLE.*—All provisions of  
16          law, including penalties, applicable with respect to  
17          the taxes imposed by section 4131 of such Code shall,  
18          insofar as applicable and not inconsistent with the  
19          provisions of this subsection, apply to the floor stocks  
20          taxes imposed by paragraph (1), to the same extent  
21          as if such taxes were imposed by such section 4131.

1           **TITLE IX—COMMITTEE ON**  
2           **FOREIGN RELATIONS**

3   **SEC. 9001. DELAY IN COST-OF-LIVING ADJUSTMENTS IN**  
4           **FOREIGN SERVICE RETIREMENT BENEFITS**  
5           **DURING FISCAL YEARS 1994, 1995, AND 1996.**

6           (a) *APPLICABILITY.*—This section shall apply with re-  
7   spect to any cost-of-living increase scheduled to take effect  
8   under section 826 or 858 of the Foreign Service Act of 1980  
9   during fiscal year 1994, 1995, or 1996.

10          (b) *DELAY IN EFFECTIVE DATE OF ADJUSTMENTS.*—  
11   A cost-of-living increase described in subsection (a) shall  
12   not take effect until the first day of the third calendar  
13   month after the date such increase would take effect but for  
14   this subsection.

15          (c) *RULE OF CONSTRUCTION.*—

16               (1) *SIZE OF COST-OF-LIVING ADJUSTMENT.*—  
17   Nothing in this section shall be considered to affect  
18   the size of the cost-of-living adjustment under section  
19   8340(b) or section 8462(b) of title 5, United States  
20   Code, in the same fiscal year as a cost-of-living in-  
21   crease described in subsection (a).

22               (2) *DETERMINATIONS OF ELIGIBILITY.*—The  
23   delay in the effective date of cost-of-living adjustments  
24   under subsection (b) shall not affect any determina-  
25   tion relating to eligibility for an annuity increase or



1        *the amount of the first increase in an annuity under*  
 2        *section 826 or 858 of the Foreign Service Act of 1980.*

3        ***SEC. 9002. ELIMINATION OF THE ALTERNATIVE-FORM-OF-***  
 4                    ***ANNUITY OPTION UNDER THE FOREIGN***  
 5                    ***SERVICE RETIREMENT AND DISABILITY SYS-***  
 6                    ***TEM EXCEPT FOR INDIVIDUALS WITH CRITI-***  
 7                    ***CAL MEDICAL CONDITIONS.***

8        (a) *IN GENERAL.*—Section 807(e)(1) of the Foreign  
 9        Service Act of 1980 (22 U.S.C. 4047(e)(1)) is amended by  
 10        striking “a participant may,” and inserting “any partici-  
 11        pant who has a life-threatening affliction or other critical  
 12        medical condition may,”.

13        (b) *EFFECTIVE DATE.*—The amendment made by sub-  
 14        section (a) shall take effect January 1, 1994.

15                    ***TITLE X—COMMITTEE ON***  
 16                    ***GOVERNMENTAL AFFAIRS***  
 17                    ***Subtitle A—Civil Service***

18        ***SEC. 10001. DELAY IN COST-OF-LIVING ADJUSTMENTS IN***  
 19                    ***FEDERAL EMPLOYEE RETIREMENT BENEFITS***  
 20                    ***DURING FISCAL YEARS 1994, 1995, AND 1996.***

21        (a) *APPLICABILITY.*—This section shall apply with re-  
 22        spect to any cost-of-living increase scheduled to take effect,  
 23        during fiscal year 1994, 1995, or 1996, under—

24                    (1) *section 8340(b) or 8462(b) of title 5, United*  
 25                    *States Code; or*

1           (2) *section 291 of the Central Intelligence Agency*  
 2 *Retirement Act (50 U.S.C. 2131), as set forth in sec-*  
 3 *tion 802 of the CIARDS Technical Corrections Act of*  
 4 *1992 (Public Law 102–496; 106 Stat. 3196).*

5           **(b) DELAY IN EFFECTIVE DATE OF ADJUSTMENTS.—**  
 6 *A cost-of-living increase described in subsection (a) shall*  
 7 *not take effect until the first day of the third calendar*  
 8 *month after the date such increase would otherwise take ef-*  
 9 *fect.*

10          **(c) RULE OF CONSTRUCTION.—***Nothing in this section*  
 11 *shall be considered to affect any determination relating to*  
 12 *eligibility for an annuity increase or the amount of the first*  
 13 *increase in an annuity under section 8340(b) or (c) or sec-*  
 14 *tion 8462 (b) or (c) of title 5, United States Code, or com-*  
 15 *parable provisions of law.*

16 ***SEC. 1002. PERMANENT ELIMINATION OF THE ALTER-***  
 17 ***NATIVE-FORM-OF-ANNUITY OPTION EXCEPT***  
 18 ***FOR INDIVIDUALS WITH A CRITICAL MEDICAL***  
 19 ***CONDITION.***

20          **(a) CIVIL SERVICE RETIREMENT SYSTEM; FEDERAL**  
 21 ***EMPLOYEES' RETIREMENT SYSTEM.—****Sections 8343a and*  
 22 *8420a of title 5, United States Code, are each amended—*

23               **(1) in subsection (a) by striking “an employee or**  
 24 ***Member may,” and inserting “any employee or Mem-***

1        *ber who has a life-threatening affliction or other criti-*  
2        *cal medical condition may,”; and*

3                *(2) by striking subsection (f).*

4        *(b) CENTRAL INTELLIGENCE AGENCY RETIREMENT*  
5        *AND DISABILITY SYSTEM.—Section 294(a) of the Central*  
6        *Intelligence Agency Retirement Act (50 U.S.C. 2143(a)), as*  
7        *set forth in section 802 of the CIARDS Technical Correc-*  
8        *tions Act of 1992 (Public Law 102–496; 106 Stat. 3196),*  
9        *is amended by striking “a participant may,” and inserting*  
10        *“any participant who has a life-threatening affliction or*  
11        *other critical medical condition may,”.*

12        *(c) EFFECTIVE DATE.—The amendments made by this*  
13        *section shall become effective on October 1, 1995, and shall*  
14        *apply with respect to any annuity commencing on or after*  
15        *that date.*

16        **SEC. 10003. DISTRICT OF COLUMBIA GOVERNMENT CON-**  
17                **TRIBUTIONS FOR CERTAIN EMPLOYEE AND**  
18                **ANNUITANT HEALTH BENEFITS.**

19        *(a) CONTRIBUTIONS AFTER 1993.—*

20                *(1) IN GENERAL.—Section 8906(g) of title 5,*  
21        *United States Code, is amended by adding at the end*  
22        *thereof the following new paragraph:*

23                *“(3) The Government contributions authorized*  
24        *by this section for health benefits for an annuitant*  
25        *shall be paid by the government of the District of Co-*

1        *lumbia, in the case of an annuitant whose eligibility*  
2        *for an annuity is based on a separation from service*  
3        *with such government, or who is a survivor of such*  
4        *an annuitant or a survivor of an employee who died*  
5        *while employed by such government.”.*

6                (2) *EFFECTIVE DATE.*—*The amendment made by*  
7        *paragraph (1) shall take effect on October 1, 1993,*  
8        *and shall apply with respect to amounts payable for*  
9        *periods beginning on or after that date.*

10              (b) *CONTRIBUTIONS FOR PERIOD BETWEEN 1975 AND*  
11        *1993.*—

12              (1) *IN GENERAL.*—*The government of the Dis-*  
13        *trict of Columbia shall pay into the Employees*  
14        *Health Benefit Fund, as payment for any amounts*  
15        *which would, for the period beginning on January 1,*  
16        *1975 through September 30, 1993, have been payable*  
17        *under the provisions of section 8906(g)(3) of title 5,*  
18        *United States Code (as added by subsection (a)(1) of*  
19        *this section) if such provision had been in effect as of*  
20        *January 1, 1975, of which—*

21              (A) *at least 25 percent of the total of such*  
22              *amounts shall be paid no later than January 1,*  
23              *1994;*

1           (B) at least 25 percent of the total of such  
2 amounts shall be paid no later than January 1,  
3 1995;

4           (C) at least 25 percent of the total of such  
5 amounts shall be paid no later than January 1,  
6 1996; and

7           (D) any remaining balance shall be paid no  
8 later than January 1, 1997.

9           (2) *PRORATED PAYMENTS.*—In determining any  
10 amount for which the government of the District of  
11 Columbia is liable under paragraph (1), the amount  
12 of the liability shall be prorated to reflect only that  
13 portion of total service which is attributable to civil-  
14 ian service performed (by the former employee of the  
15 government of the District of Columbia or by the de-  
16 ceased individual referred to under section 8906  
17 (g)(3) of title 5, United States Code, as the case may  
18 be) during the period beginning on January 1, 1975,  
19 through September 30, 1993, as estimated by the Of-  
20 fice of Personnel Management.

## 21           **Subtitle B—Postal Service**

### 22           **SEC. 10101. PAYMENTS TO BE MADE BY THE UNITED STATES** 23           **POSTAL SERVICE.**

24           (a) *RELATING TO CORRECTED CALCULATIONS FOR*  
25 *PAST RETIREMENT COLAS.*—In addition to any other

1 *payments required under section 8348(m) of title 5, United*  
2 *States Code, or any other provision of law, the United*  
3 *States Postal Service shall pay into the Civil Service Re-*  
4 *tirement and Disability Fund a total of \$693,000,000, of*  
5 *which—*

6 *(1) at least one-third shall be paid not later than*  
7 *September 30, 1996;*

8 *(2) at least two-thirds shall be paid not later*  
9 *than September 30, 1997; and*

10 *(3) any remaining balance shall be paid not*  
11 *later than September 30, 1998.*

12 *(b) RELATING TO CORRECTED CALCULATIONS FOR*  
13 *PAST HEALTH BENEFITS.—In addition to any other pay-*  
14 *ments required under section 8906(g)(2) of title 5, United*  
15 *States Code, or any other provision of law, the United*  
16 *States Postal Service shall pay into the Employees Health*  
17 *Benefits Fund a total of \$348,000,000, of which—*

18 *(1) at least one-third shall be paid not later than*  
19 *September 30, 1996;*

20 *(2) at least two-thirds shall be paid not later*  
21 *than September 30, 1997; and*

22 *(3) any remaining balance shall be paid not*  
23 *later than September 30, 1998.*

**Subtitle C—Miscellaneous****SEC. 10201. FEDERAL EMPLOYEES' SURVIVOR ANNUITY IMPROVEMENTS.**

(a) *CIVIL SERVICE RETIREMENT SYSTEM.*—

(1) *REDUCTION FOR SPOUSAL ANNUITY.*—Section 8339(j) of title 5, United States Code, is amended—

(A) in paragraph (3)—

(i) in the second sentence, by striking out “, within such 2-year period,”; and

(ii) by striking out the fourth sentence and inserting in lieu thereof the following:

“The Office shall, by regulation, provide for payment of the deposit required under this paragraph by a reduction in the annuity of the employee or Member. The reduction shall, to the extent practicable, be designed so that the present value of the future reduction is actuarially equivalent to the deposit required under this paragraph, except that the total reductions in the annuity of an employee or Member to pay deposits required by the provisions of this paragraph, paragraph (5), or subsection (k)(2) shall not exceed 25 percent of the annuity computed under subsections (a) through (i), (n), and

1           (q), including adjustments under section  
2           8340. The reduction, which shall be effective  
3           on the same date as the election under this  
4           paragraph, shall be permanent and unaf-  
5           fected by any future termination of the enti-  
6           tlement of the former spouse. Such reduction  
7           shall be independent of and in addition to  
8           the reduction required under the first sen-  
9           tence of this paragraph.”; and

10          (B) in paragraph (5)(C)—

11           (i) in clause (ii), by striking out “,  
12           within 2 years after the date of the remar-  
13           riage or, if later, the death or remarriage of  
14           the former spouse (or of the last such surviv-  
15           ing former spouse),”; and

16           (ii) by amending clause (iii) to read as  
17           follows:

18           “(iii) The Office shall, by regulation, pro-  
19           vide for payment of the deposit required under  
20           clause (ii) by a reduction in the annuity of the  
21           employee or Member. The reduction shall, to the  
22           extent practicable, be designed so that the present  
23           value of the future reduction is actuarially  
24           equivalent to the deposit required under clause  
25           (ii), except that total reductions in the annuity



1           *of an employee or Member to pay deposits re-*  
2           *quired by the provisions of this paragraph or*  
3           *paragraph (3) shall not exceed 25 percent of the*  
4           *annuity computed under subsections (a) through*  
5           *(i), (n), and (q), including adjustments under*  
6           *section 8340. The reduction required by this*  
7           *clause, which shall be effective on the same date*  
8           *as the election under clause (i), shall be perma-*  
9           *nent and unaffected by any future termination*  
10          *of the marriage. Such reduction shall be inde-*  
11          *pendent of and in addition to the reduction re-*  
12          *quired under clause (i).”.*

13           (2) *REDUCTION RELATING TO FORMER*  
14          *SPOUSE.—Section 8339(k)(2) of title 5, United States*  
15          *Code, is amended—*

16                   (A) *in subparagraph (B)(ii), by striking*  
17                   *out “Within 2 years after the date of the mar-*  
18                   *riage, the” and inserting in lieu thereof “The”;*  
19                   *and*

20                   (B) *by amending subparagraph (C) to read*  
21                   *as follows:*

22                   “*(C) The Office shall, by regulation, provide for*  
23                   *payment of the deposit required under subparagraph*  
24                   *(B)(ii) by a reduction in the annuity of the employee*  
25                   *or Member. The reduction shall, to the extent prac-*

1        *licable, be designed so that the present value of the fu-*  
2        *ture reduction is actuarially equivalent to the deposit*  
3        *required under subparagraph (B)(ii), except that total*  
4        *reductions in the annuity of an employee or Member*  
5        *to pay deposits required by this subsection or sub-*  
6        *section (j)(3) shall not exceed 25 percent of the annu-*  
7        *ity computed under subsections (a) through (i), (n),*  
8        *and (q), including adjustments under section 8340.*  
9        *The reduction required by this subparagraph, which*  
10       *shall be effective on the same date as the election*  
11       *under subparagraph (A), shall be permanent and un-*  
12       *affected by any future termination of the marriage.*  
13       *Such reduction shall be independent of and in addi-*  
14       *tion to the reduction required under subparagraph*  
15       *(A).”.*

16            (3) *DEPOSITS.*—*Section 8334(h) of title 5, Unit-*  
17        *ed States Code, is amended by striking out “and by*  
18        *section 8339(j)(5)(C) and the last sentence of section*  
19        *8339(k)(2) of this title”.*

20            (b) *FEDERAL EMPLOYEES RETIREMENT SYSTEM.*—  
21        *Section 8418 of title 5, United States Code, is amended—*

22            (1) *in subsection (a)(1), by striking out “, before*  
23        *the expiration of the 2-year period involved,”; and*

24            (2) *by amending subsection (b) to read as fol-*  
25        *lows:*

1       “(b) The Office shall, by regulation, provide for pay-  
2       ment of the deposit required under subsection (a) by a re-  
3       duction in the annuity of the employee or Member. The re-  
4       duction shall, to the extent practicable, be designed so that  
5       the present value of the future reduction is actuarially  
6       equivalent to the deposit required under subsection (a), ex-  
7       cept that the total reductions in the annuity of an employee  
8       or Member to pay deposits required by this section shall  
9       not exceed 25 percent of the annuity computed under section  
10      8415 or section 8452, including adjustments under section  
11      8462. The reduction required by this subsection, which shall  
12      be effective at the same time as the election under section  
13      8416 (b) and (c) or section 8417(b), shall be permanent and  
14      unaffected by any future termination of the marriage or  
15      the entitlement of the former spouse. Such reduction shall  
16      be independent of and in addition to the reduction required  
17      under section 8416 (b) and (c) or section 8417(b).”.

18      (c) *EFFECTIVE DATE.*—

19           (1) *IN GENERAL.*—The amendments made by  
20      this section shall take effect on the first day of the  
21      first month beginning 30 days after the date of the  
22      enactment of this Act and shall apply to all deposits  
23      required under section 8339(j) (3) and (5),  
24      8339(k)(2), or 8418 of title 5, United States Code, on

1     *which no payment has been made prior to such effec-*  
2     *tive date.*

3             (2) *PARTIAL DEPOSIT.*—*For any deposit re-*  
4     *quired under section 8339(j) (3) and (5), 8339(k)(2),*  
5     *or 8418 of title 5, United States Code, or section 4*  
6     *(b) and (c) of the Civil Service Retirement Spouse*  
7     *Equity Act of 1984 that has been partially, but not*  
8     *fully, paid before the effective date of this Act, the Of-*  
9     *fice shall by regulation provide for determining the*  
10    *remaining portion of the deposit and for payment of*  
11    *the remaining portion of the deposit by a prospective*  
12    *reduction in the annuity of the employee or Member.*  
13    *The reduction shall be similar to the reductions pro-*  
14    *vided pursuant to the amendments made under this*  
15    *section.*

## 16                   **TITLE XI—JUDICIARY**

### 17    **SEC. 11001. PATENT AND TRADEMARK FEES.**

18             *Section 10101 of the Omnibus Budget Reconciliation*  
19    *Act of 1990 (35 U.S.C. 41 note) is amended—*

20             (1) *in subsection (a) by striking “1995” and in-*  
21     *serting “1998”;*

22             (2) *in subsection (b)(2) by striking “1995” and*  
23     *inserting “1998”; and*

24             (3) *in subsection (c)—*

1 (A) by striking “through 1995” and insert-  
 2 ing “through 1998”; and

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

4 “(6) \$111,000,000 in fiscal year 1996.

5 “(7) \$115,000,000 in fiscal year 1997.

6 “(8) \$119,000,000 in fiscal year 1998.”.

7 **TITLE XII—COMMITTEE ON**  
 8 **LABOR AND HUMAN RESOURCES**

9 **Subtitle A—Student Loan**

10 **Provisions**

11 **SEC. 12001. SHORT TITLE; REFERENCES.**

12 (a) *SHORT TITLE.*—This subtitle may be cited as the  
 13 “Student Loan Reform Act of 1993”.

14 (b) *REFERENCES.*—References in this subtitle to “the  
 15 Act” are references to the Higher Education Act of 1965  
 16 (20 U.S.C. 1001 et seq.).

17 **CHAPTER 1—FEDERAL DIRECT STUDENT**  
 18 **LOAN PROGRAM**

19 **SEC. 12011. FEDERAL DIRECT STUDENT LOAN PROGRAM.**

20 Part D of title IV (20 U.S.C. 1087a) is amended to  
 21 read as follows:

22 **“PART D—FEDERAL DIRECT STUDENT**  
 23 **LOAN PROGRAM**

24 **“SEC. 451. PURPOSE; PROGRAM AUTHORIZATION.**

25 “(a) *PURPOSE.*—It is the purpose of this part—

1           “(1) to simplify the delivery of student loans to  
2           borrowers and eliminate borrower confusion;

3           “(2) to provide a variety of repayment plans, in-  
4           cluding income contingent repayment, to borrowers so  
5           that borrowers have flexibility in managing their stu-  
6           dent loan repayment obligations, and so that those ob-  
7           ligations do not foreclose careers in community or  
8           public service for those borrowers;

9           “(3) to replace, through an orderly transition,  
10          the Federal Family Education Loan Program under  
11          part B of this title with the Federal Direct Student  
12          Loan Program under this part;

13          “(4) to avoid the unnecessary cost, to taxpayers  
14          and borrowers, and administrative complexity associ-  
15          ated with the Federal Family Education Loan Pro-  
16          gram under part B of this title through the use of a  
17          direct student loan program; and

18          “(5) to create a more streamlined student loan  
19          program that can be managed more effectively at the  
20          Federal level.

21          “(b) PROGRAM AUTHORITY.—There are hereby made  
22          available, in accordance with the provisions of this part,  
23          such sums as may be necessary to make loans to all eligible  
24          students in attendance at participating institutions of high-  
25          er education selected by the Secretary (and the eligible par-

1 *ents of such students), to enable such students to pursue*  
2 *their courses of study at such institutions during the period*  
3 *beginning July 1, 1994. Such loans shall be made by par-*  
4 *ticipating institutions, or consortia thereof, that have agree-*  
5 *ments with the Secretary to originate loans, or by alter-*  
6 *native originators designated by the Secretary to make*  
7 *loans for students in attendance at participating institu-*  
8 *tions (and their parents).*

9 ***“SEC. 452. FUNDS FOR ORIGINATION OF DIRECT STUDENT***  
10 ***LOANS.***

11 *“(a) IN GENERAL.—The Secretary shall provide funds*  
12 *for student and parent loans under this part—*

13 *“(1) directly to an institution of higher edu-*  
14 *cation that has an agreement with the Secretary*  
15 *under section 454(a) to participate in the direct stu-*  
16 *dent loan program under this part and that also has*  
17 *an agreement with the Secretary under section 454(b)*  
18 *to originate loans under this part; or*

19 *“(2) through an alternative originator des-*  
20 *ignated by the Secretary, on the basis of the need and*  
21 *the eligibility of students at each participating insti-*  
22 *tution, and parents of such students, for such loans.*

23 *“(b) FEES FOR ORIGINATION SERVICES.—*

24 *“(1) FEES FOR INSTITUTIONS.—The Secretary*  
25 *shall pay fees to institutions of higher education or*

1     *consortia thereof having agreements under section*  
2     *454(b), in an amount established by the Secretary, to*  
3     *assist in meeting the costs of loan origination. Such*  
4     *fees—*

5             *“(A) shall be paid by the Secretary based on*  
6             *all the loans made under this part to a particu-*  
7             *lar borrower in the same academic year;*

8             *“(B) shall be subject to a sliding scale that*  
9             *decreases the amount of such fees as the number*  
10            *of borrowers increases; and*

11            *“(C)(i) for academic year 1994–1995, shall*  
12            *not exceed a program-wide average of \$10 per*  
13            *borrower for all the loans made under this part*  
14            *to such borrower in the same academic year; and*

15            *“(ii) for succeeding academic years, the Sec-*  
16            *retary shall establish such average fee pursuant*  
17            *to regulations.*

18            *“(2) FEES FOR ALTERNATIVE ORIGINATORS.—*

19     *The Secretary shall pay fees for loan origination serv-*  
20     *ices to alternative originators of loans made under*  
21     *this part in an amount established by the Secretary*  
22     *in accordance with the terms of the contract described*  
23     *in section 456(b) between the Secretary and each such*  
24     *alternative originator.*



1       “(c) *NO ENTITLEMENT TO PARTICIPATE OR ORIGI-*  
2 *NATE.—No institution of higher education shall have a*  
3 *right to participate in the program authorized by this part,*  
4 *originate loans, or perform any program function under*  
5 *this part. Nothing in this subsection shall be construed so*  
6 *as to limit the entitlement of an eligible student attending*  
7 *a participating institution (or the eligible parent of such*  
8 *student) to borrow under this part nor limit the borrower’s*  
9 *contractual right against the United States to receive any*  
10 *loan for which the student (or parent) is eligible.*

11       “(d) *DELIVERY OF LOAN FUNDS.—Loan funds shall*  
12 *be paid and delivered to an institution by the Secretary*  
13 *prior to the beginning of the payment period established*  
14 *by the Secretary in a manner that is consistent with pay-*  
15 *ment and delivery of basic grants under subpart 1 of part*  
16 *A.*

17       **“SEC. 453. SELECTION OF INSTITUTIONS FOR PARTICIPA-**  
18                                   **TION AND ORIGINATION.**

19       “(a) *PHASE-IN OF PROGRAM.—*

20               “(1) *GENERAL AUTHORITY.—The Secretary shall*  
21 *enter into agreements pursuant to section 454(a) with*  
22 *institutions of higher education to participate in the*  
23 *direct student loan program under this part, and*  
24 *agreements pursuant to section 454(b) with institu-*  
25 *tions of higher education, or consortia thereof, to*

1     *originate loans in such program, for academic years*  
2     *beginning on or after July 1, 1994. Alternative origi-*  
3     *nation services, through which an entity other than*  
4     *the participating institution at which the student is*  
5     *in attendance originates the loan, shall be provided*  
6     *by the Secretary, through 1 or more contracts under*  
7     *section 456(b) or such other means as the Secretary*  
8     *may provide, for students attending participating in-*  
9     *stitutions that do not originate direct student loans*  
10    *under this part. Such agreements for the academic*  
11    *year 1994–1995 shall, to the extent feasible, be entered*  
12    *into not later than January 1, 1994.*

13           “(2) *TRANSITION PROVISIONS.*—*In order to en-*  
14    *sure an expeditious but orderly transition from the*  
15    *loan programs under part B of this title to the direct*  
16    *student loan program under this part, the Secretary*  
17    *shall, in the exercise of the Secretary’s discretion, de-*  
18    *termine the number of institutions with which the*  
19    *Secretary shall enter into agreements under sub-*  
20    *sections (a) and (b) of section 454 for any academic*  
21    *year, except that the Secretary shall exercise such dis-*  
22    *cretion so as to achieve the following goals:*

23                   “(A) *For academic year 1994–1995, loans*  
24                   *made under this part shall represent 5 percent of*  
25                   *the new student loan volume for such year.*

1           “(B) For academic year 1995–1996, loans  
2           made under this part shall represent 30 percent  
3           of the new student loan volume for such year.

4           “(C) For academic year 1996–1997, loans  
5           made under this part shall represent 40 percent  
6           of the new student loan volume for such year.

7           “(D) For academic year 1997–1998 and fis-  
8           cal year 1998, loans made under this part shall  
9           represent 50 percent of the new student loan vol-  
10          ume for such years.

11          “(3) NEW STUDENT LOAN VOLUME.—For the  
12          purpose of this part, the term ‘new student loan vol-  
13          ume’ means the estimated sum of all loans that will  
14          be made, insured or guaranteed under this part and  
15          part B in the year for which the determination is  
16          made. The Secretary shall base the estimate described  
17          in the preceding sentence on the most recent program  
18          data available.

19          “(4) CASH MANAGEMENT.—The requirements of  
20          sections 3335, 6501, and 6503 of title 31, United  
21          States Code (the Cash Management Improvement Act  
22          of 1990) shall apply to the program under this part  
23          only to the extent specified in a schedule established  
24          by the Secretaries of Education and the Treasury, ex-  
25          cept that such schedule shall provide for the applica-

1        *tion of all such requirements not later than July 1,*  
2        *1998.*

3        *“(b) SELECTION CRITERIA.—*

4            *“(1) APPLICATION.—Each institution of higher*  
5        *education desiring to participate in the direct student*  
6        *loan program under this part shall submit an appli-*  
7        *cation satisfactory to the Secretary containing such*  
8        *information and assurances as the Secretary may re-*  
9        *quire.*

10           *“(2) SELECTION CRITERIA.—The Secretary shall*  
11        *select institutions for participation in the direct stu-*  
12        *dent loan program under this part, and shall enter*  
13        *into agreements with such institutions under section*  
14        *454(a), from among those institutions that submit the*  
15        *applications described in paragraph (1), and meet*  
16        *such other eligibility requirements as the Secretary*  
17        *shall prescribe, by, to the extent possible—*

18            *“(A)(i) categorizing such institutions ac-*  
19        *cording to anticipated loan volume, length of*  
20        *academic program, control of the institution,*  
21        *highest degree offered, size of student enrollment,*  
22        *percentage of students borrowing under part B,*  
23        *geographic location, annual loan volume, default*  
24        *experience and composition of the student body;*  
25        *and*

1           “(ii) beginning in academic year 1995–  
2           1996 selecting institutions that are reasonably  
3           representative of each of the categories described  
4           pursuant to clause (i); and

5           “(B) if the Secretary determines it nec-  
6           essary to carry out the purposes of this part, se-  
7           lecting additional institutions.

8           “(c) SELECTION CRITERIA FOR ORIGINATION.—

9           “(1) IN GENERAL.—The Secretary may enter  
10          into a supplemental agreement with an institution  
11          (or a consortium of such institutions) that—

12           “(A) has an agreement under subsection  
13          454(a);

14           “(B) desires to originate loans under this  
15          part; and

16           “(C) meets the criteria described in para-  
17          graph (2).

