

103^D CONGRESS
1ST SESSION

H. R. 2441

To amend the Internal Revenue Code of 1986 to allow a deduction for fees for sewer and water services to the extent such fees exceed 1 percent of adjusted gross income, and to offset the cost of such deduction by disallowing the deduction for amounts paid pursuant to settlements and for compensatory damages under certain environmental laws.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 1993

Mr. STUDDS (for himself, Mr. NEAL of Massachusetts, Mr. MOAKLEY, Mr. MARKEY, Mr. KENNEDY, Mr. MEEHAN, Mr. FRANK of Massachusetts, Mr. OLVER, Mr. MENENDEZ, Mr. FILNER, Mr. KOPETSKI, Mr. ACKERMAN, Mr. COLEMAN, Ms. MCKINNEY, Mrs. UNSOELD, Mr. HUGHES, Mr. THOMPSON, Mr. HAMBURG, Ms. SCHENK, Mr. DEUTSCH, Mr. HASTINGS, and Ms. FURSE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for fees for sewer and water services to the extent such fees exceed 1 percent of adjusted gross income, and to offset the cost of such deduction by disallowing the deduction for amounts paid pursuant to settlements and for compensatory damages under certain environmental laws.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Sewer and Water Fee
3 Deductibility Act of 1993”.

4 **SEC. 2. DEDUCTION FOR LOCAL SEWER AND WATER FEES.**

5 (a) IN GENERAL.—Subsection (b) of section 164 of
6 the Internal Revenue Code of 1986 is amended by redesi-
7 gnating paragraphs (3) and (4) as paragraphs (4) and (5),
8 respectively, and by inserting after paragraph (2) the fol-
9 lowing new paragraph:

10 “(3) DEDUCTION ALLOWED FOR LOCAL SEWER
11 AND WATER FEES.—

12 “(A) IN GENERAL.—To the extent that the
13 amount of local sewer and water fees paid or
14 accrued during any taxable year exceeds 1 per-
15 cent of adjusted gross income, such fees shall
16 be allowed as a deduction under subsection (a)
17 in the same manner as local real property taxes.

18 “(B) DEFINITION.—For purposes of sub-
19 paragraph (A), the term ‘local sewer and water
20 fees’ means any amount imposed by a local gov-
21 ernment, State government (or any agency or
22 instrumentality thereof), or by the District of
23 Columbia as a charge for sewer or water serv-
24 ice. Such term shall not include any amount al-
25 lowable as a deduction without regard to this
26 paragraph.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to taxable years beginning after
3 December 31, 1993.

4 **SEC. 3. DENIAL OF DEDUCTION FOR PAYMENTS UNDER**
5 **SETTLEMENT AGREEMENTS AND FOR COM-**
6 **PENSATORY DAMAGES UNDER CERTAIN EN-**
7 **VIRONMENTAL LAWS.**

8 (a) GENERAL RULE.—Part IX of subchapter B of the
9 Internal Revenue Code of 1986 (relating to certain items
10 not deductible) is amended by adding at the end thereof
11 the following new section:

12 **“SEC. 280I. DISALLOWANCE OF PAYMENTS UNDER SETTLE-**
13 **MENT AGREEMENTS AND FOR COMPEN-**
14 **SATORY DAMAGES UNDER CERTAIN ENVI-**
15 **RONMENTAL LAWS.**

16 “(a) GENERAL RULE.—No deduction shall be allowed
17 for amounts paid—

18 “(1) to any agency of the United States pursu-
19 ant to any environmental settlement,

20 “(2) for costs of activities carried out pursuant
21 to any environmental settlement, or

22 “(3) to any person or government as a payment
23 in the nature of compensatory damages