18          “(2) TRANSITION SELECTION CRITERIA.—For  
19          academic year 1994–1995, the Secretary may approve  
20          an institution to originate loans only if such institu-  
21          tion—

22           “(A) made loans under part E of this title  
23          in academic year 1993–1994 and did not exceed  
24          the applicable maximum default rate under sec-

1            *tion 462(g) for the most recent fiscal year for*  
2            *which data are available;*

3            *“(B) is not on the reimbursement system of*  
4            *payment for any of the programs under subpart*  
5            *1 or 3 of part A, part C, or part E;*

6            *“(C) is not overdue on program or financial*  
7            *reports or audits required under this title;*

8            *“(D) is not subject to an emergency action,*  
9            *or a limitation, suspension, or termination*  
10           *under section 428(b)(1)(T), 432(h), or 487(c);*

11           *“(E) in the opinion of the Secretary, has*  
12           *not had significant deficiencies identified by a*  
13           *State postsecondary review entity under subpart*  
14           *1 of part H of this title;*

15           *“(F) in the opinion of the Secretary, has*  
16           *not had severe performance deficiencies for any*  
17           *of the programs under this title, including such*  
18           *deficiencies demonstrated by audits or program*  
19           *reviews submitted or conducted during the 5 cal-*  
20           *endar years immediately preceding the date of*  
21           *application;*

22           *“(G) provides an assurance that such insti-*  
23           *tution has no delinquent outstanding debts to the*  
24           *Federal Government, unless such debts are being*  
25           *repaid under or in accordance with a repayment*

1           *arrangement satisfactory to the Federal Govern-*  
2           *ment, or the Secretary in the Secretary's discre-*  
3           *tion determines that the existence or amount of*  
4           *such debts has not been finally determined by the*  
5           *cognizant Federal agency; and*

6           *“(H) meets such other criteria as the Sec-*  
7           *retary may establish to protect the financial in-*  
8           *terest of the United States and to promote the*  
9           *purposes of this part.*

10           *“(3) REGULATIONS GOVERNING APPROVAL AFTER*  
11           *TRANSACTION.—For academic year 1995–1996 and*  
12           *subsequent academic years, the Secretary shall pro-*  
13           *mulgate and publish in the Federal Register regula-*  
14           *tions governing the approval of institutions to origi-*  
15           *nate loans under this part in accordance with section*  
16           *458(a)(2).*

17           *“(d) CONSORTIA.—Subject to such requirements as the*  
18           *Secretary may prescribe, eligible institutions of higher edu-*  
19           *cation with agreements under section 454(a) may apply to*  
20           *the Secretary as consortia to originate loans under this part*  
21           *for students in attendance at such institutions. Such insti-*  
22           *tutions shall each be required to meet the requirements of*  
23           *subsection (c) with respect to loan origination.*

1 **“SEC. 454. AGREEMENTS WITH INSTITUTIONS.**

2       “(a) *PARTICIPATION AGREEMENTS.*—An agreement  
3 *with any institution of higher education for participation*  
4 *in the direct student loan program under this part shall—*

5               “(1) *provide for the establishment and mainte-*  
6 *nance of a direct student loan program at the institu-*  
7 *tion under which the institution will—*

8                       “(A) *identify eligible students who seek stu-*  
9 *dent financial assistance at such institution in*  
10 *accordance with section 484;*

11                       “(B) *estimate the need of each such student*  
12 *as required by part F of this title for an aca-*  
13 *ademic year, except that, any loan obtained by a*  
14 *student under this part with the same terms as*  
15 *loans made under section 428H (except as other-*  
16 *wise provided in this part), or a loan obtained*  
17 *by a parent under this part with the same terms*  
18 *as loans made under section 428B (except as oth-*  
19 *erwise provided in this part), or obtained under*  
20 *any State-sponsored or private loan program,*  
21 *may be used to offset the expected family con-*  
22 *tribution of the student for that year;*

23                       “(C) *provide a statement that certifies the*  
24 *eligibility of any student to receive a loan under*  
25 *this part that is not in excess of the annual or*  
26 *aggregate limit applicable to such loan, except*



1           that the institution may, in exceptional cir-  
2           cumstances identified by the Secretary, refuse to  
3           certify a statement that permits a student to re-  
4           ceive a loan under this part, or certify a loan  
5           amount that is less than the student's determina-  
6           tion of need (as determined under part F of this  
7           title), if the reason for such action is documented  
8           and provided in written form to such student;

9           “(D) set forth a schedule for disbursement of  
10          the proceeds of the loan in installments, consist-  
11          ent with the requirements of section 428G (other  
12          than subsection (b)(1) of such section); and

13          “(E) provide timely and accurate informa-  
14          tion—

15                  “(i) concerning the status of student  
16                  borrowers (and students on whose behalf  
17                  parents borrow under this part) while such  
18                  students are in attendance at the institution  
19                  and concerning any new information of  
20                  which the institution becomes aware for  
21                  such students (or their parents) after such  
22                  borrowers leave the institution, to the Sec-  
23                  retary for the servicing and collecting of  
24                  loans made under this part; and

1                   “(ii) if the institution does not have an  
2                   agreement with the Secretary under sub-  
3                   section (b), concerning student eligibility  
4                   and need, as determined under subpara-  
5                   graphs (A) and (B), to the Secretary as  
6                   needed for the alternative origination of  
7                   loans to eligible students and parents in ac-  
8                   cordance with this part;

9                   “(2) provide assurances that the institution will  
10                  comply with requirements established by the Secretary  
11                  relating to student loan information with respect to  
12                  loans made under this part;

13                  “(3) provide that the institution accepts respon-  
14                  sibility and financial liability stemming from its fail-  
15                  ure to perform its functions pursuant to the agree-  
16                  ment;

17                  “(4) provide that students at the institution and  
18                  their parents (with respect to such students) will be  
19                  eligible to participate in the programs under part B  
20                  of this title at the discretion of the Secretary for the  
21                  period during which such institution participates in  
22                  the direct student loan program under this part;

23                  “(5) provide for the implementation of a quality  
24                  assurance system, as established by the Secretary and  
25                  developed in consultation with institutions of higher

1        *education, to ensure that the institution is complying*  
2        *with program requirements and meeting program ob-*  
3        *jectives;*

4            *“(6) provide that the institution will not charge*  
5        *any fees of any kind, however described, to student or*  
6        *parent borrowers for origination activities or the pro-*  
7        *vision of any information necessary for a student or*  
8        *parent to receive a loan under this part, or any bene-*  
9        *fits associated with such loan; and*

10           *“(7) include such other provisions as the Sec-*  
11        *retary determines are necessary to protect the inter-*  
12        *ests of the United States and to promote the purposes*  
13        *of this part.*

14           *“(b) ORIGINATION.—An agreement with any institu-*  
15        *tion of higher education, or consortia thereof, for the origi-*  
16        *nation of loans under this part shall—*

17           *“(1) supplement the agreement entered into in*  
18        *accordance with subsection (a);*

19           *“(2) include provisions established by the Sec-*  
20        *retary that are similar to the participation agreement*  
21        *provisions described in paragraphs (1)(E)(ii), (2),*  
22        *(3), (4), (5), (6), and (7) of subsection (a), as modi-*  
23        *fied to relate to the origination of loans by the insti-*  
24        *tution or consortium;*

1           “(3) provide that the institution or consortium  
2 will originate loans to eligible students and parents  
3 in accordance with this part; and

4           “(4) provide that the note or evidence of obliga-  
5 tion on the loan shall be the property of the Secretary.

6           “(c) WITHDRAWAL AND TERMINATION PROCE-  
7 DURES.—The Secretary shall establish procedures by which  
8 institutions or consortia may withdraw or be terminated  
9 from the program under this part.

10 **“SEC. 455. TERMS AND CONDITIONS OF LOANS.**

11           “(a) IN GENERAL.—

12           “(1) PARALLEL TERMS, CONDITIONS, BENEFITS,  
13 AND AMOUNTS.—Unless otherwise specified in this  
14 part, loans made to borrowers under this part shall  
15 have the same terms, conditions, and benefits as loans  
16 made to borrowers under sections 428, 428B, and  
17 428H of this title.

18           “(2) DESIGNATION OF LOANS.—Loans made to  
19 borrowers under this part that, except as otherwise  
20 specified in this part, have the same terms, condi-  
21 tions, and benefits as loans made to borrowers  
22 under—

23                   “(A) section 428 shall be known as ‘Federal  
24                   Direct Stafford Loans’;

1           “(B) section 428B shall be known as ‘Fed-  
2           eral Direct PLUS Loans’; and

3           “(C) section 428H shall be known as ‘Fed-  
4           eral Direct Unsubsidized Stafford Loans’.

5           “(b) INTEREST RATE.—

6           “(1) RATES FOR FDSL AND FDUSL.—(A) For  
7           Federal Direct Stafford Loans and Federal Direct  
8           Unsubsidized Stafford Loans for which the first dis-  
9           bursement is made on or after July 1, 1994, the ap-  
10          plicable rate of interest shall, during any 12-month  
11          period beginning on July 1 and ending on June 30,  
12          be determined on the preceding June 1 and be equal  
13          to—

14                 “(i) the bond equivalent rate of 91-day  
15                 Treasury bills auctioned at the final auction held  
16                 prior to such June 1; plus

17                 “(ii) 3.1 percent,  
18                 except that such rate shall not exceed 8.25 percent.

19           “(B)(i) Notwithstanding the provisions of sub-  
20           paragraph (A), with respect to any Federal Direct  
21           Stafford Loan or Federal Direct Unsubsidized Staf-  
22           ford Loan for which the first disbursement is made on  
23           or after July 1, 1994, the applicable rate of interest  
24           for interest which accrues—

1           “(I) prior to the beginning of the repayment  
2           period of the loan; or

3           “(II) during the period in which principal  
4           need not be paid (whether or not such principal  
5           is in fact paid) by reason of a provision de-  
6           scribed in section 428(b)(1)(M) or 427(a)(2)(C),  
7           shall not exceed the rate determined under clause (ii).

8           “(ii) For purposes of clause (i) the rate deter-  
9           mined under this clause shall, during any 12-month  
10          period beginning on July 1 and ending on June 30,  
11          be determined on the preceding June 1 and be equal  
12          to—

13                 “(I) the bond equivalent rate of 91-day  
14                 Treasury bills auctioned at the final auction  
15                 prior to such June 1; plus

16                 “(II) 2.5 percent,  
17                 except that such rate shall not exceed 8.25 percent.

18           “(2) RATES FOR FDPLUS.—For Federal Direct  
19           PLUS Loans for which the first disbursement is made  
20           on or after July 1, 1994, the applicable rate of inter-  
21           est shall, during any 12-month period beginning on  
22           July 1 and ending on June 30, be determined on the  
23           preceding June 1 and be equal to—

1           “(A) *the bond equivalent rate of 52-week*  
2           *Treasury bills auctioned at final auction held*  
3           *prior to such June 1; plus*

4           “(B) *3.1 percent,*  
5           *except that such rate shall not exceed 9 percent.*

6           “(3) *PUBLICATION.—The Secretary shall deter-*  
7           *mine the applicable rates of interest under this sub-*  
8           *section after consultation with the Secretary of Treas-*  
9           *ury and shall publish such rate in the Federal Reg-*  
10          *ister as soon as practicable after the date of deter-*  
11          *mination.*

12          “(c) *ORIGINATION FEE.—The Secretary shall charge*  
13          *the borrower of a loan made under this part an origination*  
14          *fee of 4.0 percent of the principal amount of the loan.*

15          “(d) *REPAYMENT PLANS.—*

16                 “(1) *DESIGN AND SELECTION.—Consistent with*  
17                 *criteria established by the Secretary, the Secretary*  
18                 *shall offer a borrower of a loan made under this part*  
19                 *a variety of plans for repayment of such loan, includ-*  
20                 *ing principal and interest on the loan. The borrower*  
21                 *shall be entitled to accelerate, without penalty, repay-*  
22                 *ment on the borrowers loans under this part. The bor-*  
23                 *rower may choose—*

1           “(A) a standard repayment plan, with a  
2 fixed annual repayment amount paid over a  
3 fixed period of time;

4           “(B) an extended repayment plan, with a  
5 fixed annual repayment amount paid over an  
6 extended period of time, except that the borrower  
7 shall annually repay a minimum amount deter-  
8 mined by the Secretary in accordance with sec-  
9 tion 428(b)(1)(L);

10           “(C) a graduated repayment plan, with an-  
11 nual repayment amounts established at 2 or  
12 more graduated levels and paid over a fixed or  
13 extended period of time, except that the borrow-  
14 er’s scheduled payments shall not be less than 50  
15 percent, nor more than 150 percent, of what the  
16 amortized payment on the amount owed would  
17 be if the loan were repaid under the standard re-  
18 payment plan; and

19           “(D) an income contingent repayment plan,  
20 with varying annual repayment amounts based  
21 on the income of the borrower, paid over an ex-  
22 tended period of time, not to exceed 20 years, ex-  
23 cept that the plan described in this subpara-  
24 graph shall not be available to the borrower of a  
25 Federal Direct PLUS loan.



1           “(2) *SELECTION BY SECRETARY.*—If a borrower  
2 of a loan made under this part does not select a re-  
3 payment plan described in paragraph (1), the Sec-  
4 retary may provide the borrower with a repayment  
5 plan described in subparagraph (A), (B), or (C) of  
6 paragraph (1).

7           “(3) *CHANGES IN SELECTIONS.*—The borrower of  
8 a loan made under this part may change the borrow-  
9 er’s selection of a repayment plan under paragraph  
10 (1), or the Secretary’s selection of a plan for the bor-  
11 rower under paragraph (2), as the case may be, under  
12 such terms and conditions as may be established by  
13 the Secretary.

14           “(4) *ALTERNATIVE REPAYMENT PLANS.*—The  
15 Secretary may provide, on a case by case basis, an  
16 alternative repayment plan to a borrower of a loan  
17 made under this part who demonstrates to the satis-  
18 faction of the Secretary that the terms and conditions  
19 of the repayment plans available under paragraph (1)  
20 are not adequate to accommodate the borrower’s ex-  
21 ceptional circumstances. In designing such alternative  
22 repayment plans, the Secretary shall ensure that such  
23 plans do not exceed the cost to the Federal Govern-  
24 ment, as determined on the basis of the present value

1       of future payments by such borrowers, of loans made  
2       using the plans available under paragraph (1).

3               “(5) *REPAYMENT AFTER DEFAULT.*—The Sec-  
4       retary may require any borrower who has defaulted  
5       on a loan made under this part to—

6                       “(A) pay all reasonable collection costs asso-  
7                       ciated with such loan; and

8                       “(B) repay the loan pursuant to an income  
9                       contingent repayment plan.

10       “(e) *INCOME CONTINGENT REPAYMENT.*—

11               “(1) *INFORMATION AND PROCEDURES.*—The Sec-  
12       retary may obtain such information as is reasonably  
13       necessary regarding the income of a borrower (and the  
14       borrower’s spouse, if applicable) of a loan made under  
15       this part that is, or may be, repaid pursuant to in-  
16       come contingent repayment, for the purpose of deter-  
17       mining the annual repayment obligation of the bor-  
18       rower. Return and return information (as defined in  
19       section 6103 of the Internal Revenue Code of 1986)  
20       may be obtained under the preceding sentence only to  
21       the extent authorized by section 6103(l)(13) of such  
22       Code. The Secretary shall establish procedures for de-  
23       termining the borrower’s repayment obligation on  
24       that loan for such year, and such other procedures as

1     *are necessary to implement effectively income contin-*  
2     *gent repayment.*

3             “(2) *REPAYMENT BASED ON ADJUSTED GROSS*  
4     *INCOME.*—A repayment schedule for a loan made  
5     *under this part and repaid pursuant to income con-*  
6     *tingent repayment shall be based on the adjusted gross*  
7     *income (as defined in section 62 of the Internal Reve-*  
8     *nue Code of 1986) of the borrower or, if the borrower*  
9     *is married and files a Federal income tax return*  
10    *jointly with the borrower’s spouse, on the adjusted*  
11    *gross income of the borrower and the borrower’s*  
12    *spouse.*

13            “(3) *ADDITIONAL DOCUMENTS.*—A borrower who  
14    *chooses, or is required, to repay a loan made under*  
15    *this part pursuant to income contingent repayment,*  
16    *and for whom adjusted gross income is unavailable or*  
17    *does not reasonably reflect the borrower’s current in-*  
18    *come, shall provide to the Secretary other documenta-*  
19    *tion of income satisfactory to the Secretary, which*  
20    *documentation the Secretary may use to determine an*  
21    *appropriate repayment schedule.*

22            “(4) *REPAYMENT SCHEDULES.*—Income contin-  
23    *gent repayment schedules shall be established by regu-*  
24    *lations promulgated by the Secretary and shall re-*  
25    *quire payments that vary in relation to the appro-*

1     *priate portion of the annual income of the borrower*  
2     *(and the borrower's spouse, if applicable) as deter-*  
3     *mined by the Secretary.*

4             “(5) *CALCULATION OF BALANCE DUE.*—*The bal-*  
5     *ance due on a loan made under this part that is re-*  
6     *paid pursuant to income contingent repayment shall*  
7     *equal the unpaid principal amount of the loan, any*  
8     *accrued interest, and any fees, such as late charges,*  
9     *assessed on such loan. The Secretary may promulgate*  
10    *regulations limiting the amount of interest that may*  
11    *be capitalized on such loan, and the timing of any*  
12    *such capitalization.*

13            “(6) *NOTIFICATION TO BORROWERS.*—*The Sec-*  
14    *retary shall establish procedures under which a bor-*  
15    *rower of a loan made under this part who chooses or*  
16    *is required to repay such loan pursuant to income*  
17    *contingent repayment is notified of the terms and*  
18    *conditions of such plan, including notification of such*  
19    *borrower—*

20                    “(A) *that the Internal Revenue Service will*  
21                    *disclose to the Secretary tax return information*  
22                    *as authorized under section 6103(l)(13) of the*  
23                    *Internal Revenue Code of 1986; and*

24                    “(B) *that if a borrower considers that spe-*  
25                    *cial circumstances, such as a loss of employment*

1           *by the borrower or the borrower's spouse, war-*  
2           *rant an adjustment in the borrower's loan repay-*  
3           *ment as determined using the information de-*  
4           *scribed in subparagraph (A), or the alternative*  
5           *documentation described in paragraph (3), the*  
6           *borrower may contact the Secretary, who shall*  
7           *determine whether such adjustment is appro-*  
8           *priate, in accordance with criteria established by*  
9           *the Secretary.*

10          “(f) *DEFERMENT.*—

11                 “(1) *EFFECT ON PRINCIPAL AND INTEREST.*—A  
12                 *borrower of a loan made under this part who meets*  
13                 *the requirements described in paragraph (2) shall be*  
14                 *eligible for a deferment, during which periodic in-*  
15                 *stallments of principal need not be paid, and inter-*  
16                 *est—*

17                         “(A) *shall not accrue, in the case of a Fed-*  
18                         *eral Direct Stafford Loan or a Federal Direct*  
19                         *Consolidation Loan that consolidated only Fed-*  
20                         *eral Direct Stafford Loans, or a combination of*  
21                         *such loans and Federal Stafford Loans for which*  
22                         *the student borrower received an interest subsidy*  
23                         *under section 428; or*

24                         “(B) *shall accrue and be capitalized or paid*  
25                         *by the borrower, in the case of a Federal Direct*

1           *PLUS Loan, a Federal Direct Unsubsidized*  
2           *Stafford Loan, or a Federal Direct Consolidation*  
3           *Loan other than loans described in subparagraph*  
4           *(A).*

5           “(2) *ELIGIBILITY.*—*A borrower of a loan made*  
6           *under this part shall be eligible for a deferment dur-*  
7           *ing any period—*

8                     “(A) *during which the borrower—*

9                             “(i) *is carrying at least one-half the*  
10                            *normal full-time work load for the course of*  
11                            *study that the borrower is pursuing, as de-*  
12                            *termined by the eligible institution (as such*  
13                            *term is defined in section 435) the borrower*  
14                            *is attending; or*

15                            “(ii) *is pursuing a course of study*  
16                            *pursuant to a graduate fellowship program*  
17                            *approved by the Secretary, or pursuant to*  
18                            *a rehabilitation training program for indi-*  
19                            *viduals with disabilities approved by the*  
20                            *Secretary,*

21                            *except that no borrower shall be eligible for a*  
22                            *deferment under this subparagraph, or a loan*  
23                            *made under this part (other than a Federal Di-*  
24                            *rect PLUS Loan or a Federal Direct Consolida-*

1           tion Loan), while serving in a medical intern-  
2           ship or residency program;

3           “(B) not in excess of 3 years during which  
4           the borrower is seeking and unable to find full-  
5           time employment;

6           “(C) not in excess of 3 years during which  
7           the Secretary determines, in accordance with  
8           regulations prescribed under section 435(o), that  
9           the borrower has experienced or will experience  
10          an economic hardship, regardless of the reason  
11          for such hardship.

12          “(g) *FEDERAL DIRECT CONSOLIDATION LOANS.*—A  
13          borrower of a loan made under this part may consolidate  
14          such loan with the loans described in section 428C(a)(4)  
15          and section 428C(d)(1)(C) only under such terms and con-  
16          ditions as the Secretary shall establish pursuant to regula-  
17          tions promulgated under this part. Loans made under this  
18          subsection shall be known as ‘Federal Direct Consolidation  
19          Loans’.

20          “(h) *BORROWER DEFENSES.*—Notwithstanding any  
21          other provision of law, the Secretary shall specify in regula-  
22          tions (except as authorized under section 458(a)), which  
23          acts or omissions of an institution of higher education a  
24          borrower may assert as a defense to repayment of a loan  
25          made under this part, except that in no event may a bor-

1 borrower recover from the Secretary, in any action arising  
2 from or relating to a loan made under this part, an amount  
3 in excess of the amount such borrower has repaid on such  
4 loan.

5 “(i) *OPTICALLY IMAGED DOCUMENTS*.—Records main-  
6 tained in accordance with section 484A(c) may be used in  
7 any proceeding, as permitted pursuant to section 484A(c),  
8 with respect to a loan made under this part.

9 “(j) *NONDISCHARGEABILITY IN BANKRUPTCY*.—Not-  
10 withstanding any other provision of law, a loan made  
11 under this part shall not be dischargeable in any Federal  
12 or State bankruptcy proceeding.

13 “(k) *LOAN APPLICATION AND PROMISSORY NOTE*.—  
14 The common financial reporting form required in 483(a)(1)  
15 shall constitute the application for loans made under this  
16 part. The Secretary shall develop, print, and distribute to  
17 participating institutions a standard promissory note and  
18 loan disclosure form.

19 “(l) *LOAN DISBURSEMENT*.—

20 “(1) *IN GENERAL*.—Payments of loan proceeds to  
21 students under this part shall be made by crediting  
22 the student’s account for tuition and fees, and, in the  
23 case of institutionally owned housing, room and  
24 board. The student may elect to have the institution  
25 provide other such goods and services by crediting the



1     *student's account. Loan proceeds that remain after*  
2     *the application of the previous sentences shall be de-*  
3     *livered to the borrower in accordance with section*  
4     *427(a)(3).*

5             *“(2) PAYMENT PERIODS.—The Secretary shall*  
6     *establish periods for the payments described in para-*  
7     *graph (2) in a manner that is consistent with pay-*  
8     *ment of basic grants under subpart 1 of part A.*

9             *“(m) FISCAL CONTROL AND FUND ACCOUNTABILITY.—*

10            *“(1) IN GENERAL.—(A) An institution shall*  
11     *maintain financial records in a manner consistent*  
12     *with records maintained for other programs under*  
13     *title IV.*

14            *“(B) An institution may maintain loan funds*  
15     *under this part in the same account as other Federal*  
16     *student financial assistance.*

17            *“(2) PAYMENTS; REFUNDS; ENROLLMENT STA-*  
18     *TUS.—Payments, refunds and enrollment status shall*  
19     *be reconciled in a manner and schedule that is con-*  
20     *sistent with the manner and schedule set forth for the*  
21     *quarterly submission of a payment summary report*  
22     *required of institutions participating in the program*  
23     *assisted under subpart 1 of part A.*

24            *“(3) TRANSACTION HISTORIES.—All transaction*  
25     *histories under this part shall be maintained using*

1        *the same system designated by the Secretary for the*  
2        *provision of basic grants under subpart 1 of part A.*

3        *“(n) ENTITLEMENT PROVISION.—Except as provided*  
4        *in section 454(a)(1)(C), an eligible student in attendance*  
5        *at a participating institution (or a parent borrower) shall*  
6        *have a contractual right against the United States to receive*  
7        *any loan under this part for which such student (or parent)*  
8        *is eligible.*

9        **“SEC. 456. CONTRACTS.**

10        *“(a) CONTRACTS FOR SUPPLIES AND SERVICES.—*

11            *“(1) IN GENERAL.—The Secretary may award 1*  
12        *or more contracts for services and supplies described*  
13        *in subsection (b). The entities with which the Sec-*  
14        *retary may enter into such contracts shall include en-*  
15        *tities which the Secretary determines are qualified to*  
16        *provide such services and supplies and will comply*  
17        *with the procedures applicable to the award of such*  
18        *contracts. In the case of awarding contracts for the*  
19        *servicing of loans under this part, the Secretary shall*  
20        *only enter into contracts with entities that have ex-*  
21        *tensive experience and a demonstrated record in loan*  
22        *servicing and collection.*

23            *“(2) EXEMPTION.—The Secretary may award,*  
24        *through June 30, 1998, contracts under this section*  
25        *without regard to the requirements in section 303 of*

1        *the Federal Property and Administrative Services Act*  
2        *of 1949, section 18 of the Office of Federal Procure-*  
3        *ment Policy Act, and section 8(e) of the Small Busi-*  
4        *ness Act, and the corresponding requirements of the*  
5        *Federal Acquisition Regulations, if the Secretary de-*  
6        *termines, on a case-by-case basis, that exemption from*  
7        *such requirements is in the public interest and nec-*  
8        *essary for the orderly transition from the loan pro-*  
9        *grams under part B to the direct student loan pro-*  
10       *gram under this part.*

11            *“(3) APPLICATION OF REQUIREMENTS.—On and*  
12        *after July 1, 1998, all statutory and regulatory re-*  
13        *quirements described in paragraph (2) shall apply to*  
14        *the award of a contract under this section.*

15            *“(b) CONTRACTS FOR ORIGINATION, SERVICING, AND*  
16        *DATA SYSTEMS.—The Secretary may enter into 1 or more*  
17        *contracts for—*

18            *“(1) the alternative origination of loans to stu-*  
19        *dents attending institutions with agreements to par-*  
20        *ticipate in the program under this part (or their par-*  
21        *ents), if such institutions do not have agreements with*  
22        *the Secretary under section 454(b);*

23            *“(2) the servicing and collection of loans made*  
24        *under this part;*

1           “(3) the establishment and operation of 1 or  
2           more data systems for the maintenance of records on  
3           all loans made under this part;

4           “(4) services to assist in the orderly transition  
5           from the loan programs under part B to the direct  
6           student loan program under this part; and

7           “(5) such other aspects of the direct student loan  
8           program as the Secretary determines are necessary to  
9           ensure the successful operation of the program.

10   **“SEC. 457. PLAN FOR IRS PARTICIPATION AND OTHER RE-**  
11                           **PAYMENT OPTIONS.**

12           “(a) *IN GENERAL.*—The Secretaries of Education and  
13           the Treasury shall, within 6 months of the date of enact-  
14           ment of this part, submit a plan to the President that—

15           “(1) provides for—

16                   “(A) repayment of loans made under this  
17                   part through wage withholding by the Internal  
18                   Revenue Service;

19                   “(B) procedures for the resolution of dis-  
20                   putes through the Secretary of Education; and

21                   “(C) an alternate system of fees and pen-  
22                   alties, which shall not include the seizure of real  
23                   property, by the Internal Revenue Service for the  
24                   nonpayment of amounts due; and

1           “(2) evaluates the feasibility of other wage-with-  
2           holding repayment options for such loans.

3           “(b) *PRESIDENTIAL DETERMINATION.*—If the Presi-  
4           dent determines that the implementation of 1 or more re-  
5           payment options contained in the plan described in sub-  
6           section (a) would further the purposes of this part, the Sec-  
7           retaries of Education and the Treasury shall be authorized  
8           to take such actions as are reasonable and necessary to im-  
9           plement such repayment options, including entering into  
10          an agreement pursuant to section 6306 of the Internal Reve-  
11          nue Code of 1986.

12          “(c) *FUNDING.*—The Secretary of Education may use  
13          such amounts as the Secretary of Education determines nec-  
14          essary from the funds made available under section 460 to  
15          implement the repayment options selected by the President  
16          under subsection (b) and shall make available to the Sec-  
17          retary of the Treasury such amounts from the funds made  
18          available under section 460 as the Secretaries determine to  
19          be necessary to implement the repayment options carried  
20          out by the Internal Revenue Service.

21          “**SEC. 458. SECRETARIAL ACTIVITIES.**

22          “(a) *REGULATORY ACTIVITIES.*—

23                  “(1) *NOTICE IN LIEU OF REGULATIONS FOR*  
24                  *FIRST YEAR OF PROGRAM.*—The Secretary shall pub-  
25                  lish in the Federal Register whatever standards, cri-

1        *teria, and procedures, consistent with the provisions*  
2        *of this part, that the Secretary, in consultation with*  
3        *members of the higher education community, deter-*  
4        *mine are reasonable and necessary to the successful*  
5        *implementation of the direct student loan program*  
6        *under this part in academic year 1994–1995. Section*  
7        *431 of the General Education Provisions Act shall not*  
8        *apply to the publication of such standards, criteria,*  
9        *and procedures.*

10            *“(2) NEGOTIATED RULEMAKING.—Beginning*  
11        *with academic year 1995–1996, all standards, cri-*  
12        *teria, procedures and regulations implementing this*  
13        *part shall be subject to negotiated rulemaking, includ-*  
14        *ing all such standards, criteria, procedures and regu-*  
15        *lations promulgated from the date of enactment of*  
16        *this part.*

17            *“(b) CLOSING DATE FOR APPLICATIONS FROM INSTI-*  
18        *TUTIONS.—The Secretary shall establish a date not later*  
19        *than October 1, 1993, as the closing date for receiving ap-*  
20        *plications from institutions of higher education desiring to*  
21        *participate in the direct loan program under this part in*  
22        *academic year 1994–1995.*

23            *“(c) PUBLICATION OF LIST OF PARTICIPATING INSTI-*  
24        *TUTIONS AND CONTROL GROUP.—Not later than January*  
25        *1, 1994, the Secretary shall publish in the Federal Register*

1 *a list of the institutions of higher education selected to par-*  
2 *ticipate in the direct loan program under this part in aca-*  
3 *demic year 1994–1995.*

4 **“SEC. 459. REPORTS.**

5       “(a) *ANNUAL REPORTS.*—*The Secretary shall submit*  
6 *to the Congress not later than July 1, 1994, and each July*  
7 *1 for the 4 succeeding years an annual report describing*  
8 *the progress and status of the direct loan program.*

9       “(b) *RESEARCH, DEMONSTRATION, AND EVALUA-*  
10 *TION.*—*The Secretary may use a portion of the funds made*  
11 *available pursuant to section 460 for research on, or the*  
12 *demonstration or evaluation of, any aspects of the program*  
13 *authorized by this part, including flexible repayment plans.*

14       “(c) *GAO INTERIM FINAL REPORT.*—*The Comptroller*  
15 *General shall submit to the Congress not later than January*  
16 *1, 1997, an interim final report evaluating the experience*  
17 *of the Department of Education, the participating institu-*  
18 *tions of higher education, students, and parents with respect*  
19 *to the direct student loan program. The report shall in-*  
20 *clude—*

21               “(1) *the administrative costs, including costs per*  
22 *loan, incurred by participating institutions of higher*  
23 *education in administering the direct student loan*  
24 *program;*

1           “(2) the administrative costs, including costs per  
2           loan, incurred by the Department of Education and  
3           its contractors in carrying out its responsibilities, in-  
4           cluding the costs of origination, data systems, servic-  
5           ing, and collection;

6           “(3) an evaluation of the effectiveness of the di-  
7           rect student loan program in providing services to  
8           students and parents, including loan application,  
9           loan origination, student financial aid packaging,  
10          tracking of student status, responsiveness to student  
11          inquiries and processing of deferments, forbearances,  
12          and repayments;

13          “(4) the frequency and cost of borrower delin-  
14          quency and default under the direct student loan pro-  
15          gram and losses incurred by institutions of higher  
16          education and servicers, including losses caused by  
17          improper origination or servicing of loans;

18          “(5) the timeliness of capital availability to in-  
19          stitutions of higher education and of loans to students  
20          and parents and the cost of loan capital;

21          “(6) an evaluation of the effectiveness of the in-  
22          come contingent repayment option;

23          “(7) a comparison of the experience of institu-  
24          tions of higher education, students, and parents par-  
25          ticipating in direct student loan program with the ex-



1 *perience of institutions, students, and parents in the*  
2 *control group described in subsection (e) with respect*  
3 *to the subjects indicated in paragraphs (1) through*  
4 *(6) of this subsection;*

5 *“(8) an evaluation of the administrative per-*  
6 *formance of the Department;*

7 *“(9) an analysis of the reasons institutions se-*  
8 *lected by the Secretary to participate in the direct*  
9 *student loan program chose not to participate and the*  
10 *reasons institutions withdrew or were terminated*  
11 *from such program;*

12 *“(10) an analysis of the experience of borrowers*  
13 *with loans under both this part and part B and rec-*  
14 *ommendations for the most effective repayment proce-*  
15 *dures for such borrowers;*

16 *“(11) a comparison of the cost of loan capital for*  
17 *loans for the direct student loan program with the*  
18 *cost of loan capital for the comparable programs in*  
19 *part B of this title;*

20 *“(12) an analysis, where practicable, of the expe-*  
21 *rience of institutions which participate as part of a*  
22 *consortia; and*

23 *“(13) recommendations for modifications, con-*  
24 *tinuation, expansion, suspension, or termination of*

1        *the direct student loan program or replacement of all*  
2        *or some of the programs authorized by part B.*

3        *“(d) GAO FINAL REPORT.—The Comptroller General*  
4        *shall submit to the Congress not later than May 1, 1998,*  
5        *a final report evaluating the experience of the Department*  
6        *of Education, the participating institutions of higher edu-*  
7        *cation, and students with respect to the direct student loan*  
8        *program. The report shall include the same matters pro-*  
9        *vided for in subsection (c) of this section.*

10       *“(e) CONTROL GROUP.—To assist the Comptroller*  
11       *General in preparing the reports required by subsections*  
12       *(c) and (d) of this section, the Secretary shall select a con-*  
13       *trol group of institutions of higher education, which rep-*  
14       *resent a cross-section of all institutions of higher education*  
15       *participating in part B of this title and which is com-*  
16       *parable to the cross-section of institutions of higher edu-*  
17       *cation selected for participating in the direct student loan*  
18       *program. The Secretary shall select the control groups in*  
19       *the same manner that the institutions of higher education*  
20       *are selected to participate in the direct student loan pro-*  
21       *gram.*

22       *“(f) TREATMENT OF COSTS.—In reporting with re-*  
23       *spect to costs in the reports required by subsections (c) and*  
24       *(d) of this section, the Comptroller General shall report sep-*  
25       *arately the nonrecurrent costs such as start-up costs associ-*

1 ated with the direct student loan program, the administra-  
2 tive costs incurred by institutions of higher education in  
3 providing information to enable the Comptroller General to  
4 prepare the reports required by subsections (c) and (d) of  
5 this section and the normal costs of operating the direct  
6 student loan program.

7 **“SEC. 460. FUNDS FOR ADMINISTRATIVE EXPENSES.**

8       “(a) *IN GENERAL.*—In each fiscal year beginning with  
9 fiscal year 1994, there shall be available to the Secretary  
10 of Education from funds not otherwise appropriated, funds  
11 to be obligated for administrative costs under this part, in-  
12 cluding the costs of the transition from the loan programs  
13 under part B to the direct student loan program under this  
14 part and transition support for the expenses of guaranty  
15 agencies in servicing outstanding loans in their portfolios  
16 and in guaranteeing new loans, not to exceed \$20,000,000  
17 in fiscal year 1994, \$70,000,000 in fiscal year 1995,  
18 \$170,000,000 in fiscal year 1996, \$305,000,000 in fiscal  
19 year 1997, and \$480,000,000 in fiscal year 1998. If in any  
20 fiscal year, the Secretary determines that additional funds  
21 for administrative expenses are needed as a result of such  
22 transition, or the expansion of the direct student loan pro-  
23 gram under this part, the Secretary is authorized to use  
24 funds available under this section for any succeeding fiscal  
25 year for such expenses, except that the total expenditures

1 *by the Secretary shall not exceed \$1,045,000,000 in fiscal*  
2 *years 1994 through 1998.*

3       “(b) *AVAILABILITY.*—*Funds made available under sub-*  
4 *section (a) shall remain available until expended.*

5       “(c) *BUDGET JUSTIFICATION.*—*The Secretary shall in-*  
6 *clude in the Department of Education’s annual budget jus-*  
7 *tification to Congress a detailed description of the specific*  
8 *activities for which the funds made available by this section*  
9 *have been used in the prior and current years (if applica-*  
10 *ble), the activities and costs planned for the budget year,*  
11 *and the projection of activities and costs for each remaining*  
12 *year for which administrative expenses under this section*  
13 *are made available.*

14       “(d) *NOTIFICATION.*—*In the event the Secretary finds*  
15 *it necessary to use the authority provided to the Secretary*  
16 *under subsection (a) to draw funds for administrative ex-*  
17 *penses from a future year’s funds, the Secretary shall imme-*  
18 *diately notify the Committees on Appropriations of the Sen-*  
19 *ate and of the House of Representatives, and the Labor and*  
20 *Human Resources Committee of the Senate and the Edu-*  
21 *cation and Labor Committee of the House of Representa-*  
22 *tives, of such action and explain the reasons for such action.*

1 **“SEC. 460A. NATIONAL STUDENT LOAN REFORM COMMIS-**  
2 **SION.**

3 “(a) *ESTABLISHMENT.*—*There is hereby established a*  
4 *bipartisan commission to be known as the National Student*  
5 *Loan Reform Commission (hereafter in this section referred*  
6 *to as the ‘Commission’).*

7 “(b) *MEMBERSHIP.*—

8 “(1) *IN GENERAL.*—*The Commission shall be*  
9 *composed of 15 members appointed by the President*  
10 *with the advice and consent of the Senate who are*  
11 *representative of a broad combination of types of in-*  
12 *stitutions of higher education, of whom at least 8*  
13 *members shall be financial aid administrators.*

14 “(2) *PERIOD OF APPOINTMENT; VACANCIES.*—  
15 *Members shall be appointed for the life of the Com-*  
16 *mission. Any vacancy in the Commission shall not af-*  
17 *fect its powers, but shall be filled in the same manner*  
18 *as the original appointment.*

19 “(3) *INITIAL MEETING.*—*Not later than 30 days*  
20 *after the date on which all members of the Commis-*  
21 *sion have been appointed, the Commission shall hold*  
22 *its first meeting.*

23 “(4) *MEETINGS.*—*The Commission shall meet at*  
24 *the call of the Chairman.*

1           “(5) *QUORUM.*—A majority of the members of  
2           the Commission shall constitute a quorum, but a less-  
3           er number of members may hold hearings.

4           “(6) *CHAIRMAN AND VICE CHAIRMAN.*—The Com-  
5           mission shall select a Chairman and Vice Chairman  
6           from among its members.

7           “(c) *DUTIES.*—The Commission shall—

8           “(1) advise the President and the Congress on  
9           the operation of the Federal Direct Student Loan Pro-  
10          gram and the Federal Family Education Loan Pro-  
11          gram;

12          “(2) evaluate and report to the Congress regard-  
13          ing such programs on not less than an annual basis;  
14          and

15          “(3) not later than January 1, 1997, report to  
16          the President and the Congress with final rec-  
17          ommendations on the advisability of replacing the  
18          Federal Family Education Loan Program with direct  
19          lending.

20          “(d) *POWERS OF THE COMMISSION.*—

21          “(1) *HEARINGS.*—The Commission may hold  
22          such hearings, sit and act at such times and places,  
23          take such testimony, and receive such evidence as the  
24          Commission considers advisable to carry out the pur-  
25          poses of this section.

1           “(2) *INFORMATION FROM FEDERAL AGENCIES.*—  
2           *The Commission may secure directly from any Fed-*  
3           *eral department or agency such information as the*  
4           *Commission considers necessary to carry out the pro-*  
5           *visions of this section. Upon request of the Chairman*  
6           *of the Commission, the head of such department or*  
7           *agency shall furnish such information to the Commis-*  
8           *sion.*

9           “(3) *POSTAL SERVICES.*—*The Commission may*  
10          *use the United States mails in the same manner and*  
11          *under the same conditions as other departments and*  
12          *agencies of the Federal Government.*

13          “(4) *GIFTS.*—*The Commission may accept, use,*  
14          *and dispose of gifts or donations of services or prop-*  
15          *erty.*

16          “(e) *COMMISSION PERSONNEL MATTERS.*—

17                 “(1) *COMPENSATION OF MEMBERS.*—*Each mem-*  
18                 *ber of the Commission who is not an officer or em-*  
19                 *ployee of the Federal Government shall be com-*  
20                 *pensated at a rate equal to the daily equivalent of the*  
21                 *annual rate of basic pay prescribed for level IV of the*  
22                 *Executive Schedule under section 5315 of title 5,*  
23                 *United States Code, for each day (including travel*  
24                 *time) during which such member is engaged in the*  
25                 *performance of the duties of the Commission. All*

1 *members of the Commission who are officers or em-*  
2 *ployees of the United States shall serve without com-*  
3 *penetration in addition to that received for their serv-*  
4 *ices as officers or employees of the United States.*

5 “(2) *TRAVEL EXPENSES.*—*The members of the*  
6 *Commission shall be allowed travel expenses, includ-*  
7 *ing per diem in lieu of subsistence, at rates author-*  
8 *ized for employees of agencies under subchapter I of*  
9 *chapter 57 of title 5, United States Code, while away*  
10 *from their homes or regular places of business in the*  
11 *performance of services for the Commission.*

12 “(3) *STAFF.*—

13 “(A) *IN GENERAL.*—*The Chairman of the*  
14 *Commission may, without regard to the civil*  
15 *service laws and regulations, appoint and termi-*  
16 *nate an executive director and such other addi-*  
17 *tional personnel as may be necessary to enable*  
18 *the Commission to perform its duties. The em-*  
19 *ployment of an executive director shall be subject*  
20 *to confirmation by the Commission.*

21 “(B) *COMPENSATION.*—*The Chairman of*  
22 *the Commission may fix the compensation of the*  
23 *executive director and other personnel without*  
24 *regard to the provisions of chapter 51 and sub-*  
25 *chapter III of chapter 53 of title 5, United States*



1           *Code, relating to classification of positions and*  
2           *General Schedule pay rates, except that the rate*  
3           *of pay for the executive director and other per-*  
4           *sonnel may not exceed the rate payable for level*  
5           *V of the Executive Schedule under section 5316*  
6           *of such title.*

7           “(4) *DETAIL OF GOVERNMENT EMPLOYEES.—*  
8           *Any Federal Government employee may be detailed to*  
9           *the Commission without reimbursement, and such de-*  
10          *tail shall be without interruption or loss of civil serv-*  
11          *ice status or privilege.*

12          “(5) *PROCUREMENT OF TEMPORARY AND INTER-*  
13          *MITTENT SERVICES.—The Chairman of the Commis-*  
14          *sion may procure temporary and intermittent services*  
15          *under section 3109(b) of title 5, United States Code,*  
16          *at rates for individuals which do not exceed the daily*  
17          *equivalent of the annual rate of basic pay prescribed*  
18          *for level V of the Executive Schedule under section*  
19          *5316 of such title.*

20          “(6) *AUTHORITY TO CONTRACT.—Subject to the*  
21          *Federal Property and Administrative Services Act of*  
22          *1949, the Commission is authorized to enter into con-*  
23          *tracts with Federal and State agencies, private firms,*  
24          *institutions and individuals for the conduct of activi-*

1        *ties necessary to the discharge of its duties and re-*  
2        *sponsibilities.*

3            “(7) *SOURCE OF ADMINISTRATIVE SUPPORT.—*  
4        *Financial and administrative support services (in-*  
5        *cluding those related to budget and accounting, finan-*  
6        *cial reporting, payroll, and personnel) shall be pro-*  
7        *vided to the Commission by the General Services Ad-*  
8        *ministration (or other organization the Commission*  
9        *determines appropriate) for which payment shall be*  
10       *made in advance or by reimbursement, from funds of*  
11       *the Commission, in such amounts as may be agreed*  
12       *by the Chairman of the Commission and the Admin-*  
13       *istrator of General Services (or head of another orga-*  
14       *nization the Commission determines appropriate).*

15           “(f) *TERMINATION OF THE COMMISSION.—The Com-*  
16       *mission shall terminate 18 months after the date on which*  
17       *the Commission submits its report under subsection (c)(3).*

18           “(g) *FUNDS FOR EXPENSES OF THE COMMISSION.—*  
19       *In each fiscal year beginning with fiscal year 1994, there*  
20       *shall be available to the Secretary from funds not otherwise*  
21       *appropriated, funds to be obligated for the costs of activities*  
22       *assisted under this section, not to exceed \$2,000,000 in each*  
23       *of the fiscal years 1994, 1995, 1996, 1997 and 1998.”.*

1       **CHAPTER 2—STUDENT LOAN SAVINGS**

2       **SEC. 12021. SECRETARY'S EQUITABLE SHARE.**

3           Section 428(c)(6)(A)(ii) of the Act (20 U.S.C.  
4   1078(c)(6)(A)(ii)) is amended by striking “30 percent” and  
5   inserting “27 percent”.

6       **SEC. 12022. INTEREST RATES.**

7           Section 427A of the Higher Education Act of 1965 (20  
8   U.S.C. 1077a) is amended—

9                   (1) in subsection (c)(4), by adding at the end the  
10   following new subparagraph:

11                           “(E) Notwithstanding subparagraphs (A)  
12                           and (D) for any loan made pursuant to section  
13                           428B for which the first disbursement is made  
14                           on or after July 1, 1994—

15                                   “(i) subparagraph (B) shall be applied  
16                                   by substituting “3.1” for “3.25”; and

17   “(ii) the interest rate shall not exceed  
18                                   9 percent.”;

19                   (2) by redesignating subsections (f), (g) and (h)  
20   as subsections (g), (h) and (j), respectively;

21                   (3) by adding after subsection (e) the following  
22   new subsection:

23                           “(f) INTEREST RATES FOR NEW LOANS AFTER JULY  
24   1, 1994.—

1           “(1) *IN GENERAL.*—Notwithstanding subsections  
2           (a), (b), (d) and (e) of this section, with respect to  
3           any loan made, insured, or guaranteed under this  
4           part (other than a loan made pursuant to sections  
5           428B and 428C) for which the first disbursement is  
6           made on or after July 1, 1994, the applicable rate of  
7           interest shall, during any 12-month period beginning  
8           on July 1 and ending on June 30, be determined on  
9           the preceding June 1 and be equal to—

10                   “(A) the bond equivalent rate of 91-day  
11                   Treasury bills auctioned at the final auction held  
12                   prior to such June 1; plus

13                   “(B) 3.10 percent,  
14           except that such rate shall not exceed 8.25 percent.

15           “(2) *CONSULTATION.*—The Secretary shall deter-  
16           mine the applicable rate of interest under paragraph  
17           (1) after consultation with the Secretary of the Treas-  
18           ury and shall publish such rate in the Federal Reg-  
19           ister as soon as practicable after the date of deter-  
20           mination.”; and

21           (4) by inserting after subsection (h) (as redesign-  
22           ated in paragraph (2)) the following new subsection:

23           “(i) *IN-SCHOOL AND GRACE PERIOD INTEREST*  
24           *RATES.*—

1           “(1) *APPLICABLE RATE.*—Notwithstanding any  
2           *other provision of this section, with respect to any*  
3           *loan for which the first disbursement is made on or*  
4           *after October 1, 1993, the applicable rate of interest*  
5           *for interest which accrues—*

6                     “(A) *prior to the beginning of the repay-*  
7                     *ment period of the loan; or*

8                     “(B) *during the period in which principal*  
9                     *need not be paid (whether or not such principal*  
10                    *is in fact paid) by reason of a provision de-*  
11                    *scribed in section 428(b)(1)(M) or 427(a)(2)(C),*  
12                    *shall not exceed the rate determined under paragraph*  
13                    *(2).*

14           “(2) *METHOD OF CALCULATION.*—For purposes  
15           *of paragraph (1) the rate determined under this para-*  
16           *graph shall, during any 12-month period beginning*  
17           *on July 1 and ending on June 30, be determined on*  
18           *the preceding June 1 and be equal to—*

19                     “(A) *the bond equivalent rate of 91-day*  
20                     *Treasury bills auctioned at the final auction*  
21                     *prior to such June 1; plus*

22                     “(B) *2.5 percent,*  
23                     *except that such rate shall not exceed 8.25 percent.”.*

1 **SEC. 12023. LENDER AND STUDENT LOAN FEES.**

2 *Section 438 of the Act (20 U.S.C. 1087-1) is amend-*  
3 *ed—*

4 *(1) in the heading of subsection (c) by inserting*  
5 *“FROM STUDENTS” after “ORIGINATION FEES”;*

6 *(2) in subsection (c)—*

7 *(A) in paragraph (2)—*

8 *(i) by striking “428B.”;*

9 *(ii) by inserting “, and part D” after*  
10 *“439(o)”;* and

11 *(iii) by striking “5 percent” and in-*  
12 *serting “3.0 percent”;*

13 *(B) in paragraph (6), by striking “5 per-*  
14 *cent” and inserting “3.0 percent”;*

15 *(3) by redesignating subsections (d) and (e) as*  
16 *subsections (e) and (f), respectively; and*

17 *(4) by inserting after subsection (c) the following*  
18 *new subsection:*

19 *“(d) LOAN FEES FROM LENDERS.—*

20 *“(1) DEDUCTION FROM INTEREST AND SPECIAL*  
21 *ALLOWANCE SUBSIDIES.—Notwithstanding subsection*  
22 *(b), the total amount of interest and special allowance*  
23 *payable under section 428(a)(3)(A) and subsection (b)*  
24 *of this section, respectively, to any holder shall be re-*  
25 *duced by the Secretary by a loan fee in an amount*  
26 *determined in accordance with paragraph (2) of this*

1     *subsection. If the total amount of interest and special*  
2     *allowance payable under section 428(a)(3)(A) and*  
3     *subsection (b) of this section, respectively, is less than*  
4     *the amount of such loan fee, then the Secretary shall*  
5     *deduct such excess amount from subsequent quarters'*  
6     *payments until the total amount has been deducted.*

7             “(2) *AMOUNT OF LOAN FEES.—With respect to*  
8     *any loan under this part (other than loans made*  
9     *under sections 428B, 428C and 439(o)) for which a*  
10    *note or other written evidence of the loan was sent or*  
11    *delivered to the borrower for signing on or after Octo-*  
12    *ber 1, 1993, the amount of the loan fee which shall*  
13    *be deducted under paragraph (1) shall be equal to .50*  
14    *percent of the principal amount of the loan.*

15            “(3) *PLUS, CONSOLIDATION, SLMA LOANS.—*  
16    *With respect to any loans made under section 428B,*  
17    *428C, and 439 on or after October 1, 1993, each eligi-*  
18    *ble lender under this part shall pay to the Secretary*  
19    *a loan fee of .50 percent of the principal amount of*  
20    *the loan.*

21            “(4) *DISTRIBUTION OF LOAN FEES.—The Sec-*  
22    *retary shall deposit all fees collected pursuant to*  
23    *paragraph (3) into the insurance fund established in*  
24    *section 431.”.*

1 **SEC. 12024. OFFSET FEE.**

2 *Subsection (h) of section 439 of the Act (20 U.S.C.*  
3 *1087–2(h)) is amended by adding at the end the following*  
4 *new paragraph:*

5 *“(6) OFFSET FEE.—(A) The Association shall*  
6 *pay to the Secretary, on a monthly basis, an offset fee*  
7 *calculated on an annual basis in an amount equal to*  
8 *0.30 percent of the principal amount of each loan*  
9 *made, insured or guaranteed under this part which*  
10 *the Association holds on or after the date of enactment*  
11 *of this paragraph.*

12 *“(B) The Secretary shall deposit all fees collected*  
13 *pursuant to subparagraph (A) into the insurance*  
14 *fund established in section 431.”.*

15 **SEC. 12025. ELIMINATION OF TAX EXEMPT FLOOR.**

16 *Section 438(b)(2)(B) of the Act (20 U.S.C. 1087–*  
17 *1(b)(2)(B)) is amended by adding at the end the following*  
18 *new clause:*

19 *“(iv) Notwithstanding clauses (i) and (ii), the*  
20 *quarterly rate of the special allowance for holders of*  
21 *loans which are financed with funds obtained by the*  
22 *holder from the issuance of obligations originally is-*  
23 *ssued on or after October 1, 1993, the income from*  
24 *which is excluded from gross income under the Inter-*  
25 *nal Revenue Code of 1986, shall be 85 percent of the*  
26 *quarterly rate of the special allowance established*



1        *under subparagraph (A). Such rate shall also apply*  
2        *to holders of loans which were made or purchased*  
3        *with funds obtained by the holder from collections or*  
4        *default reimbursements on, or interests or other in-*  
5        *come pertaining to, eligible loans made or purchased*  
6        *with funds described in the preceding sentence of this*  
7        *subparagraph or from income on the investment of*  
8        *such funds.”.*

9        **SEC. 12026. REDUCTION IN INTEREST RATE FOR CONSOLI-**  
10        **DATION LOANS; REBATE FEE.**

11        (a) *AMENDMENT.*—Section 428C of the Act (20 U.S.C.  
12        1078–3) is amended—

13                (1) *in paragraph (1) of subsection (c)—*

14                        (A) *in subparagraph (A), by striking “or*  
15                        (C)”;

16                        (B) *by amending subparagraph (B) to read*  
17                        *as follows:*

18                                “(B) *A consolidation loan made on or after*  
19                                *October 1, 1993, shall bear interest on the un-*  
20                                *paid principal balance of the loan, during any*  
21                                *12-month period beginning on July 1 and end-*  
22                                *ing on June 30, determined on the preceding*  
23                                *June 1, which interest shall be equal to—*

1                   “(i) the bond equivalent rate of 91-day  
2                   Treasury bills auctioned at the final auc-  
3                   tion held prior to such June 1; plus

4                   “(ii) 3.10 percent,  
5                   except that such rate shall not exceed 9 percent.”;  
6                   and

7                   (C) by striking subparagraph (C); and

8                   (2) by adding at the end the following new sub-  
9                   section:

10                  “(f) INTEREST PAYMENT REBATE FEE.—

11                   “(1) IN GENERAL.—Each holder of a consolida-  
12                   tion loan under this section shall pay to the Sec-  
13                   retary, on a monthly basis and in such manner as the  
14                   Secretary shall prescribe, a rebate fee calculated on an  
15                   annual basis equal to 0.70 percent of the principal  
16                   plus accrued unpaid interest on such loan.

17                   “(2) DEPOSIT.—The Secretary shall deposit all  
18                   fees collected pursuant to subsection (a) into the in-  
19                   surance fund established in section 431.”.

20                  (b) ENFORCEMENT.—Subsection (d) of section 435 of  
21                  the Act (20 U.S.C. 1085(d)) is amended—

22                   (1) in the matter preceding subparagraph (A) of  
23                   paragraph (1), by striking “(5)” and inserting “(6)”;  
24                   and

1           (2) by adding at the end the following new para-  
2           graph:

3           “(6) *REBATE FEE REQUIREMENT.*—To be an eli-  
4           gible lender under this part, an eligible lender shall  
5           pay rebate fees in accordance with section 428C(f).”.

6   **SEC. 12027. INSURANCE PREMIUM.**

7           (a) *INSURANCE PREMIUM.*—Section 428(b)(1)(H) of  
8           the Act (20 U.S.C. 1078(b)(1)(H)) is amended by striking  
9           “3 percent” and inserting “1 percent”.

10          (b) *REINSURANCE FEES.*—Section 428(c) of the Act is  
11          amended—

12                 (1) by striking paragraph (9); and

13                 (2) by redesignating paragraph (10) as para-  
14                 graph (9).

15          (c) *EFFECTIVE DATE.*—The amendments made by this  
16          section shall be effective on July 1, 1994.

17   **SEC. 12028. LOAN TRANSFER FEE.**

18          Section 428(b)(2) of the Act (20 U.S.C. 1078(b)(2)) is  
19          amended—

20                 (1) by striking “and” at the end of subpara-  
21                 graph (E);

22                 (2) by striking the period at the end of subpara-  
23                 graph (F) and inserting “; and”; and

24                 (3) by adding at the end thereof the following  
25                 new subparagraph:

1           “(G) provide that, if a lender or holder, on  
2           or after October 1, 1993, sells, transfers, or as-  
3           signs a loan under this part, then the transferee  
4           shall pay to the Secretary a transfer fee in an  
5           amount equal to 0.25 percent the principal and  
6           accrued unpaid interest of the loan, which trans-  
7           fer fee shall be deposited into the insurance fund  
8           established in section 431, except that the provi-  
9           sions of this subparagraph shall not apply to  
10          any such sale, transfer or assignment by a lender  
11          or holder to such lender’s or holder’s affiliate or  
12          pursuant to—

13                   “(i) a merger or other consolidation  
14                   transaction; or

15                   “(ii) a sale or other transfer of all or  
16                   any substantial portion of such lender’s or  
17                   holder’s business or student lending busi-  
18                   ness.”.

19   **SEC. 12029. RISK SHARING.**

20           (a) *GUARANTY AGENCY REINSURANCE PERCENT-*  
21   *AGE.*—Section 428(c)(1) of the Act (20 U.S.C. 1078(c)(1))  
22   *is amended—*

23                   (1) in subparagraph (A), by striking “100 per-  
24                   cent” and inserting “98 percent”;

1           (2) in subparagraph (B)(i), by striking “90 per-  
2 cent” and inserting “88 percent”;

3           (3) in subparagraph (B)(ii), by striking “80 per-  
4 cent” and inserting “78 percent”; and

5           (4) by adding at the end the following new sub-  
6 paragraphs:

7           “(E) Notwithstanding any other provisions  
8 of this section, in the case of a loan made pursu-  
9 ant to a lender of last resort program, the Sec-  
10 retary shall apply the provisions of—

11           “(i) the fourth sentence of subpara-  
12 graph (A) by substituting ‘100 percent’ for  
13 ‘98 percent’;

14           “(ii) subparagraph (B)(i) by substitut-  
15 ing ‘100 percent’ for ‘88 percent’; and

16           “(iii) subparagraph (B)(ii) by sub-  
17 stituting ‘100 percent’ for ‘78 percent’.

18           “(F) Notwithstanding any other provisions  
19 of this section, in the case of an outstanding loan  
20 transferred to a guaranty agency from another  
21 guaranty agency pursuant to a plan approved  
22 by the Secretary in response to the insolvency of  
23 the latter such guarantee agency, the Secretary  
24 shall apply the provision of—

1           “(i) the fourth sentence of subpara-  
2           graph (A) by substituting ‘100 percent’ for  
3           ‘98 percent’;

4           “(ii) subparagraph (B)(i) by substitut-  
5           ing ‘90 percent’ for ‘88 percent’; and

6           “(iii) subparagraph (B)(ii) by sub-  
7           stituting ‘80 percent’ for ‘78 percent’.”.

8           **(b) RISK SHARING BY THE STUDENT LOAN MARKET-**  
9           **ING ASSOCIATION.**—Section 428(b)(1)(G) of the Act (20  
10          U.S.C. 1078(b)(1)(G)) is amended by inserting before the  
11          semicolon at the end thereof the following: “, except that  
12          for loans held by the Student Loan Marketing Association  
13          (other than loans made with advances to guaranty agencies  
14          pursuant to section 439(p)) such percentage shall be 95 per-  
15          cent”.

16          **(c) EFFECTIVE DATE.**—The amendments made by this  
17          section shall apply to any loan made on or after October  
18          1, 1993.

19          **SEC. 12030. PLUS LOAN AMOUNTS AND DISBURSEMENTS.**

20          **(a) LOAN AMOUNTS.**—

21                  **(1) AMENDMENT.**—Section 428B(b) of the Act  
22                  (20 U.S.C. 1078–2(b)) is amended to read as follows:

23                  **“(b) LIMITATIONS ON AMOUNTS OF LOANS.**—

24                          **“(1) ANNUAL LIMIT.**—Subject to paragraph (2),  
25                          the maximum amount parents may borrow for one

1     *student in any academic year or its equivalent (as*  
2     *defined by regulation of the Secretary) is \$10,000.*

3             “(2) *LIMITATION BASED ON NEED.*—Any loan  
4     *under this section may be counted as part of the ex-*  
5     *pected family contribution in the determination of*  
6     *need under this title, but no loan may be made to any*  
7     *parent under this section for any academic year in*  
8     *excess of (A) the student’s estimated cost of attend-*  
9     *ance, minus (B) other financial aid as certified by the*  
10    *eligible institution under section 428(a)(2)(A). The*  
11    *annual insurable limit on account of any student*  
12    *shall not be deemed to be exceeded by a line of credit*  
13    *under which actual payments to the borrower will not*  
14    *be made in any year in excess of the annual limit.”.*

15            (2) *EFFECTIVE DATE.*—The amendment made by  
16    *paragraph (1) shall be effective for loans made on or*  
17    *after July 1, 1994.*

18            (b) *MULTIPLE DISBURSEMENT REQUIRED.*—

19            (1) *AMENDMENT.*—The matter preceding para-  
20    *graph (1) of section 428B(c) of the Act (20 U.S.C.*  
21    *1078–2(c)) is amended by inserting “shall be dis-*  
22    *bursed in accordance with the requirements of section*  
23    *428G and” after “under this section”.*

1           (2) *CONFORMING AMENDMENTS.*—Section  
2           428G(e) of the Act (20 U.S.C. 1078–7(e) is amend-  
3           ed—

4                   (A) by striking “PLUS, CONSOLIDATION,”  
5                   and inserting “CONSOLIDATION”; and

6                   (B) by striking “section 428B or 428C” and  
7                   inserting “section 428C”.

8           **CHAPTER 3—CONFORMING AMENDMENTS**

9           **Subchapter A—Conforming Amendments to**  
10           **the Higher Education Act of 1965**

11           **SEC. 12041. PRESERVING LOAN ACCESS.**

12           (a) *PURPOSE.*—It is the purpose of the amendments  
13           made by this section to provide the Secretary with flexible  
14           authority as needed to preserve access to student and parent  
15           loans under part B of title IV of the Act during the transi-  
16           tion from the Federal Family Education Loan Program  
17           under such part to the Federal Direct Student Loan Pro-  
18           gram under part D of such title.

19           (b) *ADVANCES TO GUARANTY AGENCIES FOR LENDER-*  
20           *OF-LAST-RESORT SERVICES.*—

21                   (1) *AMENDMENT.*—Section 428(j) of the Act (20  
22                   U.S.C. 1078(j)) is amended by adding at the end the  
23                   following new paragraph:

24                   “(4) *ADVANCES TO GUARANTY AGENCIES FOR LENDER-*  
25                   *OF-LAST-RESORT SERVICES DURING TRANSITION TO DIRECT*



1 *LENDING.—(A) In order to ensure the availability of loan*  
2 *capital during the transition from the Federal Family Edu-*  
3 *cation Loan Program under this part to the Federal Direct*  
4 *Student Loan Program under part D of this title, the Sec-*  
5 *retary is authorized to provide a guaranty agency with ad-*  
6 *ditional advance funds in accordance with section*  
7 *422(c)(7), with such restrictions on the use of such funds*  
8 *as are determined appropriate by the Secretary, in order*  
9 *to ensure that the guaranty agency will make loans as the*  
10 *lender-of-last-resort. Such agency shall make such loans in*  
11 *accordance with this subsection and the requirements of the*  
12 *Secretary.*

13 *“(B) Notwithstanding any other provision in this*  
14 *part, a guaranty agency serving as a lender-of-last-resort*  
15 *under this paragraph shall be paid a fee, established by the*  
16 *Secretary, for making such loans in lieu of interest and spe-*  
17 *cial allowance subsidies, and shall be required to assign*  
18 *such loans to the Secretary on demand. Upon such assign-*  
19 *ment, the portion of the advance represented by the loans*  
20 *assigned shall be considered repaid by such guaranty agen-*  
21 *cy.”.*

22 *(2) CONFORMING AMENDMENT.—Section*  
23 *422(c)(7) of the Act (20 U.S.C. 1072(c)(7)) is amend-*  
24 *ed by striking all beginning with “to a guaranty*

1     *agency” through the period and inserting “to a guar-*  
2     *anty agency—*

3             *“(A) in accordance with section 428(j), in order*  
4     *to ensure that the guaranty agency shall make loans*  
5     *as the lender-of-last-resort during the transition from*  
6     *the Federal Family Education Loan Program under*  
7     *this part to the Federal Direct Student Loan Pro-*  
8     *gram under part D of this title; or*

9             *“(B) if the Secretary is seeking to terminate the*  
10     *guaranty agency’s agreement, or assuming the guar-*  
11     *anty agency’s functions, in accordance with section*  
12     *428(c)(10)(F)(v), in order to assist the agency in*  
13     *meeting its immediate cash needs, ensure the uninter-*  
14     *rupted payment of claims, or ensure that the guar-*  
15     *anty agency shall make loans as described in sub-*  
16     *paragraph (A);”.*

17     *(c) LENDER REFERRAL SERVICES.—Section 428(e) of*  
18     *the Act (20 U.S.C. 1078(e)) is amended—*

19             *(1) in paragraph (1)—*

20                 *(A) by amending the paragraph heading to*  
21     *read as follows: “IN GENERAL; AGREEMENTS*  
22     *WITH GUARANTY AGENCIES.—”;*

23                 *(B) by inserting the subparagraph designa-*  
24     *tion “(A)” immediately before “The Secretary”;*

1           (C) by striking “in any State” and insert-  
2           ing “with which the Secretary has an agreement  
3           under subparagraph (B)”;

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

6           “(B)(i) The Secretary may enter into agree-  
7           ments with guaranty agencies that meet stand-  
8           ards established by the Secretary to provide lend-  
9           er referral services in geographic areas specified  
10          by the Secretary. Such guaranty agencies shall  
11          be paid in accordance with paragraph (3) for  
12          such services.

13          “(ii) The Secretary shall publish in the  
14          Federal Register whatever standards, criteria,  
15          and procedures, consistent with the provisions of  
16          this part and part D of this title, the Secretary  
17          determines are reasonable and necessary to pro-  
18          vide lender referral services under this subsection  
19          and ensure loan access to student and parent  
20          borrowers during the transition from the loan  
21          programs under this part to the direct student  
22          loan programs under part D of this title. Section  
23          431 of the General Education Provisions Act  
24          shall not apply to the publication of such stand-  
25          ards, criteria, and procedures.”;

1           (2) in paragraph (2)—

2                   (A) in the matter preceding subparagraph  
3           (A), by striking “in a State” and inserting  
4           “with which the Secretary has an agreement  
5           under paragraph (1)(B)”;

6                   (B) by amending subparagraph (A) to read  
7           as follows:

8                   “(A)(i) such student is either a resident of,  
9           or is accepted for enrollment in, or is attending,  
10          an eligible institution located in a geographic  
11          area for which the Secretary (I) determines that  
12          loans are not available to all eligible students,  
13          and (II) has entered into an agreement with a  
14          guaranty agency under paragraph (1)(B) to pro-  
15          vide lender referral services; and”;

16                  (3) in paragraph (3), by striking “The” and in-  
17          serting “From funds available for costs of transition  
18          under section 460 of the Act, the”; and

19                  (4) by striking paragraph (5).

20          (d) *STUDENT LOAN MARKETING ASSOCIATION*.—Sec-  
21          tion 439(q) of the Act (20 U.S.C. 1087-2(q)) is amended—

22                  (1) in paragraph (1)(A)—

23                          (A) in the first sentence, by striking “the  
24                  Association or its designated agent may begin  
25                  making loans” and inserting “the Association or

1            *its designated agent shall, not later than July 1,*  
2            *1994, begin making loans to such eligible bor-*  
3            *rowers’; and*

4            *(B) by striking the second sentence;*

5            *(2) in paragraph (2)(A), by striking “the Asso-*  
6            *ciation or its designated agent may” and inserting*  
7            *“the Association or its designated agent shall, not*  
8            *later than July 1, 1994,”; and*

9            *(3) in paragraph (3), by striking all beginning*  
10           *with “that—” through the period at the end of sub-*  
11           *paragraph (B) and inserting “that the conditions*  
12           *that caused the implementation of this subsection*  
13           *have ceased to exist.”.*

14    **SEC. 12042. GUARANTY AGENCY RESERVES.**

15           *Section 422 of the Act (20 U.S.C. 1072) is amended*  
16           *by adding at the end the following new subsection:*

17           *“(g) PRESERVATION OF GUARANTY AGENCY RE-*  
18           *SERVES.—*

19           *“(1) AUTHORITY TO RECOVER FUNDS.—Notwith-*  
20           *standing any other provision of law, the reserve funds*  
21           *of the guaranty agencies, and any assets purchased*  
22           *with such reserve funds, regardless of who holds or*  
23           *controls the reserves or assets, shall be considered to*  
24           *be the property of the United States to be used in the*  
25           *operation of the program authorized by this part or*

1     *the program authorized by part D of this title. How-*  
2     *ever, the Secretary may not require the return of all*  
3     *reserve funds of a guaranty agency to the Secretary*  
4     *unless the Secretary determines that such return is in*  
5     *the best interest of the operation of the program au-*  
6     *thorized by this part or the program authorized by*  
7     *part D of this title, or to ensure the proper mainte-*  
8     *nance of such agency's funds or assets or the orderly*  
9     *termination of the guaranty agency's operations and*  
10    *the liquidation of its assets. The reserves shall be*  
11    *maintained by each guaranty agency to pay program*  
12    *expenses and contingent liabilities, as authorized by*  
13    *the Secretary, except that the Secretary may—*

14            “(A) direct a guaranty agency to return to  
15            the Secretary a portion of its reserve fund which  
16            the Secretary determines is unnecessary to pay  
17            the program expenses and contingent liabilities  
18            of the guaranty agency;

19            “(B) direct the guaranty agency to require  
20            the return, to the guaranty agency or to the Sec-  
21            retary, of any reserve funds or assets held by, or  
22            under the control of, any other entity, which the  
23            Secretary determines are necessary to pay the  
24            program expenses and contingent liabilities of  
25            the guaranty agency, or which are required for

1           *the orderly termination of the guaranty agency's*  
2           *operations and the liquidation of its assets; and*

3           “(C) *direct a guaranty agency, or such*  
4           *agency's officers or directors, to cease any activi-*  
5           *ties involving expenditure, use or transfer of the*  
6           *guaranty agency's reserve funds or assets which*  
7           *the Secretary determines is a misapplication,*  
8           *misuse, or improper expenditure of such funds or*  
9           *assets.*

10           “(2) *TERMINATION PROVISIONS IN CONTRACTS.—*

11           *(A) To ensure that the funds and assets of the guar-*  
12           *anty agency are preserved, any contract with respect*  
13           *to the administration of a guaranty agency's reserve*  
14           *funds, or the administration of any assets purchased*  
15           *or acquired with the reserve funds of the guaranty*  
16           *agency, that is entered into or extended by the guar-*  
17           *anty agency, or any other party on behalf of or with*  
18           *the concurrence of the guaranty agency, after the date*  
19           *of enactment of this subsection shall provide that the*  
20           *contract is terminable by the Secretary upon 30 days*  
21           *notice to the contracting parties if the Secretary de-*  
22           *termines that such contract includes an impermissible*  
23           *transfer of the reserve funds or assets, or is otherwise*  
24           *inconsistent with the terms or purposes of this section.*

1           “(B) *The Secretary may direct a guaranty agen-*  
2           *cy to suspend or cease activities under any contract*  
3           *entered into by or on behalf of such agency after Jan-*  
4           *uary 1, 1993, if the Secretary determines that the*  
5           *misuse or improper expenditure of such guaranty*  
6           *agency’s funds or assets or such contract provides un-*  
7           *necessary or improper benefits to such agency’s offi-*  
8           *cers or directors.*

9           “(3) *PENALTIES.—Violation of any direction is-*  
10          *sued by the Secretary under this subsection may be*  
11          *subject to the penalties described in section 490 of this*  
12          *Act.*”.

13   **SEC. 12043. TERMS OF LOANS.**

14          (a) *AMENDMENT.—Section 428 of the Act (20 U.S.C.*  
15          *1078) is amended—*

16                  (1) *in subsection (b)(1)(D), by striking “be sub-*  
17                  *ject to” through the semicolon and inserting “be sub-*  
18                  *ject to income contingent repayment in accordance*  
19                  *with subsection (m);”; and*

20                  (2) *in subsection (m)—*

21                          (A) *by amending paragraph (1) to read as*  
22                          *follows:*

23                          “(1) *AUTHORITY OF SECRETARY TO REQUIRE.—*  
24                          *The Secretary may require any borrower who has de-*  
25                          *faulted on a loan made under this part that is as-*



1       signed to the Secretary under subsection (c)(8) to  
2       repay that loan under an income contingent repay-  
3       ment plan, the terms and conditions of which shall be  
4       established by the Secretary and the same as, or simi-  
5       lar to, an income contingent repayment plan estab-  
6       lished for purposes of part D of this title.”; and

7                       (B) by striking paragraphs (2), (3), and (4)  
8       and inserting the following new paragraph:

9               “(2) *LOANS FOR WHICH INCOME CONTINGENT*  
10       *REPAYMENT MAY BE REQUIRED.*—A loan made under  
11       this part may be required to be repaid under this sub-  
12       section if the note or other evidence of the loan has  
13       been assigned to the Secretary pursuant to subsection  
14       (c)(8).”.

15       (b) *EFFECTIVE DATE.*—The amendments made by this  
16       section shall be effective for loans made in accordance with  
17       section 428 for periods of instruction beginning on or after  
18       July 1, 1993, or made on or after July 1, 1993, in the case  
19       of loans made in accordance with section 428B or 428C  
20       of the Act.

21       **SEC. 12044. ASSIGNMENT OF LOANS.**

22       Section 428(c)(8) of the Act (20 U.S.C. 1078(c)(8)) is  
23       amended—

24               (1) in the first sentence, by inserting the sub-  
25       paragraph designation “(A)” before “If the”;

1           (2) by striking the second and third sentences;  
2           and

3           (3) by adding at the end the following new sub-  
4           paragraph:

5                       “(B) An orderly transition from the Federal  
6           Family Education Loan Program under this  
7           part to the Federal Direct Student Loan Pro-  
8           gram under part D of this title shall be deemed  
9           to be in the Federal fiscal interest, and a guar-  
10          anty agency shall promptly assign loans to the  
11          Secretary under this paragraph upon the Sec-  
12          retary’s request.”.

13   **SEC. 12045. TERMINATION OF GUARANTY AGENCY AGREE-**  
14                       **MENTS; ASSUMPTION OF GUARANTY AGENCY**  
15                       **FUNCTIONS BY THE SECRETARY.**

16          Section 428(c)(9) of the Act (as redesignated by section  
17   12027(b)(2)) (20 U.S.C. 1078(c)(10)) is amended—

18               (1) in subparagraph (C), by inserting “, as ap-  
19               propriate,” after “the Secretary shall require”;

20               (2) in subparagraph (D)—

21                       (A) by inserting the clause designation “(i)”  
22               before “Each”;

23                       (B) by striking “Each” and inserting “If  
24               the Secretary is not seeking to terminate the  
25               guaranty agency’s agreement under subpara-

1 *graph (E), or assuming the guaranty agency's*  
2 *functions under subparagraph (F), a”;*

3 *(C) by adding at the end the following new*  
4 *clause:*

5 *“(ii) If the Secretary is seeking to ter-*  
6 *minate the guaranty agency's agreement*  
7 *under subparagraph (E), or assuming the*  
8 *guaranty agency's functions under subpara-*  
9 *graph (F), a management plan described in*  
10 *subparagraph (C) shall include the means*  
11 *by which the Secretary and the guaranty*  
12 *agency shall work together to ensure the or-*  
13 *derly termination of the operations, and liq-*  
14 *uidation of the assets, of the guaranty agen-*  
15 *cy.”;*

16 *(3) in subparagraph (E)—*

17 *(A) in clause (ii), by striking “or” after the*  
18 *semicolon;*

19 *(B) in clause (iii), by striking the period*  
20 *and inserting a semicolon; and*

21 *(C) by adding at the end the following new*  
22 *clauses:*

23 *“(iv) the Secretary determines that*  
24 *such action is necessary to protect the Fed-*  
25 *eral fiscal interest;*

1           “(v) the Secretary determines that such  
2           action is necessary to ensure the continued  
3           availability of loans to student or parent  
4           borrowers; or

5           “(vi) the Secretary determines that  
6           such action is necessary to ensure an or-  
7           derly transition from the loan programs  
8           under this part to the direct student loan  
9           programs under part D of this title.”;

10          (4) in subparagraph (F)—

11                 (A) in the matter preceding clause (i), by  
12                 striking “Except as provided in subparagraph  
13                 (G), if” and inserting “If”;

14                 (B) by amending clause (v) to read as fol-  
15                 lows:

16                         “(v) provide the guaranty agency with  
17                         additional advance funds in accordance  
18                         with section 422(c)(7), with such restric-  
19                         tions on the use of such funds as is deter-  
20                         mined appropriate by the Secretary, in  
21                         order to—

22                                 “(I) meet the immediate cash  
23                                 needs of the guaranty agency;

24                                 “(II) ensure the uninterrupted  
25                                 payment of claims; or

1                   “(III) ensure that the guaranty  
2                   agency will make loans as the lender-  
3                   of-last-resort, in accordance with sub-  
4                   section (j)(4);”;

5                   (C) in clause (vi)—

6                   (i) by striking “and to avoid” and in-  
7                   serting “, to avoid”;

8                   (ii) by striking the period and insert-  
9                   ing a comma and “and to ensure an orderly  
10                  transition from the loan programs under  
11                  this part to the direct student loan pro-  
12                  grams under part D of this title.”; and

13                  (iii) by redesignating such clause as  
14                  clause (vii); and

15                  (D) by inserting after clause (v) the follow-  
16                  ing new clause:

17                  “(vi) use all funds and assets of the  
18                  guaranty agency to assist in the activities  
19                  undertaken in accordance with this sub-  
20                  paragraph and take appropriate action to  
21                  require the return, to the guaranty agency  
22                  or the Secretary, of any funds or assets pro-  
23                  vided by the guaranty agency, under con-  
24                  tract or otherwise, to any person or organi-  
25                  zation; or”;

1           (5) by striking subparagraph (G);

2           (6) by redesignating subparagraphs (H), (I), and  
3           (J) as subparagraphs (I), (J), and (K), respectively;

4           (7) by inserting after subparagraph (F) the fol-  
5           lowing new subparagraphs:

6                   “(G) Notwithstanding any other provision  
7                   of law, if the Secretary has terminated or is seek-  
8                   ing to terminate a guaranty agency’s agreement  
9                   under subparagraph (E), or has assumed a guar-  
10                  anty agency’s functions under subparagraph  
11                  (F)—

12                           “(i) such guaranty agency may not file  
13                           for bankruptcy;

14                           “(ii) no State court may issue any  
15                           order affecting the Secretary’s actions with  
16                           respect to such guaranty agency;

17                           “(iii) any contract with respect to the  
18                           administration of a guaranty agency’s re-  
19                           serve funds, or the administration of any  
20                           assets purchased or acquired with the re-  
21                           serve funds of the guaranty agency, that is  
22                           entered into or extended by the guaranty  
23                           agency, or any other party on behalf of or  
24                           with the concurrence of the guaranty agen-  
25                           cy, after the date of enactment of this sub-

1           *paragraph shall provide that the contract is*  
2           *terminable by the Secretary upon 30 days*  
3           *notice to the contracting parties if the Sec-*  
4           *retary determines that such contract in-*  
5           *cludes an impermissible transfer of the re-*  
6           *serve funds or assets, or is otherwise incon-*  
7           *sistent with the terms or purposes of this*  
8           *section; and*

9           *“(iv) no provision of State law shall*  
10          *apply to the actions of the Secretary in ter-*  
11          *minating the operations of a guaranty*  
12          *agency;*

13          *“(H) Notwithstanding any other provision*  
14          *of law, the Secretary’s liability for any outstand-*  
15          *ing liabilities of a guaranty agency (other than*  
16          *outstanding student loan guarantees under this*  
17          *part), the functions of which the Secretary has*  
18          *assumed, shall not exceed the fair market value*  
19          *of the reserves of the guaranty agency, minus*  
20          *any necessary liquidation or other administra-*  
21          *tive costs.”; and*

22          *(8) in subparagraph (K) (as redesignated by*  
23          *paragraph (5)), by striking all beginning with “sys-*  
24          *tem, together” through the period and inserting “sys-*  
25          *tem and the progress of the transition from the loan*

1        *programs under this part to the direct student loan*  
2        *programs under part D of this title.”.*

3        **SEC. 12046. CONSOLIDATION LOANS.**

4        (a) *AMENDMENT.—Section 428C of the Act (20 U.S.C.*  
5        *1078–3) is amended—*

6                (1) *in subsection (a)(3)(A), by striking all begin-*  
7                *ning with “(A)” through the period at the end of*  
8                *clause (ii) and inserting “(A) For the purpose of this*  
9                *section, the term ‘eligible borrower’ means a borrower*  
10               *who, at the time of application for a consolidation*  
11               *loan is in repayment status, or in a grace period pre-*  
12               *ceding repayment, or is a delinquent or defaulted bor-*  
13               *rower who will reenter repayment through loan con-*  
14               *solidation.”;*

15               (2) *in subsection (b)—*

16                        (A) *in paragraph (1)—*

17                                (i) *in subparagraph (A)(ii), by insert-*  
18                                *ing “with income-sensitive repayment*  
19                                *terms” after “obtain a consolidation loan”;*

20                                (ii) *by redesignating subparagraph (E)*  
21                                *as subparagraph (F); and*

22                                (iii) *by inserting after subparagraph*  
23                                *(D) the following new subparagraph:*

24                                *“(E) that the lender shall offer an income-*  
25                                *sensitive repayment schedule, established by the*



1 lender in accordance with the regulations pro-  
2 mulgated by the Secretary, to the borrower of  
3 any consolidation loan made by the lender on or  
4 after July 1, 1994; and”;

5 (B) in paragraph (4), by amending sub-  
6 paragraph (C) to read as follows:

7 “(C)(i) provides that periodic installments  
8 of principal need not be paid, but interest shall  
9 accrue and be paid in accordance with clause  
10 (ii), during any period for which the borrower  
11 would be eligible for a deferral under section  
12 428(b)(1)(M), and that any such period shall not  
13 be included in determining the repayment sched-  
14 ule pursuant to subsection (c)(2) of this section;  
15 and

16 “(ii) provides that interest shall accrue and  
17 be paid—

18 “(I) by the Secretary, in the case of a  
19 consolidation loan that consolidated only  
20 Federal Stafford Loans for which the stu-  
21 dent borrower received an interest subsidy  
22 under section 428: or

23 “(II) by the borrower, or capitalized,  
24 in the case of a consolidation loan other

1           *than a loan described in subclause (I);”;*

2           *and*

3           *(C) by adding at the end the following new*  
4           *paragraph:*

5           “(5) *DIRECT LOANS.—In the event that a bor-*  
6           *rower is unable to obtain a consolidation loan from*  
7           *a lender with an agreement under subsection (a)(1),*  
8           *the Secretary shall offer any such borrower who ap-*  
9           *plies for it, a direct consolidation loan to be repaid*  
10          *pursuant to income contingent repayment under part*  
11          *D of this title or pursuant to any other repayment*  
12          *provision under this section, except that the Secretary*  
13          *shall not offer such loans if, in the Secretary’s judg-*  
14          *ment, the Department of Education does not have the*  
15          *necessary origination and servicing arrangements in*  
16          *place for such loans.”; and*

17          *(3) in subsection (c)—*

18                 *(A) in paragraph (2)—*

19                         *(i) in subparagraph (A)—*

20                                 *(I) in the matter preceding clause*  
21                                 *(i), by striking “income sensitive re-*  
22                                 *payment schedules. Such repayment*  
23                                 *terms” and inserting “income sensitive*  
24                                 *repayment schedules, established by the*  
25                                 *lender in accordance with the regula-*

1            *tions of the Secretary. Except as re-*  
2            *quired by such income sensitive repay-*  
3            *ment schedules, or by the terms of re-*  
4            *payment pursuant to income contin-*  
5            *gent repayment offered by the Sec-*  
6            *retary under subsection (b)(5), such re-*  
7            *payment terms”;*

8            *(II) by redesignating clauses (i),*  
9            *(ii), (iii), (iv), and (v) as clauses (ii),*  
10           *(iii), (iv), (v), and (vi), respectively;*  
11           *and*

12           *(III) by inserting before clause*  
13           *(ii) (as redesignated by subclause (II))*  
14           *the following new clause:*

15           *“(i) is less than \$7,500, then such con-*  
16           *solidation loan shall be repaid in not more*  
17           *than 10 years;”;*

18           *(ii) by striking subparagraph (B); and*

19           *(iii) by redesignating subparagraph*  
20           *(C) as subparagraph (B); and*

21           *(B) in paragraph (3)(A), by inserting “ex-*  
22           *cept as required by the terms of repayment pur-*  
23           *suant to income contingent repayment offered by*  
24           *the Secretary under subsection (b)(5),” before*  
25           *“the lender”.*

1           (b) *EFFECTIVE DATE.*—The amendments made by this  
2 section shall be effective for loans made on or after July  
3 1, 1994.

4 **SEC. 12047. AUTHORITY TO USE OPTICALLY IMAGED DOCU-**  
5 **MENTS.**

6           (a) *GENERAL AUTHORITY.*—Section 484A of the Act  
7 (20 U.S.C. 1091a) is amended—

8                 (1) in the section heading, by inserting “; **OPTI-**  
9 **CALLY IMAGED DOCUMENTS**” after “**LIMITA-**  
10 **TIONS**”; and

11                 (2) by adding at the end the following new sub-  
12 section:

13           “(c) *OPTICALLY IMAGED DOCUMENTS.*—

14                 “(1) *PURPOSE.*—It is the purpose of this sub-  
15 section to—

16                         “(A) allow the Secretary to use optical im-  
17 aging technology to store and retrieve documents  
18 and records, including promissory notes and re-  
19 payment agreements, required for the adminis-  
20 tration of the programs authorized under part D  
21 of this title, or for the administration of loans  
22 made under part B of this title that have been  
23 assigned to the Secretary;

24                         “(B) permit the Secretary to destroy origi-  
25 nals of such documents and records, including

1           *promissory notes and repayment agreements,*  
2           *after such documents and records have been opti-*  
3           *cally imaged, thereby achieving significant sav-*  
4           *ings in storage and retrieval costs; and*

5           “(C) *ensure that the Secretary may intro-*  
6           *duce as evidence in any proceeding with respect*  
7           *to the programs or loans described in subpara-*  
8           *graph (A) optically imaged documents and*  
9           *records, including promissory notes and repay-*  
10          *ment agreements.*

11          “(2) *EVIDENCE.*—*Notwithstanding any other*  
12          *provision of law, an optically imaged copy of any*  
13          *document or record, including a promissory note or*  
14          *repayment agreement, may be introduced as evidence*  
15          *in any proceeding with respect to the programs or*  
16          *loans described in paragraph (1)(A) in any Federal*  
17          *or State court, or other tribunal, and such optically*  
18          *imaged copy shall be admissible in any court or tri-*  
19          *bunal of the United States or any State as if such*  
20          *copy were the original document or record and have*  
21          *the same force and effect as the original.*

22          “(3) *CONSTRUCTION.*—(A) *Nothing in this sub-*  
23          *section shall be interpreted to preclude the admissibil-*  
24          *ity of a duplicate of a document or record required*  
25          *for the administration of the programs or loans de-*

1 *scribed in paragraph (1)(A) made by a technology*  
2 *other than optical imaging consistent with the Fed-*  
3 *eral Rules of Evidence and section 1732 of title 28,*  
4 *United States Code, or applicable State law.*

5 *“(B) Nothing in this subsection shall be inter-*  
6 *preted to preclude the admissibility of an optically*  
7 *imaged copy of any document or record in a proceed-*  
8 *ing outside the scope of this subsection consistent with*  
9 *the Federal Rules of Evidence and section 1732 of*  
10 *title 28 of the United States Code, or applicable State*  
11 *law.”.*

12 *(b) OPTICALLY IMAGED DOCUMENTS.—Section 432 of*  
13 *the Act (20 U.S.C. 1082) is amended by adding at the end*  
14 *the following new subsection:*

15 *“(q) OPTICALLY IMAGED DOCUMENTS.—Records*  
16 *maintained in accordance with section 484A(c) may be*  
17 *used in any proceeding, as permitted by section 484A(c),*  
18 *with respect to a loan that was made under this part and*  
19 *has been assigned to the Secretary.”.*

20 *(c) CONFORMING AMENDMENT.—Section 487 of the Act*  
21 *(20 U.S.C. 1094) is amended by adding at the end the fol-*  
22 *lowing new subsection:*

23 *“(f) USE OF OPTICALLY IMAGED DOCUMENTS.—In*  
24 *any proceeding with respect to a program or activity under*  
25 *part D of this title, or with respect to a loan made under*

1 *part B of this title that has been assigned to the Secretary,*  
2 *records maintained in accordance with section 484A may*  
3 *be used as provided in that section.”.*

4 **SEC. 12048. CONSOLIDATION OF PROGRAMS.**

5 *(a) IN GENERAL.—Section 428H of the Act (20 U.S.C.*  
6 *1078–9) is amended—*

7 *(1) in the matter preceding paragraph (1) of*  
8 *subsection (b), by inserting “(including graduate and*  
9 *professional students as defined in regulations pro-*  
10 *mulgated by the Secretary)” after “484”;*

11 *(2) in subsection (d), by inserting “, except*  
12 *that—*

13 *“(1) the maximum annual amount of loans*  
14 *under this section an independent student (or a stu-*  
15 *dent whose parents are unable to borrow under the*  
16 *Federal Direct PLUS Loan Program) may borrow in*  
17 *any academic year or its equivalent or in any period*  
18 *of 7 consecutive months, whichever is longer, shall be*  
19 *as follows:*

20 *“(A) In the case of such a student attending*  
21 *an eligible institution who has not completed*  
22 *such student’s first 2 years of undergraduate*  
23 *study, the amount determined in accordance*  
24 *with section 428(b)(1), plus—*

1           “(i) \$4,000, if such student is enrolled  
2           in a program whose length is at least one  
3           academic year in length (as determined  
4           under section 481);

5           “(ii) \$2,500, if such student is enrolled  
6           in a program whose length is less than one  
7           academic year, but at least  $\frac{2}{3}$  of such an  
8           academic year; and

9           “(iii) \$1,500, if such student is en-  
10          rolled in a program whose length is less  
11          than  $\frac{2}{3}$ , but at least  $\frac{1}{3}$ , of such an aca-  
12          demic year.

13          “(B) In the case of such a student attending  
14          an eligible institution who has completed the  
15          first 2 years of undergraduate study but who has  
16          not completed the remainder of a program of un-  
17          dergraduate study, the amount determined in ac-  
18          cordance with section 428(b)(1), plus—

19                 “(i) \$5,000, if such student is enrolled  
20                 in a program whose length is at least one  
21                 academic year in length (as determined  
22                 under section 481);

23                 “(ii) \$3,325, if such student is enrolled  
24                 in a program whose length is less than one



1            *academic year, but at least  $\frac{2}{3}$  of such an*  
2            *academic year; and*

3            *“(iii) \$1,675, if such student is en-*  
4            *rolled in a program whose length is less*  
5            *than  $\frac{2}{3}$ , but at least  $\frac{1}{3}$ , of such an aca-*  
6            *demic year.*

7            *“(C) In the case of such a student who is*  
8            *a graduate or professional student attending an*  
9            *eligible institution, the amount determined in*  
10           *accordance with section 428(b)(1), plus \$10,000;*  
11           *and*

12           *“(2) the maximum aggregate amount of such*  
13           *loans such student may borrow shall be adjusted to*  
14           *reflect the increased annual limits described in para-*  
15           *graph (1)” before the period;*

16           *(3) in subsection (e), by adding at the end the*  
17           *following new paragraphs:*

18           *“(5) AMORTIZATION.—The amount of the peri-*  
19           *odic payment and the repayment schedule for any*  
20           *loan made pursuant to this section shall be estab-*  
21           *lished by assuming an interest rate equal to the ap-*  
22           *plicable rate of interest at the time the repayment of*  
23           *the principal amount of the loan commences. At the*  
24           *option of the lender, the note or other written evidence*  
25           *of the loan may require that—*

1           “(A) the amount of the periodic payment  
2           will be adjusted annually; or

3           “(B) the period of repayment of principal  
4           will be lengthened or shortened,  
5           in order to reflect adjustments in interest rates occur-  
6           ring as a consequence of section 427A(c)(4).

7           “(6) REPAYMENT PERIOD.—For purposes of cal-  
8           culating the 10-year repayment period under section  
9           428(b)(1)(D), such period shall commence at the time  
10          the first payment of principal is due from the bor-  
11          rower.”; and

12          (4) by adding at the end the following new sub-  
13          section:

14          “(h) REFINANCING.—

15                 “(1) REFINANCING TO SECURE COMBINED PAY-  
16                 MENT.—An eligible lender may at any time consoli-  
17                 date loans held by such lender which are made under  
18                 this section to a borrower, including loans which were  
19                 made under sections 428A and 428B as such sections  
20                 were in effect prior to the date of enactment of the  
21                 Higher Education Amendments of 1986, under a sin-  
22                 gle repayment schedule which provides for a single  
23                 principal payment and a single payment of interest,  
24                 and shall calculate the repayment period for each in-  
25                 cluded loan from the date of the commencement of re-

1     *payment of the most recent included loan. Unless the*  
2     *consolidated loan is obtained by a borrower who is*  
3     *electing to obtain variable interest under paragraph*  
4     *(2) or (3), such consolidated loan shall bear interest*  
5     *at the weighted average of the rates of all included*  
6     *loans rounded to the nearest whole percent. The exten-*  
7     *sion of any repayment period of an included loan*  
8     *pursuant to this paragraph shall be reported (if re-*  
9     *quired by such loan) to the Secretary or guaranty*  
10    *agency insuring the loan, as the case may be, but no*  
11    *additional insurance premiums shall be payable with*  
12    *respect to any such extension. The extension of the re-*  
13    *payment period of any included loan shall not re-*  
14    *quire the formal extension of the promissory note evi-*  
15    *dencing the included loan or the execution of a new*  
16    *promissory note, but shall be treated as an adminis-*  
17    *trative forbearance of the repayment terms of the in-*  
18    *cluded loan.*

19           “(2) *REFINANCING TO SECURE VARIABLE INTER-*  
20    *EST RATE.*—*An eligible lender may reissue a loan*  
21    *which was made under this section before July 1,*  
22    *1987, or under sections 428A and 428B as such sec-*  
23    *tions were in effect prior to the date of enactment of*  
24    *the Higher Education Amendments of 1986 in order*  
25    *to permit the borrower to obtain the interest rate pro-*

1        *vided under section 427A(c)(4). A lender offering to*  
2        *reissue a loan or loans for such purpose may charge*  
3        *a borrower an amount not to exceed \$100 to cover the*  
4        *administrative costs of reissuing such loan or loans,*  
5        *not more than one-half of which shall be paid to the*  
6        *guarantor of the loan being reissued to recover costs*  
7        *of reissuance. Reissuance of a loan under this para-*  
8        *graph shall not affect any insurance applicable with*  
9        *respect to the loan, and no additional insurance fee*  
10       *may be charged to the borrower with respect to the*  
11       *loan.*

12            *“(3) REFINANCING BY DISCHARGE OF PREVIOUS*  
13        *LOAN.—A borrower who has applied to an original*  
14        *lender for reissuance of a loan under paragraph (2)*  
15        *and who is denied such reissuance may obtain a loan*  
16        *from another lender for the purpose of discharging the*  
17        *loan from such original lender. A loan made for such*  
18        *purpose—*

19            *“(A) shall bear interest at the applicable*  
20        *rate of interest provided under section*  
21        *427A(c)(4);*

22            *“(B) shall not result in the extension of the*  
23        *duration of the note (other than as permitted*  
24        *under subsection (e)(5)(B));*

1           “(C) may be subject to an additional insur-  
2           ance fee but shall not be subject to the adminis-  
3           trative cost charge permitted by paragraph (2) of  
4           this subsection; and

5           “(D) shall be applied to discharge the bor-  
6           rower from any remaining obligation to the  
7           original lender with respect to the original loan.

8           “(4) CERTIFICATION IN LIEU OF PROMISSORY  
9           NOTE PRESENTATION.—Each new lender may accept  
10          certification from the original lender of the borrower’s  
11          original loan in lieu of presentation of the original  
12          promissory note.

13          “(5) NOTIFICATION TO BORROWERS OF AVAIL-  
14          ABILITY OF REFINANCING OPTIONS.—Each holder of a  
15          loan made under this section or under section 428B  
16          as in effect prior to the date of enactment of this Act  
17          shall, not later than October 1, 1993, in the case of  
18          loans made before the date of enactment of this para-  
19          graph, notify the borrower of such loan—

20                 “(A) of the refinancing options for which  
21                 the borrower is eligible under this subsection;

22                 “(B) of those options which will be made  
23                 available by the holder and of the practical con-  
24                 sequences of such options in terms of interest

1           *rates and monthly and total payments for a set*  
2           *of loan examples; and*

3           “(C) that, with respect to any option that  
4           the holder will not make available, the holder  
5           will, to the extent practicable, refer the borrower  
6           to an eligible lender offering such option.”.

7           (b) *REPEAL.*—

8           (1) *REPEALER.*—Section 428A of the Act is re-  
9           pealed.

10          (2) *EFFECTIVE DATE.*—The amendment made by  
11          paragraph (1) shall be effective on July 1, 1994.

12          (c) *TERMS, CONDITIONS AND BENEFITS.*—Notwith-  
13          standing the amendments made by this section, with respect  
14          to loans provided under sections 428A and 428H of the  
15          Higher Education Act of 1965 (as such sections existed on  
16          the date preceding the date of enactment of this Act) the  
17          terms, conditions and benefits applicable to such loans  
18          under such sections shall continue to apply to such loans  
19          after the date of enactment of this Act.

20        **SEC. 12049. ORIGINATION FEE; INSURANCE PREMIUM.**

21           Section 428H of the Act (20 U.S.C. 1078–8) is amend-  
22        ed—

23           (1) in subsection (f)—

1           (A) in the subsection heading, by striking  
2           “INSURANCE PREMIUM” and inserting “ORIGI-  
3           NATION FEE”;

4           (B) in the heading of paragraph (1), by  
5           striking “/INSURANCE PREMIUM”;

6           (C) in paragraph (1)—

7                 (i) by striking “a combined origination  
8                 fee and insurance premium in the amount  
9                 of 6.5 percent” and inserting “an origina-  
10                tion fee in the amount of 3.0 percent”; and

11               (ii) by striking the second sentence;

12           (D) in paragraph (2), by striking “com-  
13           bined fee and premium” and inserting “origina-  
14           tion fee”;

15           (E) in paragraph (3), by striking “com-  
16           bined origination fee and insurance premium”  
17           and inserting “origination fee”;

18           (F) in paragraph (4)—

19                 (i) in the heading, by striking “INSUR-  
20                 ANCE PREMIUM” and inserting “ORIGINA-  
21                 TION FEE”;

22               (ii) by striking “combined origination  
23                fee and insurance premiums” and inserting  
24                “origination fees”; and

1                   (iii) by striking “and premiums to  
2                   pay” and inserting “to pay”; and

3                   (G) in paragraph (5)—

4                   (i) in the heading, by inserting “ORIGI-  
5                   NATION FEE AND” before “INSURANCE”; and

6                   (ii) in the second sentence—

7                   (I) by striking “6.5 percent insur-  
8                   ance premium” and inserting “com-  
9                   bined origination fee under this sub-  
10                  section and the insurance premium  
11                  under subsection (h)”; and

12                  (II) by inserting “origination fee  
13                  and” before “insurance”; and

14                  (2) by adding at the end the following new sub-  
15                  section:

16                  “(h) *INSURANCE PREMIUM.*—Each State or nonprofit  
17                  private institution or organization having an agreement  
18                  with the Secretary under section 428(b)(1) may charge a  
19                  borrower under this section an insurance premium equal  
20                  to not more than 1 percent of the principal amount of the  
21                  loan, if such premium will not be used for incentive pay-  
22                  ments to lenders.”

23                  **SEC. 12050. DISBURSEMENTS FOR FIRST YEAR STUDENTS.**

24                  Section 428(G) of the Act (20 U.S.C. 1078–7) is  
25                  amended—



- 1           (1) in the heading for subsection (b), by striking  
2           “AND ENDORSEMENT”; and  
3           (2) in subsection (b)—  
4                 (A) by striking paragraph (1);  
5                 (B) in paragraph (2)—  
6                         (i) by striking “other than a student  
7                         described in paragraph (1)”; and  
8                         (ii) by striking “(2) OTHER STU-  
9                         DENTS.—”.

## 10       **Subchapter B—Amendments to Other Laws**

### 11       **SEC. 12055. DISCLOSURE OF TAX RETURN INFORMATION.**

12           (a) RETURNS AND RETURN INFORMATION.—Section  
13       6103(a)(3) of the Internal Revenue Code of 1986 (hereafter  
14       referred to in this part as “the Code”) is amended by strik-  
15       ing “(l)(12)” and inserting “(l)(10), (12), or (13)”.

16           (b) INCOME CONTINGENT REPAYMENT OF STUDENT  
17       LOANS.—Section 6103(l) of the Code is amended—

18                 (1) in paragraph (10)(B), by striking “officers  
19                 and employees of an agency receiving return informa-  
20                 tion under subparagraph (A) shall use such informa-  
21                 tion” and inserting “return information disclosed  
22                 under subparagraph (A) may be used by officers and  
23                 employees of an agency, and by officers, employees,  
24                 and agents of the Department of Education,”; and

1           (2) at the end, by adding a new paragraph to  
2 read as follows:

3           “(13) DISCLOSURE OF RETURN INFORMATION TO  
4 CARRY OUT INCOME CONTINGENT REPAYMENT OF STU-  
5 DENT LOANS.—

6           “(A) IN GENERAL.—The Secretary may,  
7 upon written request from the Secretary of Edu-  
8 cation, disclose to officers and employees of the  
9 Department of Education return information  
10 with respect to a taxpayer who has received a  
11 Federal loan under a student loan program and  
12 whose loan repayment amounts are based in  
13 whole or in part on the taxpayer’s income. Such  
14 return information shall be limited to—

15           “(i) taxpayer identity information  
16 with respect to such taxpayer;

17           “(ii) the filing status of such taxpayer;  
18 and

19           “(iii) the adjusted gross income of such  
20 taxpayer (as defined in section 62).

21           “(B) RESTRICTION ON USE OF DISCLOSED  
22 INFORMATION.—Return information disclosed  
23 under subparagraph (A) may be used by officers,  
24 employees, and agents of the Department of Edu-  
25 cation only for the purposes of, and to the extent

1           *necessary in, establishing an appropriate income*  
2           *contingent repayment level under a student loan*  
3           *program.*

4           “(C) *DEFINITIONS.*—*For purposes of this*  
5           *paragraph, the term ‘student loan program’*  
6           *means the program authorized under part D of*  
7           *title IV of the Higher Education Act of 1965 and*  
8           *includes loans under parts B and E of title IV*  
9           *the Higher Education Act of 1965 that are in de-*  
10           *fault and have been assigned to the Department*  
11           *of Education.”.*

12           (c) *DISCLOSURE OF TAXPAYER IDENTITY INFORMA-*  
13           *TION.*—*Section 6103(m)(4) of the Code is amended—*

14           (1) *in the heading, by inserting “**OWE AN***  
15           ***OVERPAYMENT ON FEDERAL PELL GRANTS OR**”*  
16           *immediately after “**INDIVIDUALS WHO**”;*

17           (2) *in subparagraph (A)—*

18           (A) *by redesignating clauses (i) and (ii) as*  
19           *subclauses (I) and (II); and*

20           (B) *by striking “of any taxpayer who has*  
21           *defaulted on a loan—” and inserting “of any*  
22           *taxpayer—*

23           *“(i) who owes an overpayment of a*  
24           *grant awarded to that taxpayer under sub-*

1           *part 1 of part A of title IV of the Higher*  
2           *Education Act of 1965, or*

3           *“(ii) who has defaulted on a loan—”;*

4           *(3) in subparagraph (B)—*

5           *(A) in clause (i), by striking “under part*  
6           *B” and inserting “under part B or D”; and*

7           *(B) in clause (ii), by striking “under part*  
8           *E” and inserting “under subpart 1 of part A,*  
9           *part D, or part E”;*

10          *(d) PROCEDURE AND RECORDKEEPING.—Section*  
11          *6103(p) of the Code is amended—*

12           *(1) in paragraph (3)(A), by striking “(11), or*  
13           *(12), (m)” and inserting “(11), (12), or (13), (m)”;*

14           *(2) in paragraph (4)—*

15           *(A) in the matter preceding subparagraph*  
16           *(A), by striking “(10), or (11),” and inserting*  
17           *“(10), (11), or (13),”;*

18           *(B) in subparagraph (F)(ii), by striking*  
19           *“(11), or (12),” and inserting “(11), (12), or*  
20           *(13),”;* and

21           *(C) in the flush left material after subpara-*  
22           *graph (F), by striking “under subsection*  
23           *(l)(12)(B)” and inserting “under paragraph*  
24           *(10), (12)(B), or (13) of subsection (l)”.*

1           (e) *COLLECTION OF PAYMENTS.*—(1) *Subchapter A of*  
2 *chapter 64 of the Code is amended by adding at the end*  
3 *the following new section:*

4           ***“SEC. 6306. COLLECTION OF PAYMENTS ON FEDERAL DI-***  
5   ***RECT STUDENT LOANS.***

6           *“Upon a determination by the President under section*  
7 *457(b) of the Higher Education Act of 1965 concerning the*  
8 *implementation of a plan for the repayment of Federal Di-*  
9 *rect Stafford Loans through wage withholding or other*  
10 *means by the Internal Revenue Service, the Secretary of the*  
11 *Treasury may enter into an agreement with the Secretary*  
12 *of Education to provide for the collection of payments on*  
13 *loans made pursuant to part D of title IV of such Act. The*  
14 *Secretary of the Treasury may assess and collect such pay-*  
15 *ments as though they were additional income taxes due, and*  
16 *shall establish such procedures and conventions as are nec-*  
17 *essary under such agreement, including—*

18                           *“(1) procedures for the resolution of disputes*  
19                           *through the Secretary of Education;*

20                           *“(2) an alternate system of fees and penalties,*  
21 *which system shall not include the seizure of real*  
22 *property by the Internal Revenue Service, for the*  
23 *nonpayment of amounts due; and*

24                           *“(3) provisions related to withholding, payment*  
25 *of estimated tax and allocation of payments.”.*

1       (2) *The table of sections for subchapter A of chapter*  
2 *64 of the Code is amended by adding at the end the follow-*  
3 *ing new item:*

*“Sec. 6306. Collection of payments on Federal direct Stafford loans.”.*

4       (f) *UNAUTHORIZED DISCLOSURE.—Section 7213(a)(2)*  
5 *of the Code is amended by striking “(10) or (12)” and in-*  
6 *serting “(10), (12), or (13),”.*

7       (g) *EFFECTIVE DATE.—The amendments made by this*  
8 *section shall be effective during the period beginning on the*  
9 *date of enactment of this Act and ending on December 30,*  
10 *1998.*

## 11       **CHAPTER 4—COST SHARING BY STATES**

### 12       **SEC. 12061. COST SHARING BY STATES.**

13       (a) *AMENDMENT.—Section 428 of the Higher Edu-*  
14 *cation Act of 1965 (20 U.S.C. 1078) is amended by adding*  
15 *at the end the following new subsection:*

16       “(n) *STATE SHARE OF DEFAULT COSTS.—*

17               “(1) *IN GENERAL.—In the case of any State in*  
18 *which there are located any institutions of higher edu-*  
19 *cation with cohort default rates that exceed 20 per-*  
20 *cent, such State shall pay to the Secretary an amount*  
21 *equal to—*

22                       “(A) *the new loan volume attributable to all*  
23 *institutions in the State for the current fiscal*  
24 *year; multiplied by*

1           “(B) the percentage specified in paragraph  
2           (2); multiplied by

3           “(C) the quotient of—

4                   “(i) the sum of the amounts calculated  
5                   under paragraph (3) for each such institu-  
6                   tion in the State; divided by

7                           “(ii) the total amount of loan volume  
8                           attributable to current and former students  
9                           of institutions located in that State entering  
10                           repayment in the period used to calculate  
11                           the cohort default rate.

12           “(2) PERCENTAGE.—For purposes of paragraph  
13           (1)(B), the percentage used shall be—

14                   “(A) 12.5 percent for fiscal year 1995;

15                   “(B) 20 percent for fiscal year 1996; and

16                   “(C) 50 percent for fiscal year 1997 and  
17                   succeeding fiscal years.

18           “(3) CALCULATION.—For purposes of paragraph  
19           (1)(C)(i), the amount shall be determined by calculat-  
20           ing for each institution the amount by which—

21                   “(A) the amount of the loans received for at-  
22                   tendance by such institution’s current and  
23                   former students who (i) enter repayment during  
24                   the fiscal year used for the calculation of the co-

1           hort default rate, and (ii) default before the end  
2           of the following fiscal year; exceeds

3                   “(B) 20 percent of the loans received for at-  
4           tendance by all the current and former students  
5           who enter repayment during the fiscal year used  
6           for the calculation of the cohort default rate.

7                   “(4) FEE.—A State shall charge a fee to an in-  
8           stitution of higher education that participates in the  
9           program under this part and is located in that State  
10          according to a fee structure, approved by the Sec-  
11          retary, that is based on the institution’s cohort default  
12          rate and the State’s risk of loss under this subsection.  
13          Such fee structure shall include a process by which an  
14          institution with a high cohort default rate is exempt  
15          from any fees under this paragraph if such institu-  
16          tion demonstrates to the satisfaction of the State that  
17          exceptional mitigating circumstances, as determined  
18          by the State and approved by the Secretary, contrib-  
19          uted to its cohort default rate.”.

20          (b) EFFECTIVE DATE.—The amendment made by this  
21          section shall be effective on October 1, 1994.



1     **CHAPTER 5—GENERAL EFFECTIVE DATE**

2     **SEC. 12071. GENERAL EFFECTIVE DATE.**

3         *Except as otherwise provided in this subtitle, this sub-*  
4 *title and the amendments made by this subtitle shall be ef-*  
5 *fective on October 1, 1993.*

6     **Subtitle B—Public Health Service**  
7             **Act Provisions**

8     **SEC. 12101. HEALTH COVERAGE CLEARINGHOUSE.**

9         *(a) IN GENERAL.—The Public Health Service Act is*  
10 *amended—*

11             *(1) by redesignating title XXVII (42 U.S.C.*  
12 *300cc et seq.) as title XXVIII; and*

13             *(2) by inserting after title XXVI the following*  
14 *new title:*

15             **“TITLE XXVII—HEALTH**  
16 **COVERAGE CLEARINGHOUSE**

17 **“SEC. 2701. ESTABLISHMENT OF CLEARINGHOUSE.**

18         *“(a) IN GENERAL.—The Secretary shall establish and*  
19 *operate a Health Coverage Clearinghouse (in this title re-*  
20 *ferred to as the ‘Clearinghouse’) for the purpose of identify-*  
21 *ing, for beneficiaries under a covered health program (as*  
22 *defined in subsection (c)), third parties (which may include*  
23 *a covered health program) which may be liable for payment*  
24 *for health care items and services furnished to such bene-*  
25 *ficiaries under such program.*

1       “(b) *DIRECTOR*.—*The Clearinghouse shall be headed*  
2 *by a Director (in this title referred to as the ‘Director’) ap-*  
3 *pointed by the Secretary.*

4       “(c) *COVERED HEALTH PROGRAM DEFINED*.—*As used*  
5 *in this title, the term ‘covered health program’ means any*  
6 *of the following under which health care items or services*  
7 *are furnished to a beneficiary—*

8               “(1) *a migrant health center receiving assistance*  
9 *under section 329;*

10              “(2) *a community health center receiving assist-*  
11 *ance under section 330;*

12              “(3) *an entity receiving assistance under section*  
13 *340;*

14              “(4) *an alcohol or drug treatment entity or men-*  
15 *tal health entity receiving assistance under title V or*  
16 *title XIX;*

17              “(5) *a family planning project described in sec-*  
18 *tion 1001;*

19              “(6) *an entity receiving assistance under title*  
20 *XXVI;*

21              “(7) *a black lung clinic authorized under this*  
22 *Act;*

23              “(8) *a clinic that treats sexually transmitted dis-*  
24 *eases and is authorized under section 318;*

1           “(9) an entity receiving funds to provide pri-  
2           mary health services to residents of public housing  
3           under section 340A;

4           “(10) a non-Federal entity authorized under the  
5           Indian Self-Determination Act;

6           “(11) a tuberculosis clinic receiving assistance  
7           under section 317(j)(2) or 317(k)(2); or

8           “(12) any other Federally funded program that  
9           provides payments for medical services provided to an  
10          individual which are or may be covered under a pri-  
11          vate health insurance policy.

12          “(d) OTHER DEFINITIONS.—As used in this title:

13           “(1) ADMINISTRATOR.—The term ‘administrator’  
14           means, with respect to a covered health program de-  
15           scribed in paragraphs (1) through (12) of subsection  
16           (c), the individual responsible for the overall adminis-  
17           tration of the program under which an entity de-  
18           scribed in such paragraphs receives Federal funds.

19           “(2) GROUP HEALTH PLAN.—The term ‘group  
20           health plan’ has the same meaning given the term  
21           ‘employee welfare benefit plan’ in section 3(1) of the  
22           Employee Retirement Income Security Act of 1974  
23           (29 U.S.C. 1002(1)).

24           “(3) QUALIFIED EMPLOYER.—The term ‘quali-  
25           fied employer’ has the same meaning given the term

1       *'employer' in section 3(5) of the Employee Retirement*  
2       *Income Security Act of 1974 (29 U.S.C. 1002(1)).*

3       ***“SEC. 2702. PROVISION OF INFORMATION***

4       *“(a) REQUEST FOR INFORMATION.—An administrator*  
5       *of a covered health program may request from the Director*  
6       *information concerning the employment and group health*  
7       *coverage of a program beneficiary, the beneficiary’s spouse,*  
8       *and (if the beneficiary is a dependent child) the bene-*  
9       *ficiary’s parents. The Director shall provide such informa-*  
10      *tion if the request—*

11             *“(1) is in such form and manner and at such a*  
12             *time as the Director may require, and*

13             *“(2) specifies the name and tax identification*  
14             *number of the beneficiary.*

15      *“(b) DATA MATCHING PROGRAM.—*

16             *“(1) REQUEST BY DIRECTOR.—The Director*  
17             *shall, at such intervals as the Director finds appro-*  
18             *priate, transmit to the Secretary of the Treasury the*  
19             *names and tax identification numbers of beneficiaries*  
20             *with respect to whom a request has been made pursu-*  
21             *ant to subsection (a), and request that such Secretary*  
22             *disclose to the Secretary of Health and Human Serv-*  
23             *ices the following information:*

1           “(A) Whether the beneficiary is married  
2 and, if so, the name of the spouse and such  
3 spouse’s tax identification number.

4           “(B) If the beneficiary is a dependent child,  
5 the name of and tax identification numbers of  
6 the beneficiary’s parents.

7           “(2) INFORMATION FROM SECRETARY.—The Sec-  
8 retary shall, upon written request from the Director,  
9 disclose to the Director, the following information:

10           “(A) For each individual who is identified  
11 as having received wages (as defined in section  
12 3401(a) of the Internal Revenue Code of 1986)  
13 from an employer in a previous year—

14           “(i) the name and taxpayer identifica-  
15 tion number of the individual; and

16           “(ii) the name, address, and taxpayer  
17 identification number of the employer, and  
18 whether such employer is a qualified em-  
19 ployer.

20           “(B) For each individual who is identified  
21 as married and whose spouse is identified as  
22 having received wages (as defined in section  
23 3401(a) of the Internal Revenue Code of 1986)  
24 from an employer in a previous year—

1           “(i) the name and taxpayer identifica-  
2           tion number of the individual and of the in-  
3           dividual’s spouse; and

4           “(ii) the name, address, and taxpayer  
5           identification number of the spouse’s em-  
6           ployer, and whether such employer is a  
7           qualified employer.

8           “(C) For each individual who is identified  
9           as a dependent child and whose parent is identi-  
10          fied as having received wages (as defined in sec-  
11          tion 3401(a) of the Internal Revenue Code of  
12          1986) from an employer in a previous year—

13           “(i) the name and taxpayer identifica-  
14           tion number of the individual and of the in-  
15           dividual’s parent; and

16           “(ii) the name, address, and taxpayer  
17           identification number of the parent’s em-  
18           ployer, and whether such employer is a  
19           qualified employer.

20          “(3) INFORMATION FROM EMPLOYERS.—The Di-  
21          rector shall—

22           “(A) request, from the employer of each in-  
23           dividual (including each spouse) with respect to  
24           whom information was received from the Sec-  
25           retary pursuant to paragraph (2), information

1           concerning coverage of such individual (and of  
2           the individual's spouse and dependent children)  
3           under the employer's group health plan, specifi-  
4           cally the period and nature of the coverage, and  
5           the name, address, and identifying number of the  
6           plan, and

7           “(B) furnish the information received in re-  
8           sponse to such request with respect to an individ-  
9           ual (or such individual's spouse or dependent  
10          children) to the administrator requesting such  
11          information pursuant to subsection (a).

12          Under no circumstances shall the information re-  
13          quested pertain in any way to the health status of the  
14          individual, spouse or dependent children, to the cost  
15          of such coverage, or to the beneficiary-specific limita-  
16          tions on such coverage.

17       **“SEC. 2703. REQUIREMENT THAT EMPLOYERS FURNISH IN-**  
18                               **FORMATION.**

19           “(a) *IN GENERAL.*—An employer shall furnish to the  
20          Director the information requested pursuant to section  
21          2702(b)(3) within 90 days after receipt of such a request.

22           “(b) *CIVIL MONEY PENALTY FOR FAILURE TO CO-*  
23          *OPERATE.*—

24           “(1) *IN GENERAL.*—An employer (other than a  
25          Federal or other governmental entity) who willfully or

1 *repeatedly fails to provide timely and accurate re-*  
2 *sponse to a request for information pursuant to sec-*  
3 *tion 2702(b)(3) shall be subject, in addition to any*  
4 *other penalties that may be prescribed by law, to a*  
5 *civil money penalty of not to exceed \$500 for each in-*  
6 *dividual with respect to whom such a request is made.*

7 *“(2) ENFORCEMENT AUTHORITY.—In cases of*  
8 *failure to respond to the Director in accordance with*  
9 *subsection (a) to inquiries relating to requests pursu-*  
10 *ant to section 2702, the provisions of section*  
11 *353(h)(3), regarding procedures for the imposition of*  
12 *civil money penalties developed by the Secretary, shall*  
13 *apply in the same manner as such provisions apply*  
14 *to penalties or proceedings under section 353.*

15 **“SEC. 2704. DATA BANK.**

16 *“(a) MAINTENANCE OF INFORMATION.—The Clearing-*  
17 *house shall maintain a data bank, containing information*  
18 *on individuals obtained pursuant to this title. Individual*  
19 *information in the data bank shall be retained for not less*  
20 *than one year after the date the information was obtained.*

21 *“(b) DISCLOSURE OF INFORMATION IN DATA BANK.—*

22 *“(1) IN GENERAL.—The Director is authorized*  
23 *(subject to paragraph (2)) to disclose any information*  
24 *in the data bank established pursuant to subsection*



1       (a) *with respect to an individual (or an individual's*  
2       *spouse or parent)—*

3               “(A) *to the Secretary, administrators, em-*  
4               *ployers, and insurers, to the extent necessary to*  
5               *assist such administrators;*

6               “(B) *to Federal and State law enforcement*  
7               *officials responsible for enforcement of civil or*  
8               *criminal laws, in connection with investigations*  
9               *or administrative or judicial law enforcement*  
10              *proceedings relating to a covered health program;*  
11              *and*

12              “(C) *for research or statistical purposes.*

13              “(2) *RESTRICTIONS ON DISCLOSURE.—Informa-*  
14              *tion in the data bank may be disclosed under this*  
15              *subsection only for purposes of, and to the extent nec-*  
16              *essary in, determining the extent to which an individ-*  
17              *ual is covered under any group health plan.*

18              “(c) *USE OF CONTRACTORS.—The responsibilities of*  
19              *the Clearinghouse under this section may be carried out by*  
20              *contract.*

21              “(d) *FEES.—The Clearinghouse shall—*

22                      “(1) *establish fees for services under this section*  
23                      *designed to cover the full costs to the Clearinghouse of*  
24                      *providing such services, and*

1           “(2) require the payment of such fees to provide  
2           such services.”.

3           (b) *CONFORMING AMENDMENTS.*—

4           (1) Sections 2701 through 2714 of the Public  
5           Health Service Act (42 U.S.C. 300cc through 300cc-  
6           15) are redesignated as sections 2801 through 2814,  
7           respectively.

8           (2) Sections 465(f) and 497 of such Act (42  
9           U.S.C. 286(f) and 289(f)) are amended by striking  
10          out “2701” each place that such appears and insert-  
11          ing in lieu thereof “2801”.

12          (c) *ERISA AMENDMENT.*—Section 101 of the Em-  
13          ployee Retirement Income Security Act of 1974 (29 U.S.C.  
14          1021) is amended by adding at the end thereof the following  
15          new subsection:

16          “(g) *COMPLIANCE WITH HEALTH COVERAGE CLEAR-*  
17          *INGHOUSE REQUIREMENTS.*—In addition to providing the  
18          information required under this section, the administrator  
19          of each employee benefit plan shall comply with the require-  
20          ments of section 2703(a) of the Public Health Service Act.  
21          The enforcement provisions of this Act shall apply to an  
22          administrator that fails to comply with this subsection in  
23          the same manner as such provisions otherwise apply to such  
24          administrators under this section.”.

1       (d) *EFFECTIVE DATE.*—The amendments made by  
2 subsections (a), (b), and (c) shall take effect on April 1,  
3 1995.

4 **SEC. 12102. PHYSICIAN OWNERSHIP STUDY.**

5       (a) *STUDY.*—The Secretary of Health and Human  
6 Services shall conduct a study concerning—

7           (1) the desirability of establishing a Federal pro-  
8 hibition on the referral of a patient by a health care  
9 provider to an entity in which the provider has a fi-  
10 nancial interest or from which the provider receives  
11 a financial benefit for such referral; and

12           (2) different options with respect to the scope of  
13 any prohibition recommended under paragraph (1),  
14 including options for the application of rules defining  
15 prohibited activities that are similar to those imple-  
16 mented under title XVIII of the Social Security Act,  
17 and for the methods of enforcing such a prohibition.

18       (b) *LIMITATION.*—The study conducted under sub-  
19 section (a) shall be restricted to determining the desirability  
20 of establishing a prohibition of the type described in such  
21 subsection with respect to patients for whom the health care  
22 services involved are not provided or paid for under a Fed-  
23 eral or State program.

24       (c) *REPORT.*—Not later than 6 months after the date  
25 of enactment of this Act, the Secretary of Health and

1 *Human Services shall prepare and submit to the President*  
2 *and the appropriate committees of Congress a report con-*  
3 *cerning the results of the study conducted under subsection*  
4 *(a).*

5 **SEC. 12103. DELAY IN COST-OF-LIVING ADJUSTMENTS IN**  
6 **FEDERAL EMPLOYEE RETIREMENT BENEFITS**  
7 **DURING FISCAL YEARS 1994, 1995, AND 1996.**

8 *(a) APPLICABILITY.—*

9 *(1) IN GENERAL.—This section shall apply with*  
10 *respect to any cost-of-living increase for any person*  
11 *described under paragraph (2) scheduled to take*  
12 *effect, during fiscal year 1994, 1995, or 1996, under*  
13 *section 8340(b) or 8462(b) of title 5, United States*  
14 *Code.*

15 *(2) ANNUITANTS.—The provisions of paragraph*  
16 *(1) shall apply to any annuitant who on the date pre-*  
17 *ceding the date of retirement was a member of the*  
18 *National Health Service Corps.*

19 *(b) DELAY IN EFFECTIVE DATE OF ADJUSTMENTS.—*  
20 *A cost-of-living increase described in subsection (a) shall*  
21 *not take effect until the first day of the third calendar*  
22 *month after the date such increase would otherwise take ef-*  
23 *fect.*

24 *(c) RULE OF CONSTRUCTION.—Nothing in this section*  
25 *shall be considered to affect any determination relating to*

1 *eligibility for an annuity increase or the amount of the first*  
2 *increase in an annuity under section 8340(b) or (c) or sec-*  
3 *tion 8462 (b) or (c) of title 5, United States Code, or com-*  
4 *parable provisions of law.*

5 **SEC. 12104. PERMANENT ELIMINATION OF THE ALTER-**  
6 **NATIVE-FORM-OF-ANNUITY OPTION EXCEPT**  
7 **FOR INDIVIDUALS WITH A CRITICAL MEDICAL**  
8 **CONDITION.**

9 (a) *CIVIL SERVICE RETIREMENT SYSTEM; FEDERAL*  
10 *EMPLOYEES' RETIREMENT SYSTEM.*—A member of the Na-  
11 *tional Health Service Corps who is covered under chapter*  
12 *83 or 84 of title 5, United States Code, and has a life-threat-*  
13 *ening affliction or other critical medical condition may*  
14 *elect annuity benefits under section 8343a or 8420a of title*  
15 *5, United States Code, as the case may be.*

16 (b) *EFFECTIVE DATE.*—The amendments made by this  
17 *section shall become effective on October 1, 1995, and shall*  
18 *apply with respect to any annuity commencing on or after*  
19 *that date.*

20 **SEC. 12105. FEDERAL TORT CLAIMS AMENDMENTS.**

21 (a) *CLARIFICATION OF COVERAGE OF OFFICERS AND*  
22 *EMPLOYEES OF CLINICS.*—The first sentence of section  
23 *224(g)(1) of the Public Health Service Act (42 U.S.C.*  
24 *233(g)(1)) is amended by striking “officer, employee, or*

1 contractor” and inserting the following: “officer or employee  
2 of such an entity, and any contractor”.

3 (b) *COVERAGE FOR SERVICES FURNISHED TO INDIVID-*  
4 *UALS OTHER THAN PATIENTS OF CLINIC.*—Section 224(g)  
5 of such Act (42 U.S.C. 233(g)(1)), as amended by para-  
6 graph (1), is further amended—

7 (1) in the first sentence of paragraph (1), by in-  
8 serting after “Service” the following: “with respect to  
9 services provided to patients of the entity and (subject  
10 to paragraph (7)) to certain other individuals”; and

11 (2) by adding at the end the following new para-  
12 graph:

13 “(7) For purposes of paragraph (1), an officer, em-  
14 ployee, or contractor described in such paragraph may be  
15 deemed to be an employee of the Public Health Service with  
16 respect to services provided to individuals who are not pa-  
17 tients of an entity described in paragraph (4) only if the  
18 Secretary determines—

19 “(A) that the provision of the services to such in-  
20 dividuals benefits health center patients and general  
21 populations that could be served by the health center  
22 through community-wide intervention efforts within  
23 the communities served by such health center, and fa-  
24 cilitates the provision of services to health center pa-  
25 tients; or

1           “(B) that such services are otherwise required to  
2           be provided to such individuals under an employment  
3           contract (or other similar arrangement) between the  
4           individual and the entity.”.

5           (c) DETERMINING COMPLIANCE OF ENTITY WITH RE-  
6           QUIREMENTS FOR COVERAGE.—

7           (1) IN GENERAL.—Section 224(h) of such Act (42  
8           U.S.C. 233(h)), as added by section 2(b) of the Feder-  
9           ally Supported Health Centers Assistance Act of 1992,  
10          is amended by striking “the entity—” and inserting  
11          the following: “the Secretary, after receiving such as-  
12          surances and conducting such investigation as the  
13          Secretary considers necessary, finds that the entity—  
14          ”.

15          (2) FINDING.—Section 224 of such Act (42  
16          U.S.C. 233) is amended by adding at the end thereof  
17          the following new subsection:

18          “(i) With respect to subsection (h), the finding of the  
19          Secretary that an entity meets all of the requirements under  
20          such subsection shall apply for the period specified by the  
21          Secretary, and shall be binding for all parties unless the  
22          Secretary reverses such finding for good cause shown at a  
23          later date.”.

24          (d) EFFECTIVE DATE.—The amendments made by this  
25          section shall take effect as if included in the enactment of

1 *the Federally Supported Health Centers Assistance Act of*  
2 *1992.*

3 ***Subtitle C—Improved Immuniza-***  
4 ***tion Delivery and Monitoring***

5 ***SEC. 12201. SHORT TITLE, REFERENCES AND PURPOSE.***

6 (a) *SHORT TITLE.*—*This subtitle may be cited as the*  
7 *“Comprehensive Child Immunization Act of 1993”.*

8 (b) *REFERENCES.*—*Except as otherwise expressly pro-*  
9 *vided, whenever in this subtitle an amendment or repeal*  
10 *is expressed in terms of an amendment to, or repeal of, a*  
11 *section or other provision, the reference shall be considered*  
12 *to be made to a section or other provision of the Public*  
13 *Health Service Act (42 U.S.C. 201 et seq.).*

14 (c) *PURPOSE.*—*It is the purpose of this subtitle to en-*  
15 *sure that children in the United States are appropriately*  
16 *immunized against vaccine preventable infectious diseases*  
17 *at the earliest appropriate age.*

18 ***SEC. 12202. MONITORING OF CHILDHOOD IMMUNIZATIONS.***

19 *Title XXI of the Public Health Service Act (42 U.S.C.*  
20 *300aa-1 et seq.) is amended by adding at the end thereof*  
21 *the following new subtitle:*



1 **“Subtitle 3—Improved Immuniza-**  
2 **tion Delivery and Monitoring**  
3 **Systems**

4 **“Part A—List of Vaccines and Administration**

5 **“SEC. 2141. LIST OF PEDIATRIC VACCINES; SCHEDULE FOR**  
6 **ADMINISTRATION.**

7 *“(a) RECOMMENDED PEDIATRIC VACCINES.—*

8 *“(1) IN GENERAL.—The Secretary shall establish*  
9 *a list of the vaccines that the Secretary recommends*  
10 *for administration to all children for the purpose of*  
11 *immunizing the children, subject to such contra-*  
12 *indications for particular medical categories of chil-*  
13 *dren as the Secretary may establish under subsection*  
14 *(b)(1)(D). The Secretary shall periodically review the*  
15 *list, and shall revise the list as appropriate.*

16 *“(2) RULE OF CONSTRUCTION.—*

17 *“(A) The list of vaccines specified in sub-*  
18 *paragraph (B) is deemed to be the list of vac-*  
19 *cines maintained under paragraph (1).*

20 *“(B) The list of vaccines specified in this*  
21 *subparagraph is the list of vaccines that, for pur-*  
22 *poses of paragraph (1), is established (and peri-*  
23 *odically reviewed and as appropriate revised) by*  
24 *the Advisory Committee on Immunization Prac-*  
25 *tices, an advisory committee established by the*

1           Secretary, acting through the Director of the  
2           Centers for Disease Control and Prevention.

3           “(b) *RECOMMENDED SCHEDULE FOR ADMINISTRA-*  
4           *TION.—*

5           “(1) *IN GENERAL.—*Subject to paragraph (2), in  
6           the case of a pediatric vaccine, the Secretary shall es-  
7           tablish (and periodically review and as appropriate  
8           revise) a schedule of nonbinding recommendations for  
9           the following:

10                   “(A) *The number of immunizations with*  
11                   *the vaccine that children should receive.*

12                   “(B) *The ages at which children should re-*  
13                   *ceive the immunizations.*

14                   “(C) *The dose of vaccine that should be ad-*  
15                   *ministered in the immunizations.*

16                   “(D) *Any contraindications regarding ad-*  
17                   *ministration of the vaccine.*

18                   “(E) *Such other guidelines as the Secretary*  
19                   *determines to be appropriate with respect to ad-*  
20                   *ministering the vaccine to children.*

21           “(2) *VARIATIONS IN MEDICAL PRACTICE.—*In es-  
22           tablishing and revising a schedule under paragraph  
23           (1), the Secretary shall ensure that, in the case of the  
24           pediatric vaccine involved, the schedule provides for  
25           the full range of variations in medical judgment re-

1       *garding the administration of the vaccine, subject to*  
2       *remaining within medical norms.*

3               “(3) *RULE OF CONSTRUCTION.*—

4                       “(A) *The schedule specified in subparagraph*  
5                       *(B) is deemed to be the schedule maintained*  
6                       *under paragraph (1).*

7                       “(B) *The schedule specified in this*  
8                       *subparagraph is the schedule that, for purposes*  
9                       *of paragraph (1), is established (and periodi-*  
10                      *cally reviewed and as appropriate revised) by*  
11                      *the advisory committee specified in subsection*  
12                      *(a)(2)(B).*

13               “(c) *GENERALLY APPLICABLE RULES OF CONSTRUC-*  
14       *TION.*—*This section does not supersede any State law or*  
15       *requirements with respect to receiving immunizations (in-*  
16       *cluding any such law relating to religious exemptions or*  
17       *other exemptions under such State laws).*

18               “(d) *ISSUANCE OF LIST AND SCHEDULES.*—*Not later*  
19       *than 180 days after the date of the enactment of this section,*  
20       *the Secretary shall establish the initial list required in sub-*  
21       *section (a) and the schedule required in subsection (b).*

1     **“Part B—State Registry System for Immunization**  
2                                     **Information**

3     **“SEC. 2145. PURPOSE.**

4             *“It is the purpose of this part to authorize the Sec-*  
5 *retary, in consultation with State public health officials,*  
6 *to establish State registry systems to monitor the immuni-*  
7 *zation status of all children.*

8     **“SEC. 2146. GRANTS FOR IMMUNIZATION REGISTRIES.**

9             *“(a) IN GENERAL.—For the purpose described in sec-*  
10 *tion 2145, the Secretary, acting through the Director of the*  
11 *Centers for Disease Control and Prevention, shall make an*  
12 *allotment each fiscal year for each State in an amount de-*  
13 *termined in accordance with section 2151. The Secretary*  
14 *shall make a grant to the State of the allotment made for*  
15 *the State for the fiscal year if the State submits to the Sec-*  
16 *retary an application in accordance with section 2150 on*  
17 *behalf of the chief executive officer of such State.*

18             *“(b) DESIGN OF STATE REGISTRIES.—To carry out*  
19 *the purpose described in section 2145, a State registry es-*  
20 *tablished under this part shall be designed to—*

21                     *“(1) provide accurate and up to date surveil-*  
22 *lance data regarding immunization rates at the State*  
23 *and local levels;*

24                     *“(2) assist in identifying localities with inad-*  
25 *equately immunization rates to target for necessary re-*  
26 *medial assistance;*

1           “(3) assist in the effective administration and  
2 management of immunization programs at State and  
3 local levels by providing data to guide immunization  
4 program efforts;

5           “(4) assist the State in providing and receiving  
6 information on the immunization status of children  
7 who move across geographic boundaries that are cov-  
8 ered by different State or local registries; and

9           “(5) facilitate the linkage of vaccine dosage in-  
10 formation to adverse events reported to the Centers for  
11 Disease Control and Prevention under section 2125(b)  
12 and disease outbreak patterns, for the purpose of mon-  
13 itoring vaccine safety and effectiveness.

14           “(c) *ELIGIBLE USE OF FUNDS.*—The Secretary may  
15 make a grant under subsection (a) only if the State agrees  
16 to expend the grant for the purpose of—

17           “(1) collecting the data described in section 2147;

18           “(2) operating registries to maintain the data  
19 (and establishing such registries, in the case of a  
20 State that is not operating such a registry);

21           “(3) utilizing the data to monitor the extent to  
22 which children have received immunizations in ac-  
23 cordance with the schedule established under section  
24 2141;

1           “(4) notifying parents, as appropriate, if chil-  
2           dren have not received immunizations in accordance  
3           with such schedule;

4           “(5) coordinating and exchanging information  
5           with other State registries to allow the monitoring of  
6           the immunization status of children changing State of  
7           residence; and

8           “(6) such other activities as the Secretary may  
9           authorize with respect to achieving the objectives es-  
10          tablished by the Secretary for the year 2000 for the  
11          immunization status of children in the United States.

12          “(d) REQUIREMENT REGARDING STATE LAW.—

13                 “(1) IN GENERAL.—The Secretary may make a  
14                 grant under subsection (a) only if the State in-  
15                 volved—

16                         “(A) provides assurances satisfactory to the  
17                         Secretary that, not later than October 1, 1996,  
18                         the State will be operating a registry in accord-  
19                         ance with this part, including having in effect  
20                         such laws and regulations as may be necessary  
21                         to so operate such a registry; and

22                         “(B) agrees that, prior to such date, the  
23                         State will make such efforts to operate a registry  
24                         in accordance with this part as may be author-  
25                         ized in the law and regulations of the State.

1           “(2) *RULES OF CONSTRUCTION.*—

2                   “(A) *With respect to the agreements made*  
3 *by a State under this part, other than para-*  
4 *graph (1)(B), the Secretary may require compli-*  
5 *ance with the agreements only to the extent con-*  
6 *sistent with such paragraph.*

7                   “(B) *The provisions of this part do not au-*  
8 *thorize the Secretary, as a condition of the re-*  
9 *ceipt of a grant under subsection (a) by a State,*  
10 *to prohibit the State from providing any parent,*  
11 *upon the request of the parent, with an exemp-*  
12 *tion from the requirements established by the*  
13 *State pursuant to this part for the collection of*  
14 *data regarding any child of the parent.*

15 **“SEC. 2147. REGISTRY DATA.**

16           “(a) *IN GENERAL.*—*For purposes of section*  
17 *2146(c)(1), the data described in this section are the data*  
18 *described in subsection (b) and the data described in sub-*  
19 *section (c).*

20           “(b) *DATA REGARDING BIRTH OF CHILD.*—*With re-*  
21 *spect to the birth of a child, the data described in this sub-*  
22 *section is as follows:*

23                   “(1) *The name of each child born in the State*  
24 *involved after the date of the implementation of the*

1 registry (in no event shall such date be later than Oc-  
2 tober 1, 1996).

3 “(2) Demographic data on the child.

4 “(3) The name of one or both of the parents of  
5 the child. If the child has been given up for adoption,  
6 any information regarding the identity of the birth  
7 parent or parents of the child may not be entered into  
8 the registry, or if entered, shall be deleted.

9 “(4) The address, as of the date of the birth of  
10 the child, of each parent whose name is received in  
11 the registry pursuant to paragraph (3).

12 “(c) DATA REGARDING INDIVIDUAL IMMUNIZA-  
13 TIONS.—With respect to a child to whom a pediatric vac-  
14 cine is administered in the State involved, the data de-  
15 scribed in this subsection is as follows:

16 “(1) The name, age, and address of the child.

17 “(2) The date on which the vaccine was adminis-  
18 tered to the child.

19 “(3) The name and business address of the health  
20 care provider that administered the vaccine.

21 “(4) The address of the facility at which the vac-  
22 cine was administered.

23 “(5) The name and address of one or both par-  
24 ents of the child as of the date on which the vaccine



1       *was administered, if such information is available to*  
2       *the health care provider.*

3             “(6) *The type of vaccine.*

4             “(7) *The lot number or other information identi-*  
5       *fying the particular manufacturing batch of the vac-*  
6       *cine.*

7             “(8) *The dose of vaccine that was administered.*

8             “(9) *A notation of the presence of any adverse*  
9       *medical reactions that the child experienced in rela-*  
10       *tion to the vaccine and of which the health care pro-*  
11       *vider is aware, in accordance with section 2125.*

12            “(10) *The presence of contraindications noted by*  
13       *the health care provider with respect to administra-*  
14       *tion of the vaccine to the child.*

15            “(11) *Such other data regarding immunizations*  
16       *for the child, including identifying data, as the Sec-*  
17       *retary, in consultation with State public health offi-*  
18       *cial, may require consistent with applicable law (in-*  
19       *cluding social security account numbers furnished*  
20       *pursuant to section 205(c)(2)(E) of the Social Secu-*  
21       *rity Act).*

22            “(d) *LIMITATION.—The Secretary may not establish*  
23       *information reporting requirements in addition to those de-*  
24       *scribed in subsection (c) if such requirements are unduly*  
25       *burdensome.*

1       “(e) *DATE CERTAIN FOR SUBMISSION TO REGISTRY.*—  
2 *The Secretary may make a grant under section 2146 only*  
3 *if the State involved agrees to ensure that, with respect to*  
4 *a child—*

5               “(1) *the data described in subsection (b) are sub-*  
6 *mitted to the registry under such section as soon as*  
7 *possible but in no event later than 8 weeks after the*  
8 *date on which the child is born; and*

9               “(2) *the data described in subsection (c) with re-*  
10 *spect to a vaccine are submitted to such registry as*  
11 *soon as possible but in no event later than 4 weeks*  
12 *after the date on which the vaccine is administered to*  
13 *the child.*

14       “(f) *UNIFORMITY IN METHODOLOGIES.*—*The Secretary*  
15 *shall, in consultation with State public health officials, es-*  
16 *tablish standards regarding the methodologies used in estab-*  
17 *lishing and operating registries under section 2146, and*  
18 *may make a grant under such section only if the State*  
19 *agrees to comply with the standards. The Secretary shall*  
20 *provide maximum flexibility to the States while also retain-*  
21 *ing a reasonable degree of uniformity among the States in*  
22 *such methodologies for the purpose of ensuring the utility,*  
23 *comparability, and exchange of the data maintained in*  
24 *such registries.*

1       “(g) *COORDINATION AMONG STATES.*—*The Secretary*  
2 *may make a grant under section 2146 to a State only if,*  
3 *with respect to the operation of the registry of the State*  
4 *under such section, the State agrees to transfer that infor-*  
5 *mation contained in the State registry pursuant to section*  
6 *2146 to other States upon the request of such States for such*  
7 *information.*

8       “**SEC. 2148. FEDERAL STANDARDS ON CONFIDENTIALITY.**

9       “(a) *ESTABLISHMENT.*—

10           “(1) *IN GENERAL.*—*The Secretary, in consulta-*  
11 *tion with the States, shall by regulation establish*  
12 *standards providing for maintaining the confidential-*  
13 *ity of the identity of individuals with respect to*  
14 *whom data are maintained in registries under section*  
15 *2146. Such standards shall, with respect to a State,*  
16 *provide that the State is to have in effect laws or reg-*  
17 *ulations regarding such confidentiality, including ap-*  
18 *propriate penalties for violation of the laws. The Sec-*  
19 *retary may make a grant under such section only if*  
20 *the State involved agrees to comply with the stand-*  
21 *ards.*

22           “(2) *USE OF DISCLOSURE.*—

23           “(A) *No personally identifiable information*  
24 *relating to a child or to the parent or guardian*  
25 *of such child that is collected or maintained by*

1           the State registry may be used or disclosed by  
2           any holder of such information except as per-  
3           mitted for—

4                   “(i) the monitoring of a child’s immu-  
5                   nization status;

6                   “(ii) oversight, audit, and evaluation  
7                   of the immunization delivery and registry  
8                   systems;

9                   “(iii) activities relating to establishing  
10                   and maintaining a safe and effective supply  
11                   of recommended childhood vaccine;

12                   “(iv) processing of insurance claims for  
13                   payment for vaccine administration (but  
14                   only to the extent necessary for processing  
15                   claims); and

16                   “(v) administration of the National  
17                   Vaccine Injury Compensation Program  
18                   under subtitle 2.

19                   “(B) Information regarding immunizations  
20                   provided as described in subparagraph (A)(i)  
21                   may be used or disclosed only with the written  
22                   authorization of the individual to whom it refers  
23                   or to the parent with custody of such individual.

24                   “(b) USE OF SOCIAL SECURITY ACCOUNT NUMBERS.—  
25                   Any usage or disclosure of data in registries under section

1 2146 that consists of social security account numbers and  
2 related information which is otherwise permitted under this  
3 part may be exercised only to the extent permitted under  
4 section 205(c)(2)(E) of the Social Security Act. For pur-  
5 poses of the preceding sentence, the term 'related informa-  
6 tion' has the meaning given such term in clause (iv)(II)  
7 of such section.

8 **"SEC. 2149. PROVIDER PARTICIPATION.**

9       “(a) *IN GENERAL.*—The State shall monitor and en-  
10 force compliance by health care providers with the require-  
11 ments of sections 2147 and 2148 and section 2155(b) for  
12 all doses of pediatric vaccine administered in the State. The  
13 State shall establish procedures satisfactory to the Secretary  
14 for discontinuing the distribution of federally purchased or  
15 State purchased vaccine for any health care provider who  
16 fails to comply with the requirements of section 2147 and  
17 for reinstating such vaccine supply to such provider upon  
18 receiving from such provider—

19               “(1) the reports necessary to make current and  
20 complete the information that would have been fur-  
21 nished to the State registry between the dates of the  
22 provider's termination and reinstatement; and

23               “(2) satisfactory assurances regarding the pro-  
24 vider's future compliance.

1       “(b) *REPORTS TO SECRETARY.*—*The Secretary may*  
2 *make a grant under section 2146 only if the State involved*  
3 *agrees to submit to the Secretary such reports as the Sec-*  
4 *retary determines to be appropriate with respect to the ac-*  
5 *tivities of the State under this part.*

6       **“SEC. 2150. APPLICATION FOR GRANT.**

7       *“An application by a State for a grant under section*  
8 *2146 is in accordance with this section if the application—*

9               *“(1) is submitted not later than the date speci-*  
10 *fied by the Secretary;*

11               *“(2) contains each agreement required in this*  
12 *part;*

13               *“(3) contains any information required in this*  
14 *part to be submitted to the Secretary; and*

15               *“(4) is in such form, is made in such manner,*  
16 *and contains such agreements, assurances, and infor-*  
17 *mation as the Secretary determines to be necessary to*  
18 *carry out this part.*

19       **“SEC. 2151. DETERMINATION OF AMOUNT OF ALLOTMENT.**

20       *“The Secretary shall determine the amount of the allot-*  
21 *ments required in section 2146 for States for a fiscal year*  
22 *in accordance with a formula established by the Secretary*  
23 *that allots the amounts appropriated under section 2152*  
24 *for the fiscal year on the basis of the costs of the States*  
25 *in establishing and operating registries under section 2146.*

1 **“SEC. 2152. AUTHORIZATION OF APPROPRIATIONS.**

2 *“For the purpose of carrying out this part, other than*  
3 *section 2153, there are authorized to be appropriated*  
4 *\$152,000,000 for fiscal year 1994, \$125,000,000 for fiscal*  
5 *year 1995, and \$35,000,000 for each of the fiscal years 1996*  
6 *through 1999.*

7 **“SEC. 2153. NATIONAL IMMUNIZATION SURVEILLANCE PRO-**  
8 **GRAM.**

9 *“(a) IN GENERAL.—The Secretary shall establish a na-*  
10 *tional immunization surveillance program for the purpose*  
11 *of assessing the effects of the programs and activities pro-*  
12 *vided for in this subtitle towards appropriately immuniz-*  
13 *ing children and facilitating State immunization registries.*  
14 *The national immunization surveillance program shall—*

15 *“(1) provide technical assistance to States for the*  
16 *development of vaccination registries and monitoring*  
17 *systems; and*

18 *“(2) receive aggregate epidemiologic data (that is*  
19 *in a format that is not person specific) collected by*  
20 *States as provided for in section 2147 at intervals de-*  
21 *termined appropriate by the Secretary for the purpose*  
22 *of—*

23 *“(A) compiling accurate and up-to-date*  
24 *surveillance data regarding immunization rates*  
25 *at the State level in order to assess the progress*

1           *made towards achieving nationally established*  
2           *immunization goals;*

3           “(B) *assisting in the effective administra-*  
4           *tion and management of immunization pro-*  
5           *grams at the State level by providing technical*  
6           *assistance to guide immunization program ef-*  
7           *forts at the request of the State;*

8           “(C) *providing technical assistance to*  
9           *States and localities to facilitate monitoring the*  
10          *immunization status of children who move across*  
11          *geographic boundaries that are covered by dif-*  
12          *ferent State or local registries at the request of*  
13          *such States or localities; and*

14          “(D) *monitoring the safety and effectiveness*  
15          *of vaccines by linking vaccine dosage informa-*  
16          *tion with adverse events reporting under section*  
17          *2125(b) and disease outbreak patterns.*

18          “(b) *RULE OF CONSTRUCTION.—Nothing in this sub-*  
19          *title shall be construed to authorize the release of person*  
20          *specific information to the Secretary for the purpose of im-*  
21          *munization surveillance.*

22          “(c) *AUTHORIZATION OF APPROPRIATIONS.—There are*  
23          *authorized to be appropriated such sums as may be nec-*  
24          *essary to carry out this section in each of the fiscal years*  
25          *1994 through 1999.*



1 **“SEC. 2154. REPORT.**

2       *“Not later than January 1, 1995, and biennially there-*  
 3 *after, the Secretary shall prepare and submit to the appro-*  
 4 *priate committees of Congress a report concerning the plan-*  
 5 *ning, development, operation and effectiveness of the na-*  
 6 *tional immunization surveillance program and the State*  
 7 *immunization registries.*

8 **“Part C—Distribution of Vaccines, Public Outreach**  
 9 **and Education**

10 **“SEC. 2155. DISTRIBUTION OF VACCINES.**

11       *“(a) IN GENERAL.—*

12               *“(1) HEALTH CARE PROVIDERS.—The Secretary*  
 13 *shall provide for the distribution, without charge, of*  
 14 *recommended pediatric vaccines (in accordance with*  
 15 *section 2141) purchased by the Secretary to health*  
 16 *care providers who serve children and who—*

17                       *“(A) are members of a uniformed service, or*  
 18 *are officers or employees of the United States;*

19                       *“(B) are health centers (as defined in sec-*  
 20 *tion 2162(2)); or*

21                       *“(C) provide services under section 503 of*  
 22 *the Indian Health Care Improvement Act or*  
 23 *pursuant to a contract under section 102 of the*  
 24 *Indian Self Determination Act.*

25               *“(2) STATES.—The Secretary shall provide for*  
 26 *the distribution, without charge, of those rec-*

1 *ommended pediatric vaccines that are purchased by*  
2 *the Secretary and provided to States for the purposes*  
3 *of immunizing medicaid-eligible children, and addi-*  
4 *tional vaccines that may be purchased by the Sec-*  
5 *retary for children within those States.*

6 *“(b) DUTIES OF HEALTH CARE PROVIDERS.—*

7 *“(1) FREE PROVISION TO CHILDREN.—A health*  
8 *care provider or entity receiving vaccine under this*  
9 *section may use such vaccine only for administration*  
10 *to children and may not impose a charge for such*  
11 *vaccine. A provider or health care entity may impose*  
12 *a fee that reflects actual regional costs as determined*  
13 *by the Secretary for the administration of such vac-*  
14 *cine, except that a provider may not deny a child a*  
15 *vaccination due to the inability of the child’s parent*  
16 *to pay an administration fee.*

17 *“(2) REPORTING REQUIREMENTS.—A health care*  
18 *provider receiving vaccine under this section shall re-*  
19 *port the information required under section 2147 to*  
20 *the applicable State registry operated pursuant to a*  
21 *grant under section 2146 if such State registry exists.*  
22 *The provider shall additionally report to such State*  
23 *registry any occurrence reported to the Secretary pur-*  
24 *suant to section 2125(b). The provider shall also pro-*  
25 *vide regular and periodic estimates to the State of the*

1     *provider’s future dosage needs for recommended child-*  
2     *hood vaccines distributed under this section. All re-*  
3     *ports shall be made with such frequency and in such*  
4     *detail as the Secretary, in consultation with State*  
5     *public health officials, may prescribe.*

6     **“SEC. 2156. IMPROVED IMMUNIZATION DELIVERY, OUT-**  
7             **REACH AND EDUCATION.**

8             “(a) *FEDERAL EFFORTS.*—*The Secretary, acting*  
9     *through the Centers for Disease Control and Prevention and*  
10    *in conjunction with State health officials and other appro-*  
11    *priate public and private organizations, shall conduct the*  
12    *following activities to improve Federal, State and local vac-*  
13    *cine delivery systems and immunization outreach and edu-*  
14    *cation efforts:*

15             “(1) *NATIONAL PUBLIC AWARENESS CAMPAIGN.*—

16                     “(A) *IN GENERAL.*—*The Secretary, in con-*  
17    *junction with State health officials and other ap-*  
18    *propriate public and private organizations, shall*  
19    *develop and implement a National Immuniza-*  
20    *tion Public Awareness Campaign to assist fami-*  
21    *lies (through bilingual means if necessary) of*  
22    *children under the age of 2 years, and expectant*  
23    *parents, in obtaining knowledge concerning the*  
24    *importance of having their children immunized*  
25    *and in identifying the vaccines, schedules for im-*

1           *munization, and vaccine provider locations, ap-*  
2           *propriate with respect to their children.*

3           “(B) *IMPLEMENTATION.*—*In implementing*  
4           *the Campaign under subparagraph (A), the Sec-*  
5           *retary shall ensure that—*

6                   “(i) *new and innovative methods are*  
7                   *developed and utilized to publicly advertise*  
8                   *the need to have children immunized in a*  
9                   *timely manner;*

10                   “(ii) *print, radio and television media*  
11                   *are utilized to convey immunization infor-*  
12                   *mation to the public; and*

13                   “(iii) *with respect to immunization in-*  
14                   *formation, efforts are made to target preg-*  
15                   *nant women and the parents of children*  
16                   *under the age of 2.*

17           “(2) *INTERAGENCY COMMITTEE ON IMMUNIZA-*  
18           *TION.*—*The Secretary, in conjunction with the Sec-*  
19           *retary of Agriculture, the Secretary of Housing and*  
20           *Urban Development, and the Secretary of Education,*  
21           *shall carry out activities through the Interagency*  
22           *Committee on Immunization to incorporate immuni-*  
23           *zation status assessments and referral services as an*  
24           *integral part of the process by which individuals*  
25           *apply for assistance under—*

1           “(A) *the food stamp program under the*  
2           *Food Stamp Act of 1977;*

3           “(B) *section 17 of the Child Nutrition Act*  
4           *of 1966;*

5           “(C) *the Head Start Act;*

6           “(D) *part A of title IV of the Social Secu-*  
7           *rity Act;*

8           “(E) *title XIX of the Social Security Act;*

9           “(F) *any of the housing assistance laws of*  
10          *the United States; and*

11          “(G) *other programs determined appro-*  
12          *priate by any of the Secretaries described in this*  
13          *paragraph.*

14          “(3) *EXPANDED OPPORTUNITY FOR NATIONAL*  
15          *SERVICE.—The Secretary, in conjunction with the*  
16          *Commission on National and Community Service*  
17          *and other independent agencies, is encouraged to de-*  
18          *velop opportunities for participants in national and*  
19          *community service programs to contribute to local*  
20          *initiatives for the improvement of immunization serv-*  
21          *ices, including public outreach and education efforts.*

22          “(b) *GRANTS TO STATES.—*

23                 “(1) *IN GENERAL.—*

24                         “(A) *The Secretary may award grants to*  
25                         *States to enable such State to develop, revise and*

1           *implement immunization improvement plans as*  
2           *described in paragraph (2).*

3           “(B) *To be eligible to receive a grant under*  
4           *subparagraph (A), a State shall prepare and*  
5           *submit to the Secretary an application at such*  
6           *time, in such manner, and containing such in-*  
7           *formation as the Secretary may require.*

8           “(2) *DESIGN.—A State immunization improve-*  
9           *ment plan shall be designed to improve immunization*  
10          *delivery, outreach, education and coordination within*  
11          *the State. Such plan shall provide for the creation*  
12          *of—*

13                 “(A) *a vaccine provider education cam-*  
14                 *pany and the distribution of any other mate-*  
15                 *rials determined to be appropriate by State*  
16                 *health officials—*

17                         “(i) *to enable such providers to make*  
18                         *the best use of vaccination opportunities;*  
19                         *and*

20                         “(ii) *to educate such providers concern-*  
21                         *ing their obligation to report immunization*  
22                         *information with respect to their patients to*  
23                         *State registries;*

24                         “(B) *expanded capacity for the delivery of*  
25                         *immunizations through—*

1           “(i) increasing the number or type of  
2 facilities through which vaccines may be  
3 made available and the capacity of such fa-  
4 cilities to immunize more children;

5           “(ii) developing alternative methods of  
6 delivering vaccines, such as mobile health  
7 clinics;

8           “(iii) increasing the number of hours  
9 during which vaccines are made available  
10 by providers within the State; or

11           “(iv) coordinating with federally quali-  
12 fied health centers to reach and immunize  
13 underserved children through education,  
14 outreach, tracking, and the provision of  
15 services;

16           except that, the Secretary may waive any spe-  
17 cific requirement of this subparagraph if the Sec-  
18 retary determines that State immunization de-  
19 livery efforts are sufficient without the imposi-  
20 tion of such requirement;

21           “(C) population-based assessment criteria  
22 through which the State is able to assess the ef-  
23 fectiveness of immunization activities in the  
24 State, which may be fulfilled through the imple-

1           *mentation of a State immunization registry*  
2           *under section 2146;*

3           “(D) *a public awareness campaign, in con-*  
4           *junction with the National Campaign established*  
5           *under subsection (a)(1), to provide parents with*  
6           *information about the importance of immuniza-*  
7           *tion, the types and schedules for the administra-*  
8           *tion of vaccines, and the locations of vaccines*  
9           *providers;*

10           “(E) *coordinated community outreach ac-*  
11           *tivities among public or private health pro-*  
12           *grams, including local health departments and*  
13           *health centers, and other public or private enti-*  
14           *ties, to encourage and facilitate the ability of*  
15           *parents to obtain immunization services for their*  
16           *children; and*

17           “(F) *other activities that are not inconsis-*  
18           *ent with the purposes of this subtitle, subject to*  
19           *the approval of the Secretary.*

20           “(3) *IMMUNIZATION IMPROVEMENT PLAN AP-*  
21           *PROVAL.—*

22           “(A) *GOALS.—As part of the immunization*  
23           *improvement plan of a State, the State shall es-*  
24           *tablish immunization rate goals for children re-*  
25           *siding within the State.*



1           “(B) *APPROVAL.*—The immunization im-  
2           provement plan developed by a State under this  
3           subsection shall be submitted to the Secretary for  
4           approval prior to the distribution of grant funds  
5           to the States under this subsection. The Secretary  
6           shall periodically review the progress that the  
7           State has made under such plan in achieving the  
8           goals established under subparagraph (A).

9           “(C) *DISTRIBUTION OF GRANTS.*—In  
10          awarding grants under this section, the Sec-  
11          retary shall ensure that grant awards will be eq-  
12          uitably distributed between rural and urban  
13          areas. In determining such distribution, the Sec-  
14          retary shall take into account the added costs of  
15          supporting the health care delivery infrastruc-  
16          ture in sparsely populated areas.

17          “(D) *REPORTING.*—A State shall annually  
18          prepare and submit to the Director of the Cen-  
19          ters for Disease Control and Prevention a report  
20          concerning the implementation of the State im-  
21          munization improvement plan. If the Director or  
22          the Secretary, in reviewing the reports submitted  
23          under this subparagraph determine that the  
24          State has exceeded the goals established under  
25          subparagraph (A), the Secretary may award a

1           *bonus to the State in an amount not to exceed*  
2           *5 percent of the amount the State received under*  
3           *the grant for the purposes of the grant.*

4           “(c) *AUTHORIZATION OF APPROPRIATIONS.—There are*  
5           *authorized to be appropriated to carry out this section,*  
6           *\$250,000,000 for fiscal year 1994, and such sums as may*  
7           *be necessary for each of the fiscal years 1995 through 1999.*

8                           **“Part D—General Provisions**

9           **“SEC. 2161. REPORT.**

10           *“Not later than October 1, 1995, and biennially there-*  
11           *after, the Secretary shall prepare and submit to the appro-*  
12           *priate committees of Congress a report concerning the costs,*  
13           *efficiency, and effectiveness of procedures established to de-*  
14           *liver vaccine to health care providers.*

15           **“SEC. 2162. NATIONAL VACCINE PROGRAM.**

16           *“The Secretary shall authorize a report to be prepared*  
17           *by the National Academy of Sciences concerning the role*  
18           *of the National Vaccine Program established under this title*  
19           *in achieving progress towards the nationally established im-*  
20           *munization goals for the year 2000, and recommendations*  
21           *with respect to the changes in such Program that would*  
22           *facilitate greater progress towards achieving such goals.*

23           **“SEC. 2163. DEFINITIONS.**

24           *“For purposes of this subtitle—*

1           “(1) *HEALTH CARE PROVIDER.*—The term  
2           ‘health care provider’, with respect to the administra-  
3           tion of vaccines to children, means an entity that is  
4           licensed or otherwise authorized for such administra-  
5           tion under the law of the State in which the entity  
6           administers the vaccine, subject to section 333(e).

7           “(2) *HEALTH CENTER.*—The term ‘health center’  
8           means—

9                   “(A) a federally-qualified health center, as  
10                  defined in section 1905(l)(2) of the Social Secu-  
11                  rity Act; or

12                  “(B) a public or nonprofit private entity  
13                  receiving Federal funds under—

14                          “(i) section 329, 330 or 340;

15                          “(ii) section 340A (relating to grants  
16                          for health services for residents of public  
17                          housing); or

18                          “(iii) section 501(a)(2) of the Social  
19                          Security Act (relating to special projects of  
20                          regional and national significance).

21           “(3) *IMMUNIZATION.*—The term ‘immunization’  
22           means an immunization against a vaccine-prevent-  
23           able disease.

24           “(4) *PARENT.*—The term ‘parent’, with respect  
25           to a child, means a legal guardian of the child.

1           “(5) *PEDIATRIC VACCINE*.—The term ‘pediatric  
2       *vaccine*’ means a vaccine included on the list estab-  
3       *lished under section 2141.*

4           “(6) *STATE*.—The term ‘State’ means the 50  
5       *States, the District of Columbia, the Commonwealth*  
6       *of Puerto Rico, Guam, American Samoa, the U.S.*  
7       *Virgin Islands, the Republic of the Marshall Islands,*  
8       *Micronesia, the Northern Mariana Islands, and*  
9       *Palau.”.*

10 **SEC. 12203. NATIONAL VACCINE INJURY COMPENSATION**

11                               **PROGRAM AMENDMENTS.**

12       (a) *AMENDMENT OF VACCINE INJURY TABLE*.—

13           (1) *ADDITION OF VACCINES*.—Section 2114 (42  
14       *U.S.C. 300aa-14)* is amended by adding at the end  
15       *thereof the following new subsection:*

16       “(f) *ADDITION OF VACCINES TO TABLE*.—

17           “(1) *IN GENERAL*.—The Vaccine Injury table  
18       *contained in subsection (a) shall also include any rec-*  
19       *ommended childhood vaccine included in the list pro-*  
20       *mulgated by the Secretary under section 2141.*

21       “(2) *REVIEW OF INFORMATION AND REVISION*.—

22       *Not later than 2 years after the addition of a new*  
23       *vaccine to the table contained in subsection (a), and*  
24       *on a regular basis thereafter, the Secretary shall re-*  
25       *view information obtained under sections 2125 and*

1 *part B of subtitle 3, and based on such review (and*  
2 *other relevant information) shall, as appropriate, de-*  
3 *velop with respect to such new vaccine—*

4 *“(A) revisions with respect to illnesses, dis-*  
5 *abilities, injuries or conditions covered by such*  
6 *table;*

7 *“(B) appropriate specifications of the time*  
8 *period for the first symptom or manifestation of*  
9 *onset or of significant aggravation of such ill-*  
10 *nesses, disabilities, injuries or condition after*  
11 *vaccine administration, for purposes of receiving*  
12 *compensation under the Program; and*

13 *“(C) recommendations as to the amount of*  
14 *tax that should be imposed under section 4131 of*  
15 *the Internal Revenue Code of 1986 for each dose*  
16 *of vaccine.*

17 *“(3) LIMITATION.—The Secretary may modify*  
18 *the table contained in subsection (a) pursuant to*  
19 *paragraphs (1) and (2) only in accordance with sub-*  
20 *section (c).*

21 *“(4) REVISION.—For purposes of section*  
22 *2116(b), the addition of vaccine to the table contained*  
23 *in subsection (a) by operation of this subsection shall*  
24 *constitute a revision of the table.”.*

1           (2) *ATTORNEYS FEES.*—Section 2115(e) (42  
2 *U.S.C. 300aa–15(e)*) is amended by adding at the end  
3 *thereof the following new paragraph:*

4           “(4) *The special master may award reasonable*  
5 *attorneys fees whether or not an election has been*  
6 *made under section 2121(a) to file a civil action con-*  
7 *cerning such petition.”*

8           (3) *CONSENT FOR ANNUITY.*—Subparagraphs (A)  
9 *and (B) of section 2115(f)(4) are amended by striking*  
10 *“, with the consent of the petitioner,” each place that*  
11 *such appears.*

12           (4) *TIME PERIODS FOR FEES AND COSTS.*—

13           (A) *IN GENERAL.*—Section 2115(e) (42  
14 *U.S.C. 300aa–15(e)*) (as amended by paragraph  
15 (3)) is further amended by adding at the end  
16 *thereof the following new paragraph:*

17           “(5) *With respect to a petitioners’ application*  
18 *for attorneys’ fees and costs—*

19           “(A) *if the respondent enters no objection to*  
20 *such application within 21 days of the date on*  
21 *which the application was filed (unless such time*  
22 *period is extended by the special master with the*  
23 *consent of the petitioner) the special master shall*  
24 *enter a decision on such application within 30*  
25 *days of such filing;*

1           “(B) if the respondent files an objection to  
2 such application and the special master does not  
3 enter a decision with respect to the application  
4 within 60 days after the date on which the objec-  
5 tion is filed, the special master involved shall,  
6 upon the written request of the petitioner, enter  
7 a decision within 15 days after the filing of such  
8 request; and

9           “(C) if the respondent files an objection to  
10 such application and the petitioner moves to re-  
11 duce costs and fees as provided for in the objec-  
12 tion, the special master shall enter a decision  
13 within 5 days after the receipt of the petitioner’s  
14 motion.

15       *The chief special master, upon the request of a special*  
16 *master, may waive the time limitations applicable to*  
17 *the special master under this paragraph if the special*  
18 *master demonstrates that complicating factors exist*  
19 *with respect to the issues involved to which the time*  
20 *limitation applies.”.*

21           (B) APPLICATION.—The amendment made  
22 by subparagraph (A) shall apply to all petition-  
23 ers’ applications for attorneys’ fees and costs  
24 filed under section 2115(e) of the Public Health

1           *Service Act which are pending on the date of en-*  
2           *actment of this Act.*

3           (5) *AUTHORIZATION OF APPROPRIATIONS.*—*Sec-*  
4           *tion 2115(j) (42 U.S.C. 300aa–15(j)) is amended by*  
5           *striking “\$80,000,000 for each succeeding fiscal year”*  
6           *and inserting in lieu thereof “\$110,000,000 for each*  
7           *succeeding fiscal year”.*

8           (6) *LIMITATION OF ACTIONS.*—*Section 2116(b)*  
9           *(42 U.S.C. 300aa–16(b)) is amended by striking*  
10          *“such person may file” and inserting “or to signifi-*  
11          *cantly increase the likelihood of obtaining compensa-*  
12          *tion, such person may, notwithstanding section*  
13          *2111(b)(2), file”.*

14          (b) *EXTENSION OF TIME FOR DECISION.*—

15               (1) *JURISDICTION.*—*Section 2112(d)(3)(D) (42*  
16               *U.S.C. 300aa–12(d)(3)(D)) is amended by striking*  
17               *“540 days” and inserting “30 months (but for not*  
18               *more than 6 months at a time)”.*

19               (2) *REPORT ON COLLECTIONS.*—*Section 2117*  
20               *(42 U.S.C. 300aa–17) is amended by adding at the*  
21               *end thereof the following new subsection:*

22               “(c) *REPORT.*—*The Attorney General shall, on Janu-*  
23               *ary 1 of each year, prepare and submit to the appropriate*  
24               *committees of Congress a report concerning amounts col-*  
25               *lected under this section.”.*



1           (3) *INCREASED RESPONSIBILITIES OF COMMIS-*  
2           *SION.—Section 2119(f) (42 U.S.C. 300aa–19(f)) is*  
3           *amended—*

4                   (A) *by striking “and” at the end of para-*  
5                   *graph (4);*

6                   (B) *by striking the period at the end of*  
7                   *paragraph (5) and inserting “, and”; and*

8                   (C) *by adding at the end thereof the follow-*  
9                   *ing new paragraph:*

10                   “*(6) monitor the balance of the Vaccine Injury*  
11                   *Trust Fund established by section 9510 of the Inter-*  
12                   *nal Revenue Code and, as appropriate, recommend*  
13                   *changes in the tax per dose of vaccine imposed under*  
14                   *section 4131 of such Code.”.*

15           (c) *SIMPLIFICATION OF VACCINE INFORMATION MATE-*  
16           *RIALS.—*

17                   (1) *INFORMATION.—Section 2126(b) (42 U.S.C.*  
18                   *300aa–26(b)) is amended—*

19                           (A) *by striking “by rule” in the matter pre-*  
20                           *ceding paragraph (1);*

21                           (B) *in paragraph (1), by striking “90” and*  
22                           *inserting “30”; and*

23                           (C) *in paragraph (2), by striking “, appro-*  
24                           *priate health care providers and parent organi-*  
25                           *zations”.*

1           (2) *REQUIREMENTS.*—Section 2126(c) (42  
2 *U.S.C. 300aa–26(c)*) is amended—

3           (A) *in the matter preceding paragraph (1),*  
4 *by inserting “shall be based on available data*  
5 *and information,” after “such materials”; and*

6           (B) *by striking out paragraphs (1) through*  
7 *(10) and inserting in lieu thereof the following*  
8 *new paragraphs:*

9           “(1) *a concise description of the benefits of the*  
10 *vaccine;*

11           “(2) *a concise description of the risks associated*  
12 *with the vaccine;*

13           “(3) *a statement of the availability of the Na-*  
14 *tional Vaccine Injury Compensation Program;*

15           “(4) *a statement of the availability from the Sec-*  
16 *retary of more detailed written information concern-*  
17 *ing the information required under paragraphs (1),*  
18 *(2), and (3), that shall be made available to the par-*  
19 *ent, legal guardian, or other responsible person upon*  
20 *request; and*

21           “(5) *such other relevant information as deter-*  
22 *mined appropriate by the Secretary.”*

23           (3) *OTHER INDIVIDUALS.*—Subsections (a) and  
24 (d) of section 2126 (42 *U.S.C. 300aa–26(a) and (d)*)  
25 *are amended by inserting “or to any other individ-*

1        *ual” immediately after “to the legal representative of*  
2        *any child” each place that such occurs.*

3            (4) *PROVIDER DUTIES.—Subsection (d) of sec-*  
4        *tion 2126 (42 U.S.C. 300aa–26(d)) is amended—*

5            (A) *by striking all after “subsection (a),”*  
6        *the second place it appears in the first sentence*  
7        *and inserting “supplemented with visual presen-*  
8        *tations or oral explanations, in appropriate*  
9        *cases.”; and*

10          (B) *by striking “or other information” in*  
11        *the last sentence.*

12          (d) *AUTHORIZATION OF APPROPRIATIONS.—Part A of*  
13        *subtitle 2 of title XXI (42 U.S.C. 300aa–10 et seq.) is*  
14        *amended by adding at the end thereof the following new*  
15        *section:*

16            “*AUTHORIZATION OF APPROPRIATIONS*

17          “*SEC. 2120. (a) SECRETARY.—For purposes of admin-*  
18        *istering this part, there are authorized to be appropriated*  
19        *from the Vaccine Injury Compensation Trust Fund estab-*  
20        *lished under section 9510(c) of the Internal Revenue Code*  
21        *of 1986, to the Secretary, \$3,000,000 for each of the fiscal*  
22        *years 1994, 1995 and 1996.*

23          “*(b) ATTORNEY GENERAL.—For purposes of admin-*  
24        *istering this part, there are authorized to be appropriated*  
25        *from the Vaccine Injury Compensation Trust Fund de-*

1 *scribed in subsection (a), to the Attorney General,*  
2 *\$3,000,000 for each of the fiscal years 1994, 1995 and 1996.*

3 *“(c) COURT OF FEDERAL CLAIMS.—For purposes of*  
4 *administering this part, there are authorized to be appro-*  
5 *priated from the Vaccine Injury Compensation Trust Fund*  
6 *described in subsection (a), to the Court of Federal Claims,*  
7 *\$3,000,000 for each of the fiscal years 1994, 1995 and*  
8 *1996.”.*

9 **SEC. 12204. MISCELLANEOUS PROVISIONS.**

10 *Section 317(k) (42 U.S.C. 247b(k)) is amended—*

11 *(1) by striking out paragraph (1); and*

12 *(2) by redesignating paragraphs (2) through (5)*  
13 *as paragraphs (1) and (4), respectively.*

14 **SEC. 12205. PERFORMANCE BASED GRANT PROGRAM.**

15 *(a) ANNUAL REPORT.—Not later than July 1 of each*  
16 *year, a State shall prepare and submit to the Director of*  
17 *the Center for Disease Control and Prevention a report that*  
18 *contains an estimate (based on a base population sample)*  
19 *of the percentage of 2 year old residents of the State who*  
20 *have been fully immunized as described in subsection (c).*

21 *(b) PAYMENTS TO STATES.—*

22 *(1) IN GENERAL.—Subject to the availability of*  
23 *appropriations, the Secretary of Health and Human*  
24 *Services shall provide to a State that has submitted*  
25 *an annual report under subsection (a) that dem-*

1        *onstrates that the State has fully immunized at least*  
2        *50 percent of the 2 year old residents of that State,*  
3        *with respect to the year for which the report was pre-*  
4        *pared, a payment in an amount equal to—*

5                *(A) with respect to a State that has dem-*  
6                *onstrated the full immunization of at least 50*  
7                *and less than 65 percent of all 2 year old resi-*  
8                *dents of the State, \$50 multiplied by the number*  
9                *of fully immunized 2 year old resident children*  
10              *in excess of the number of children equaling such*  
11              *50 percent amount;*

12              *(B) with respect to a State that has dem-*  
13              *onstrated the full immunization of at least 65*  
14              *and less than 70 percent of all 2 year old resi-*  
15              *dents of the State, \$75 multiplied by the number*  
16              *of fully immunized 2 year old resident children*  
17              *in excess of the number of children equaling such*  
18              *65 percent amount; and*

19              *(C) with respect to a State that has dem-*  
20              *onstrated the full immunization of at least 70*  
21              *and less than 91 percent of all 2 year old resi-*  
22              *dents of the State, \$100 multiplied by the num-*  
23              *ber of fully immunized 2 year old resident chil-*  
24              *dren in excess of the number of children equaling*  
25              *such 70 percent amount.*

1           (2) *As a condition of receiving amounts under*  
2 *this section—*

3           (i) *States which combine State and Federal*  
4 *funds to reach immunization goals shall agree to*  
5 *reinvest in activities related to improving immu-*  
6 *nization services that percentage of the payment*  
7 *under subsection (b)(1) which is equal to the*  
8 *Federal contribution to immunization services in*  
9 *the State proportional to the State contribution*  
10 *to such services.*

11           (ii) *States which verify that State-only*  
12 *funds are responsible for the increase in immu-*  
13 *nization rates that qualifies such State for pay-*  
14 *ment under subsection (b)(1) may use amounts*  
15 *awarded under this section for other purposes at*  
16 *the State's discretion.*

17           (3) *VERIFICATION.—Prior to making a payment*  
18 *to a State under this subsection, the Secretary of*  
19 *Health and Human Services shall, in collaboration*  
20 *with the Centers for Disease Control and Prevention,*  
21 *verify the accuracy of the State report involved.*

22           (c) *DEFINITION.—For purposes of this section, the*  
23 *term “fully immunized” means a 2 year old child that has*  
24 *received four doses of DTP vaccine (diphtheria, tetanus,*

1 *pertussis), three doses of polio vaccine, and one dose of*  
 2 *MMR (measles, mumps, rubella) vaccine.*

### 3 ***Subtitle D—ERISA Amendments***

#### 4 ***CHAPTER 1—GROUP HEALTH AMENDMENTS***

##### 5 ***SEC. 12301. COORDINATION OF ERISA PREEMPTION RULES***

###### 6 ***WITH SOCIAL SECURITY ACT PROVISIONS***

###### 7 ***PROVIDING FOR LIABILITY OF THIRD PAR-***

###### 8 ***TIES AND CHILD HEALTH INSURANCE SUP-***

###### 9 ***PORT ENFORCEMENT.***

10 *(a) IN GENERAL.—Paragraph (8) of section 514(b) of*  
 11 *the Employee Retirement Income Security Act of 1974 (29*  
 12 *U.S.C. 1144(b)(8)) is amended to read as follows:*

13 *“(8)(A) Subsection (a) of this section shall not apply*  
 14 *to any State law to the extent necessary to permit the State*  
 15 *to comply with the following requirements for the receipt*  
 16 *of Federal financial assistance under title XIX of the Social*  
 17 *Security Act:*

18 *“(i) subparagraphs (A), (B), and (I) of section*  
 19 *1902(a)(25) of such Act (relating to third-party li-*  
 20 *ability) and section 1903(o) of such Act (relating to*  
 21 *medicaid as secondary payor), as in effect on October*  
 22 *1, 1993; and*

23 *“(ii) sections 1902(a)(60) and 1908 of such Act*  
 24 *(relating to assignment of rights of payment and*  
 25 *child health insurance support), as in effect on the*

1       *date of the enactment of the Omnibus Budget Rec-*  
2       *onciliation Act of 1993.*

3       “(B) Paragraph (2)(B) shall not apply to any State  
4       *law to the extent necessary to permit the compliance of the*  
5       *State with any of the requirements described in subpara-*  
6       *graph (A).”.*

7       (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
8       *section (a) shall take effect October 1, 1993.*

9       **SEC. 12302. CONTINUED COVERAGE OF COSTS OF A PEDI-**  
10                   **ATRIC VACCINE UNDER GROUP HEALTH**  
11                   **PLANS.**

12       (a) *IN GENERAL.*—*Part 6 of subtitle B of title I of*  
13       *the Employee Retirement Income Security Act of 1974 (29*  
14       *U.S.C. 1161 et seq.) is amended by adding at the end the*  
15       *following new section:*

16       **“SEC. 609. CONTINUED COVERAGE OF COSTS OF A PEDI-**  
17                   **ATRIC VACCINE UNDER GROUP HEALTH**  
18                   **PLANS.**

19       *“A group health plan may not reduce its coverage of*  
20       *the costs of pediatric vaccines (as defined under section*  
21       *2162 of the Public Health Service Act) below the coverage*  
22       *it provided as of May 1, 1993.”.*



1           (b) *CONFORMING AMENDMENT.*—*The table of contents*  
 2 *in section 1 of such Act is amended by adding after the*  
 3 *item relating to section 608 the following new item:*

*“Sec. 609. Continued coverage of costs of a pediatric vaccine under group health plans.”.*

4           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 5 *section shall apply with respect to plan years beginning*  
 6 *after the date of the enactment of this Act.*

7           **CHAPTER 3—PUBLIC HEALTH SERVICE ACT**

8           **SEC. 12321. PROHIBITION ON REDUCTION IN COVERAGE OF**  
 9                                   **PEDIATRIC VACCINE.**

10           *Part D of subtitle 2 of title XXI of the Public Health*  
 11 *Service Act (42 U.S.C. 300aa–31 et seq.) is amended by*  
 12 *adding at the end thereof the following new section:*

13           **“SEC. 2135. PROHIBITION ON REDUCTION IN COVERAGE OF**  
 14                                   **PEDIATRIC VACCINE.**

15           “(a) *IN GENERAL.*—*Notwithstanding any other provi-*  
 16 *sion of law, a health insurance policy in effect prior to May*  
 17 *1, 1993, may not reduce the level of coverage for the costs*  
 18 *of pediatric vaccines below the level of coverage provided*  
 19 *on the date of enactment of this section.*

20           “(b) *CIVIL MONEY PENALTY.*—

21                   “(1) *IN GENERAL.*—*An entity that fails to com-*  
 22 *ply with subsection (a) shall be subject, in addition*  
 23 *to any other penalties that may be prescribed by law,*  
 24 *to a civil money penalty of not to exceed \$1,000 for*

1 *each individual with respect to whom such a failure*  
2 *occurs.*

3 “(2) *ENFORCEMENT.*—*With respect to an entity*  
4 *that offers a health insurance policy in violation of*  
5 *subsection (a), the provisions of section 353(h)(3), re-*  
6 *garding procedures for the imposition of civil money*  
7 *penalties developed by the Secretary, shall apply in*  
8 *the same manner as such provisions apply to pen-*  
9 *alties or proceedings under section 353.*

10 “(c) *DEFINITIONS.*—*As used in this section:*

11 “(1) *HEALTH INSURANCE POLICY.*—*The term*  
12 *‘health insurance policy’ has the same meaning given*  
13 *the term ‘employee welfare benefit plan’ in section*  
14 *3(1) of the Employee Retirement Income Security Act*  
15 *of 1974 (29 U.S.C. 1002(1)) and includes any other*  
16 *policy or plan which provides coverage for the provi-*  
17 *sion of health care services (including a health main-*  
18 *tenance organization agreement).*

19 “(2) *PEDIATRIC VACCINES.*—*The term ‘pediatric*  
20 *vaccines’ has the same meaning given such term in*  
21 *section 2163.’’.*

1                   **TITLE XIII—VETERANS’**  
2                   **PROGRAMS**

3   **SEC. 13001. PERMANENT EXTENSION OF LIMITATION ON**  
4                   **PENSION FOR CERTAIN RECIPIENTS OF MED-**  
5                   **ICAID-COVERED NURSING HOME CARE.**

6           *Section 5503(f) of title 38, United States Code, is*  
7   *amended by striking out paragraph (7).*

8   **SEC. 13002. POLICY REGARDING COST-OF-LIVING ADJUST-**  
9                   **MENT IN COMPENSATION RATES.**

10           *The fiscal year 1994 cost-of-living adjustments in the*  
11   *rates of and limitations for compensation payable under*  
12   *chapter 11 of title 38, United States Code, and of depend-*  
13   *ency and indemnity compensation payable under chapter*  
14   *13 of such title will be no more than a percentage equal*  
15   *to the percentage by which benefit amounts payable under*  
16   *title II of the Social Security Act (42 U.S.C. 401 et seq.)*  
17   *are increased effective December 1, 1993, as a result of a*  
18   *determination under section 215(i) of such Act (42 U.S.C.*  
19   *415(i)), with all increased monthly rates and limitations*  
20   *(other than increased rates or limitations equal to a whole*  
21   *dollar amount) rounded down to the next lower dollar. The*  
22   *effective date of such adjustments shall not be earlier than*  
23   *December 4, 1993.*

1 **SEC. 13003. REDUCTION IN BASIC PAY AND INCENTIVES OF**  
2 **MONTGOMERY GI BILL PARTICIPANTS.**

3 (a) *ACTIVE DUTY.*—Section 3011(b) of title 38, United  
4 States Code, is amended—

5 (1) by inserting “(1)” after “(b)”;

6 (2) by designating the second sentence as para-  
7 graph (2); and

8 (3) in paragraph (1), as so designated, by strik-  
9 ing out “shall be reduced by” and all that follows  
10 through the period and inserting in lieu thereof “shall  
11 be reduced by—

12 “(A) in the case of an individual who first enters  
13 on active duty before October 1, 1993, \$100 for each  
14 of the first 12 months that such individual is entitled  
15 to such pay;

16 “(B) in the case of an individual who first enters  
17 on active duty during the fiscal year beginning on  
18 October 1, 1993, \$137 for each of the first 12 months  
19 that such individual is entitled to such pay; and

20 “(C) in the case of an individual who first enters  
21 on active duty during any fiscal year beginning after  
22 September 30, 1994, an amount for each of the first  
23 12 months that such individual is entitled to such  
24 pay that is equal to the amount of the monthly pay  
25 reduction of an individual under this paragraph dur-  
26 ing the previous fiscal year increased by the same

1     *percentage, if any, as the percentage by which month-*  
2     *ly rates of educational assistance are increased for*  
3     *such fiscal year under section 3015(g)(3) of this*  
4     *title.”.*

5     **(b) SELECTED RESERVE.**—*Section 3012(c) of such*  
6     *title is amended—*

7             *(1) by inserting “(1)” after “(c)”;*

8             *(2) by designating the second sentence as para-*  
9     *graph (2); and*

10            *(3) in paragraph (1), as so designated, by strik-*  
11     *ing out “shall be reduced by” and all that follows*  
12     *through the period and inserting in lieu thereof “shall*  
13     *be reduced by—*

14            *“(A) in the case of an individual who first enters*  
15     *on active duty before October 1, 1993, \$100 for each*  
16     *of the first 12 months that such individual is entitled*  
17     *to such pay;*

18            *“(B) in the case of an individual who first enters*  
19     *on active duty during the fiscal year beginning on*  
20     *October 1, 1993, \$137 for each of the first 12 months*  
21     *that such individual is entitled to such pay; and*

22            *“(C) in the case of an individual who first enters*  
23     *on active duty during any fiscal year beginning after*  
24     *September 30, 1994, an amount for each of the first*  
25     *12 months that such individual is entitled to such*

1        *pay that is equal to the amount of the monthly pay*  
2        *reduction of an individual under this paragraph dur-*  
3        *ing the previous fiscal year increased by the same*  
4        *percentage, if any, as the percentage by which month-*  
5        *ly rates of educational assistance are increased for*  
6        *such fiscal year under section 3015(g)(3) of this*  
7        *title.”.*

8        (c) *ENROLLMENT BEFORE INVOLUNTARY SEPARA-*  
9        *TION.—Section 3018A(b) of such title is amended by strik-*  
10       *ing out “\$1,200” and inserting in lieu thereof “an amount*  
11       *equal to 12 times the amount of the monthly pay reduction*  
12       *determined for the individual in accordance with section*  
13       *3011(b)(1) or section 3012(c)(1) of this title. For the pur-*  
14       *poses of such determination, the date of the individual’s*  
15       *election to receive assistance under subsection (a)(5) shall*  
16       *be considered the date that the individual first enters on*  
17       *active duty.”.*

18       (d) *ENROLLMENT BY VOLUNTARY SEPARATION INCEN-*  
19       *TIVE RECIPIENTS.—Section 3018B(b)(1) of such title is*  
20       *amended by striking out “\$1,200” and inserting in lieu*  
21       *thereof “an amount equal to 12 times the amount of the*  
22       *monthly pay reduction determined for the individual in ac-*  
23       *cordance with section 3011(b)(1) or section 3012(c)(1) of*  
24       *this title. For the purposes of such determination, the date*  
25       *of the individual’s election to receive assistance under sub-*

1 *section (a)(1)(E) shall be considered the date that the indi-*  
2 *vidual first enters on active duty.”*

3 **SEC. 13004. PERMANENT EXTENSION OF PROCEDURES AP-**  
4 **PLICABLE TO LIQUIDATION SALES UPON DE-**  
5 **FAULT OF HOME LOANS GUARANTEED BY**  
6 **THE DEPARTMENT OF VETERANS AFFAIRS.**

7 *(a) INCLUSION OF RESALE LOSSES IN NET-VALUE*  
8 *CALCULATION.—Paragraph (1)(C) of section 3732(c) of title*  
9 *38, United States Code, is amended by inserting “(includ-*  
10 *ing losses sustained on the resale of the property)” after*  
11 *“resale”.*

12 *(b) PERMANENT EXTENSION OF AUTHORITY.—Para-*  
13 *graph (11) of such section is repealed.*

14 **SEC. 13005. INCREASE IN CERTAIN LOAN FEES.**

15 *(a) FEE INCREASE.—Paragraph (2) of section 3729(a)*  
16 *of title 38, United States Code, is amended—*

17 *(1) in the matter above subparagraph (A), by*  
18 *striking out “1.25 percent” and inserting in lieu*  
19 *thereof “2 percent”;*

20 *(2) in subparagraph (A), by striking out “one*  
21 *percent” and inserting in lieu thereof “1 percent”;*

22 *(3) in subparagraph (B), by striking out “0.75*  
23 *percent” and inserting in lieu thereof “1.50 percent”;*

1           (4) in subparagraph (C), by striking out “0.50  
2           percent” and inserting in lieu thereof “1.25 percent”;  
3           and

4           (5) in subparagraph (D)—

5                 (i) by striking out “two percent” in clause  
6                 (i) and inserting in lieu thereof “2.75 percent”;

7                 (ii) by striking out “one percent” in clause  
8                 (ii) and inserting in lieu thereof “1 percent”;

9                 (iii) by striking out “1.50 percent” in  
10                 clause (iii)(I) and inserting in lieu thereof “2.25  
11                 percent”; and

12                 (iv) by striking out “1.25 percent” in clause  
13                 (iii)(II) and inserting in lieu thereof “2 per-  
14                 cent”.

15           (b) *FEE FOR MANUFACTURED HOMES*.—Such para-  
16           graph is further amended—

17                 (1) in subparagraph (A), by striking out “or for  
18                 any purpose specified in section 3712 of this title  
19                 (other than section 3712(a)(1)(F))”;

20                 (2) by striking out “and” at the end of subpara-  
21                 graph (D);

22                 (3) by striking out the period at the end of sub-  
23                 paragraph (E) and inserting in lieu thereof “; and”;  
24                 and

25                 (4) by adding at the end the following:



1           “(F) in the case of a loan made for any purpose  
2           specified in section 3712 of this title (other than sub-  
3           section (a)(1)(F) of such section), the amount of such  
4           fee shall be one percent of the total loan amount.”.

5           (c) *REPEAL OF TEMPORARY INCREASE IN FEES.*—  
6           Such section is further amended—

7           (1) in paragraph (2), by striking out “Except as  
8           provided in paragraph (6) of this subsection, the” in  
9           the matter above subparagraph (A) and inserting in  
10          lieu thereof “The”; and

11          (2) by striking out paragraph (6).

12       **SEC. 13006. PERMANENT EXTENSION OF MEDICAL CARE**  
13                               **COST RECOVERY AUTHORITY.**

14          Section 1729(a)(2)(E) of title 38, United States Code,  
15          is amended by striking out “before August 1, 1994,”.

16       **SEC. 13007. PERMANENT EXTENSION OF REQUIREMENT**  
17                               **THAT CERTAIN VETERANS MAKE**  
18                               **COPAYMENTS FOR HEALTH-CARE SERVICES.**

19          (a) *MEDICATION COPAYMENT REQUIREMENT.*—Sec-  
20          tion 1722A of title 38, United States Code, is amended by  
21          striking out subsection (c).

22          (b) *HEALTH-CARE CATEGORIES AND COPAYMENTS.*—  
23          Section 8013 of the Omnibus Budget Reconciliation Act of  
24          1990 (38 U.S.C. 1710 note) is amended by striking out sub-  
25          section (e).

1 **SEC. 13008. PERMANENT AUTHORITY TO VERIFY INCOME**  
2 **ELIGIBILITY FOR NEED-BASED BENEFITS.**

3 (a) *AUTHORITY FOR SECRETARY OF VETERANS AF-*  
4 *FAIRS TO OBTAIN INFORMATION.*—Section 5317 of title 38,  
5 *United States Code, is amended by striking out subsection*  
6 *(g).*

7 (b) *AUTHORITY FOR SECRETARY OF TREASURY TO*  
8 *PROVIDE INFORMATION.*—Section 6103(l)(7)(D) of the *In-*  
9 *ternal Revenue Code of 1986 is amended by striking out*  
10 *the last sentence.*

11 **TITLE XIV—ENFORCEMENT**  
12 **PROCEDURES**  
13 **Part A—Extension of Budget**  
14 **Enforcement**

15 **SEC. 14001. PURPOSE.**

16 *The Congress declares that it is essential to—*

17 (1) *preserve the deficit reduction achieved by this*  
18 *Act;*

19 (2) *extend the system of discretionary spending*  
20 *limits for the single discretionary category set forth in*  
21 *section 601 of the Congressional Budget Act of 1974;*

22 (3) *extend the pay-as-you-go enforcement system;*  
23 *and*

24 (4) *prohibit the consideration of direct spending*  
25 *or receipts legislation that would decrease the pay-as-*  
26 *you-go surplus achieved by this Act and created under*

1 *section 252 of the Balanced Budget and Emergency*  
2 *Deficit Control Act of 1985.*

3 **SEC. 14002. DISCRETIONARY SPENDING LIMITS.**

4 (a) *DEFINITION OF “DISCRETIONARY SPENDING*  
5 *LIMIT”*.—*Section 601(a)(2) of the Congressional Budget*  
6 *Act of 1974 is amended—*

7 (1) *in subparagraph (D) by striking the word*  
8 *“and”; and*

9 (2) *by inserting after subparagraph (E) the fol-*  
10 *lowing:*

11 *“and*

12 *“(F) with respect to fiscal years 1996, 1997,*  
13 *and 1998, for the discretionary category, the*  
14 *amounts set forth for those years in section*  
15 *12(b)(1) of House Concurrent Resolution 64*  
16 *(One Hundred Third Congress);”*.

17 (b) *POINT OF ORDER IN THE SENATE*.—*Section*  
18 *601(b)(1) of the Congressional Budget Act of 1974 is*  
19 *amended to read as follows:*

20 *“(1) Except as otherwise provided in this sub-*  
21 *section, it shall not be in order in the Senate to con-*  
22 *sider any concurrent resolution on the budget for fis-*  
23 *cal year 1995, 1996, 1997, or 1998 (or amendment,*  
24 *motion, or conference report on such a resolution)*

1       *that would exceed any of the discretionary spending*  
2       *limits in this section.”.*

3       (c) *CONFORMING AMENDMENTS.—(1) Section 251 of*  
4       *the Balanced Budget and Emergency Deficit Control Act*  
5       *of 1985 is amended—*

6             (A) *in subsection (a) by striking “FISCAL YEARS*  
7             *1991–1995 ENFORCEMENT.—” and inserting “FISCAL*  
8             *YEARS 1991–1998 ENFORCEMENT.—”;*

9             (B) *in subsection (b)(1)—*

10            (i) *in the matter before subparagraph (A),*  
11            *by—*

12                    (I) *striking “When the President sub-*  
13                    *mits the budget under section 1105(a) of*  
14                    *title 31, United States Code, for budget year*  
15                    *1992, 1993, 1994, or 1995” and inserting*  
16                    *“When the President submits the budget*  
17                    *under section 1105(a) of title 31, United*  
18                    *States Code, for budget year 1992, 1993,*  
19                    *1994, 1995, 1996, 1997, or 1998”;* and

20                    (II) *striking “the budget shall include,*  
21                    *adjustments to discretionary spending lim-*  
22                    *its (and those limits as cumulatively ad-*  
23                    *justed) for the budget year and each outyear*  
24                    *through 1995” and inserting “the budget*  
25                    *shall include, adjustments to discretionary*

1           *spending limits (and those limits as cumu-*  
2           *latively adjusted) for the budget year and*  
3           *each outyear through 1998”;*

4           *(ii) in paragraph (1)(B), by inserting at*  
5           *the end thereof the following new clause:*

6                   *“(iii) For a budget submitted for budg-*  
7                   *et year 1996, 1997, or 1998, the adjust-*  
8                   *ments shall be those necessary to reflect*  
9                   *changes in inflation estimates since those of*  
10                  *March 31, 1993, set forth on page 46 of*  
11                  *House Conference Report 103–48.”;*

12           *(iii) in the matter before subparagraph (A)*  
13           *in paragraph (2) by—*

14                   *(I) striking “When OMB submits a se-*  
15                   *questration report under section 254 (g) or*  
16                   *(h) for fiscal year 1991, 1992, 1993, 1994,*  
17                   *or 1995” and inserting “When OMB sub-*  
18                   *mits a sequestration report under section*  
19                   *254 (g) or (h) for fiscal year 1991, 1992,*  
20                   *1993, 1994, 1995, 1996, 1997, or 1998”;*  
21                   *and*

22                   *(II) striking “for the fiscal year and*  
23                   *each succeeding year through 1995,” and*  
24                   *inserting “for the fiscal year and each suc-*  
25                   *ceeding year through 1998.”;*

1           (iv) in paragraph (2)(D)(i), by striking  
2           “for fiscal year 1991, 1992, 1993, 1994, or  
3           1995,” and inserting “for any fiscal year,”;

4           (v) in paragraph (2)(E), by—

5                 (I) striking the final word “and” in  
6                 subparagraph (ii); and

7                 (II) inserting before the final period  
8                 the following:

9                 “; and

10                 “(iv) if, for fiscal years 1994, 1995,  
11                 1996, 1997, and 1998, the amount of new  
12                 budget authority provided in appropriation  
13                 Acts exceeds the discretionary spending  
14                 limit on new budget authority due to tech-  
15                 nical estimates made by the director of the  
16                 Office of Management and Budget, the ad-  
17                 justment is the amount of the excess, but not  
18                 to exceed an amount (for any one fiscal  
19                 year) equal to 0.1 percent of the adjusted  
20                 descretionary spending limit on new budget  
21                 authority for that fiscal year”;

22                 (vi) in paragraph (2)(F), by inserting im-  
23                 mediately before the final period the following: “,  
24                 and not to exceed 0.5 percent of the adjusted

1           *discretionary spending limit on outlays for the*  
2           *fiscal year in fiscal year 1996, 1997, or 1998”.*

3           (2) *REPORTS.*—*Sections 254(d)(2) and 254(g)(2)(A) of*  
4 *the Balanced Budget and Emergency Deficit Control Act*  
5 *of 1985 are each amended by striking “1995” and inserting*  
6 *“1998”.*

7           (3) *EXPIRATION.*—(A) *Notwithstanding section 275(b)*  
8 *of the Balanced Budget and Emergency Deficit Control Act*  
9 *of 1985, sections 250, 251, 252, and 254 through 258C of*  
10 *that Act shall expire on September 30, 1998.*

11          (B) *Section 607 of the Congressional Budget Act of*  
12 *1974 is amended by striking “shall apply to fiscal years*  
13 *1991 to 1995” and inserting “shall apply to fiscal years*  
14 *1991 to 1998”.*

15 **SEC. 14003. ENFORCING PAY-AS-YOU-GO.**

16          (a) *Section 252 of the Balanced Budget and Emer-*  
17 *gency Deficit Control Act of 1985 is amended—*

18               (1) *in subsection (a), by striking “FISCAL YEAR*  
19 *1992–1995 ENFORCEMENT.” and inserting “FISCAL*  
20 *YEAR 1992–1998 ENFORCEMENT.”;*

21               (2) *in subsection (d), by striking “estimate of the*  
22 *amount of change in outlays or receipts, as the case*  
23 *may be, in each fiscal year through fiscal year 1995”*  
24 *both places that it appears and inserting “estimate of*  
25 *the amount of change in outlays or receipts, as the*

1 case may be, in each fiscal year through fiscal year  
2 1998” both places; and

3 (3) in subsection (e), by striking “for fiscal year  
4 1991, 1992, 1993, 1994, or 1995,” and inserting “for  
5 any fiscal year from 1991 through 1998,”.

6 (b) Section 254(g)(3) of the Balanced Budget and  
7 Emergency Deficit Control Act of 1985 is amended by strik-  
8 ing “1995” and inserting “1998”.

9 (c) Upon enactment of this Act, the director of the Of-  
10 fice of Management and Budget shall reduce the balances  
11 of direct spending and receipts legislation applicable to each  
12 fiscal year under section 252 of the Balanced Budget and  
13 Emergency Deficit Control Act of 1985 by an amount equal  
14 to the net deficit reduction achieved through the enactment  
15 in this Act of direct spending and receipts legislation for  
16 that year.

17 **SEC. 14004. EXERCISE OF RULE-MAKING POWERS.**

18 The Congress enacts the provisions of this part—

19 (1) as an exercise of the rule-making power of  
20 the Senate and the House of Representatives, respec-  
21 tively, and as such these provisions shall be consid-  
22 ered as part of the rules of each House, respectively,  
23 or of that House to which they specifically apply, and  
24 such rules shall supersede other rules only to the ex-  
25 tent that they are inconsistent therewith; and



1           (2) *with full recognition of the constitutional*  
2 *right of either House to change such rules (so far as*  
3 *relating to such House) at any time, in the same*  
4 *manner, and to the same extent as in the case of any*  
5 *other rule of such House.*

6           ***TITLE XV—MISCELLANEOUS***  
7           ***PROVISIONS***

8 ***SEC. 15001. SENSE OF THE SENATE WITH RESPECT TO FED-***  
9           ***ERAL ENTERPRISE ZONES AND RURAL DE-***  
10          ***VELOPMENT INVESTMENT ZONES.***

11 (a) *FINDINGS.—The Senate finds that—*

12           (1) *the crises of poverty, high unemployment,*  
13 *out-migration, and job loss in America’s inner-cities,*  
14 *rural areas and Indian reservations demands an ap-*  
15 *propriate and timely response from Congress;*

16           (2) *manufacturing and industry has largely dis-*  
17 *appeared from many United States inner cities and*  
18 *rural areas. This, in turn, has led to the severe de-*  
19 *cline in good high-wage jobs, wholesale trade, retail*  
20 *businesses, and a large source of local tax revenues;*

21           (3) *encouraging small and medium-sized busi-*  
22 *nesses, which create the majority of new jobs in the*  
23 *United States economy, to locate and invest in poor*  
24 *areas is one of the keys to revitalizing urban and*  
25 *rural America;*

1           (4) *Enterprise Zones will help attract businesses*  
2           *to build and grow in poor areas; they will give people*  
3           *incentives to invest in such businesses and to hire and*  
4           *train both unemployed and economically disadvan-*  
5           *taged individuals; they will create jobs and stimulate*  
6           *entrepreneurship; and they will help restore the local*  
7           *tax revenue base to these communities;*

8           (5) *the decline of small industry in rural areas*  
9           *has caused thousands of people to leave such areas,*  
10          *thus hastening the decay of rural communities and*  
11          *leaving the elderly in particular stranded without the*  
12          *help of family and younger neighbors;*

13          (6) *Enterprise Zones have been tested in 37*  
14          *States since 1982 and have proven to be successful,*  
15          *having generated capital investments in poor neigh-*  
16          *borhoods in excess of \$28,000,000,000 and having cre-*  
17          *ated more than 258,000 jobs; and*

18          (7) *Enterprise Zones have been endorsed by,*  
19          *among others, the National Governors Association, the*  
20          *National Council of State Legislators, the Council of*  
21          *Black State Legislators, the Conference of Mayors,*  
22          *and the Conference of Black Mayors.*

23          (b) *DEFINITIONS.*—

24                 (1) *The term “Enterprise Zone” means any eco-*  
25                 *nomically distressed urban area, rural area, or In-*

1     *dian reservation designated by the Secretaries of*  
2     *Housing and Urban Development, Agriculture or In-*  
3     *terior for special regulatory and tax treatment, and*  
4     *for the targeting of Federal, State, and local programs*  
5     *for the purposes of providing economic revitalization,*  
6     *economic development, and job creation;*

7             (2) *The term “empowerment zone” means any*  
8     *designated enterprise zone which is designated to re-*  
9     *ceive the full package of regulatory and tax relief and*  
10    *targeted programs as provided for by the enterprise*  
11    *zone program; and*

12            (3) *The term “enterprise community” means any*  
13    *area eligible for enterprise zone designation and ulti-*  
14    *mately designated by the Secretaries of Housing and*  
15    *Urban Development, Agriculture, or the Interior but*  
16    *does not receive the full package regulatory relief, tax*  
17    *relief and targeted programs.*

18    (c) *SENSE OF THE SENATE.—It is the Sense of the*  
19    *Senate that—*

20            (1) *enterprise zones are a vital, proven tool for*  
21    *inner-city, rural, and Indian reservation revitaliza-*  
22    *tion and that Congress should adopt Federal enter-*  
23    *prise zone legislation;*

24            (2) *to insure cooperation and coordination*  
25    *among Federal agencies and to provide targeted regu-*

1     *latory relief, such legislation shall include the estab-*  
2     *lishment of an Enterprise Board to development the*  
3     *selection criteria and to waive any provision of Fed-*  
4     *eral law or regulation administered by the Secretary*  
5     *of the Department's of Housing and Urban Develop-*  
6     *ment, Agriculture, Health and Human Services,*  
7     *Labor, or Education, if the Board determines the*  
8     *waiver is necessary for achievement of the comprehen-*  
9     *sive strategic plan of an enterprise zone;*

10           *(3) to adequately and substantially address the*  
11     *crisis in urban and rural America, such legislation*  
12     *shall include at least 75 empowerment zones; and*

13           *(4) each empowerment zone shall include each of*  
14     *the following provisions:*

15                   *(A) Enterprise Grants for implementing*  
16     *local coordinated strategic plans such as:*

17                           *(i) creating new, coordinated delivery*  
18     *systems for relevant government services;*

19                           *(ii) creating community lending or*  
20     *micro-enterprise loan funds;*

21                           *(iii) providing technical assistance, en-*  
22     *trepreneurial support, workforce skill pro-*  
23     *grams, and job-search and job matching*  
24     *networks in the labor market;*

1                   (iv) leveraging private matching sup-  
2                   port; and

3                   (v) matching funds for community de-  
4                   velopment corporations;

5                   (B) Community Policing Grants to increase  
6                   police presence, expand cooperative efforts be-  
7                   tween law enforcement and the community, and  
8                   to assure public safety;

9                   (C) Innovative programs and zone priority  
10                  investments of existing Federal agency funds tar-  
11                  geted towards empowerment zones;

12                  (D) Tax incentives aimed at reducing both  
13                  capital and labor costs associated with operation  
14                  of a business in an empowerment zone;

15                  (E) Tax incentives aimed at attracting eq-  
16                  uity investments, including venture and seed  
17                  capital, in start-up or small enterprise zone  
18                  businesses; and

19                  (F) Tax incentives to encourage the hiring  
20                  and training of economically disadvantaged in-  
21                  dividuals;

22                  (5) Because the migration of jobs from rural  
23                  areas has caused many families to migrate too, the  
24                  indications of distress are different for rural than for  
25                  urban areas. Specifically, in determining whether a

1        *rural area is eligible for an enterprise zone, the fac-*  
2        *tors shall include job loss and out-migration, rather*  
3        *than just the poverty rate, which is an appropriate*  
4        *factor for urban areas.*

5        **SEC. 15002. AMERICAN CITIZENS ANNUAL REPORT ACT.**

6        (a) *SHORT TITLE.*—*This section may be cited as the*  
7        *“American Citizens Annual Report Act”.*

8        (b) *FINDINGS AND PURPOSES.*—

9                (1) *FINDINGS.*—*The Congress makes the follow-*  
10        *ing findings:*

11                        (A) *Publicly owned corporations provide*  
12                        *shareholders with an annual report on the finan-*  
13                        *cial status of the corporation.*

14                        (B) *Americans are entitled to an annual re-*  
15                        *port on the financial status of the Federal Gov-*  
16                        *ernment, as all citizens share an interest in the*  
17                        *financial well-being of our Federal Government.*  
18                        *Accurate, consistent, and broadly distributed re-*  
19                        *porting on the Nation’s finances are central to*  
20                        *the conduct of democracy.*

21                        (C) *Recent Federal budget deficits have re-*  
22                        *sulted in more than a tripling of the Federal*  
23                        *debt. With prospects for enormous Federal budget*  
24                        *deficits for the next several years, the debt is a*

1           *burden that affects the present and future gen-*  
2           *erations of Americans.*

3           *(D) The actual financial performance of the*  
4           *Federal Government often differs from the budget*  
5           *by tens, even hundreds, of billions of dollars. For*  
6           *example, the fiscal year 1991 budget was to re-*  
7           *sult in a deficit of \$63,000,000,000. Instead, the*  
8           *actual deficit for the year was \$268,700,000,000.*

9           *(E) The Chief Financial Officers Act is*  
10          *leading agencies to develop reliable and relevant*  
11          *financial information that is to be useful to the*  
12          *public, including audited financial statements.*

13          *(F) The Federal Government continues to*  
14          *lose billions of dollars each year through fraud,*  
15          *waste, abuse, and mismanagement. Standardized*  
16          *reporting to the public is essential to the im-*  
17          *provement of accountability of public programs.*

18          *(G) The growing Federal debt is hindering*  
19          *economic growth and competitiveness, and ulti-*  
20          *mately, reduces the standard of living of all*  
21          *Americans.*

22          *(2) PURPOSES.—The purposes of this section are*  
23          *to—*

1           (A) provide the American taxpayer with an  
2           annual report on the financial status of the Fed-  
3           eral Government;

4           (B) increase the participation and aware-  
5           ness of the public in finding solutions to the Fed-  
6           eral Government's budget problems;

7           (C) require the President, Congressional  
8           leaders, and the chief financial officers of the  
9           Government to report to the public on the well-  
10          being of the Federal Government's finances as a  
11          part of their fiduciary responsibilities; and

12          (D) bring a public focus to efforts already  
13          underway that seek to develop and improve fi-  
14          nancial standards, annual reporting, and sys-  
15          tems in the agencies of the Federal Government.

16          (c) ANNUAL REPORT.—Section 3513 of title 31, United  
17          States Code, is amended by adding at the end thereof the  
18          following:

19               “(d)(1) The Secretary of the Treasury shall distribute  
20          to all taxpayers described in paragraph (6) an annual re-  
21          port (referred to in this subsection as the ‘annual report’)  
22          containing—

23                       “(A) the most recent 5-year actual trends in  
24          Federal receipts, expenditures, fund balances, assets  
25          and liabilities, and debts by major category or source,



1 *along with a brief description of those trends for the*  
2 *most recent year;*

3 *“(B) a comparison of the actual Federal spend-*  
4 *ing and revenues by major category or source for the*  
5 *most recent fiscal year—*

6 *“(i) to the budget request estimates as sub-*  
7 *mitted by the President for that year; and*

8 *“(ii) to the enacted budget,*  
9 *along with notes explaining differences;*

10 *“(C) statements from the President, the Majority*  
11 *Leader of the Senate, and the Speaker of the House*  
12 *of Representatives regarding significant aspects of the*  
13 *Government’s financial performance; and*

14 *“(D) any other relevant information on the Gov-*  
15 *ernment’s performance and contributions to economic*  
16 *growth, productivity, and investment in infrastruc-*  
17 *ture recommended for inclusion by the advisory com-*  
18 *mittee and deemed appropriate by the Director of the*  
19 *Office of Management and Budget.*

20 *“(2)(A) Preparation and content of the annual report*  
21 *shall be supervised and directed by the Director of the Office*  
22 *of Management and Budget.*

23 *“(B) There is established an advisory committee to*  
24 *provide the Director of the Office of Management and Budg-*  
25 *et with comments and suggestions on the design and content*

1 *of the annual report. The advisory committee shall consist*  
2 *of 9 members as follows:*

3           “(i) 3 members to be appointed by the President.

4           “(ii) 2 members to be appointed by the Majority  
5 *Leader of the Senate.*

6           “(iii) 1 member to be appointed by the Minority  
7 *Leader of the Senate.*

8           “(iv) 2 members to be appointed by the Speaker  
9 *of the House of Representatives.*

10           “(v) 1 member to be appointed by the Minority  
11 *Leader of the House of Representatives.*

12           “(3) *The annual report shall contain a statement of*  
13 *assurance by the Director of the Office of Management and*  
14 *Budget and an audit opinion the Comptroller General at-*  
15 *testing to the reliability and relevancy accuracy of the in-*  
16 *formation contained in the annual report.*

17           “(4) *The annual report shall be prepared annually in*  
18 *a timely fashion after the close of each fiscal year. If the*  
19 *final annual report for a fiscal year is not available within*  
20 *3 calendar months after the close of that fiscal year, a pre-*  
21 *liminary annual report shall be prepared and published*  
22 *within that period containing substantially all the material*  
23 *described in subparagraphs (A) and (B) of paragraph (1)*  
24 *and the final annual report shall be prepared and published*  
25 *as soon as possible thereafter.*

1       “(5)(A) In the case of any booklet of instructions for  
2 Form 1040, 1040A, or 1040EZ prepared by the Secretary  
3 for filing individual income tax returns for taxable years  
4 beginning in any calendar year, the Secretary shall include  
5 on the front inside cover of such booklet of instructions (in  
6 addition to the information required in subsection (a) of  
7 section 7523 of the Internal Revenue Code of 1986) a sum-  
8 mary of the annual report prepared by the Director.

9       “(B) The summary referred to in subparagraph (A)  
10 shall—

11               “(i) include the cumulative Federal debt at the  
12 end of each of the 10 preceding fiscal years expressed  
13 in total dollars and in dollars per capita;

14               “(ii) include the Federal deficit for each of the  
15 10 preceding years expressed in total dollars and dol-  
16 lars per capita; and

17               “(iii) be presented in a manner that is easily  
18 comprehensible to a taxpayer.

19       “(6)(A) A taxpayer is described in this paragraph if  
20 such taxpayer designates on the form for the return of the  
21 tax imposed by chapter 1 of the Internal Revenue Code of  
22 1986 for any taxable year that such taxpayer desires a copy  
23 of the annual report described in this subsection and, in  
24 cases where a taxpayer requests more than one copy of the

1 report, submits a processing fee (if any) as described in  
2 paragraph (7).

3 “(B) Space shall be made available for the designation  
4 referred to in subparagraph (A) on the first page of the tax  
5 return forms for such tax.

6 “(7) Notwithstanding any other provision of law, the  
7 Secretary of the Treasury may impose a processing fee or  
8 may accept contributions from corporations, foundations,  
9 and other private entities for distribution or preparation  
10 of the report, or both.”.

11 (d) AUTHORIZATION.—For the purpose of carrying out  
12 the provisions of the amendment made by this section, there  
13 are authorized to be appropriated to the Secretary of the  
14 Treasury and the Director of the Office of Management and  
15 Budget \$10,000,000 for fiscal year 1994, and such sums as  
16 may be necessary for fiscal years 1995, 1996, 1997 and  
17 1998. These amounts shall include any funds raised through  
18 the authority established in section 3513(d)(7) of title 31,  
19 United States Code, as added by this section.

Attest:

Secretary.

HR 2264 EAS—2  
HR 2264 EAS—3  
HR 2264 EAS—4  
HR 2264 EAS—5  
HR 2264 EAS—6  
HR 2264 EAS—7  
HR 2264 EAS—8  
HR 2264 EAS—9  
HR 2264 EAS—10  
HR 2264 EAS—11  
HR 2264 EAS—12  
HR 2264 EAS—13  
HR 2264 EAS—14  
HR 2264 EAS—15  
HR 2264 EAS—16  
HR 2264 EAS—17  
HR 2264 EAS—18  
HR 2264 EAS—19  
HR 2264 EAS—20  
HR 2264 EAS—21  
HR 2264 EAS—22  
HR 2264 EAS—23  
HR 2264 EAS—24  
HR 2264 EAS—25  
HR 2264 EAS—26

HR 2264 EAS—27  
HR 2264 EAS—28  
HR 2264 EAS—29  
HR 2264 EAS—30  
HR 2264 EAS—31  
HR 2264 EAS—32  
HR 2264 EAS—33  
HR 2264 EAS—34  
HR 2264 EAS—35  
HR 2264 EAS—36  
HR 2264 EAS—37  
HR 2264 EAS—38  
HR 2264 EAS—39  
HR 2264 EAS—40  
HR 2264 EAS—41  
HR 2264 EAS—42  
HR 2264 EAS—43  
HR 2264 EAS—44  
HR 2264 EAS—45  
HR 2264 EAS—46  
HR 2264 EAS—47  
HR 2264 EAS—48  
HR 2264 EAS—49  
HR 2264 EAS—50  
HR 2264 EAS—51

HR 2264 EAS—	52
HR 2264 EAS—	53
HR 2264 EAS—	54
HR 2264 EAS—	55
HR 2264 EAS—	56
HR 2264 EAS—	57
HR 2264 EAS—	58
HR 2264 EAS—	59
HR 2264 EAS—	60
HR 2264 EAS—	61
HR 2264 EAS—	62
HR 2264 EAS—	63
HR 2264 EAS—	64
HR 2264 EAS—	65
HR 2264 EAS—	66
HR 2264 EAS—	67
HR 2264 EAS—	68
HR 2264 EAS—	69
HR 2264 EAS—	70
HR 2264 EAS—	71
HR 2264 EAS—	72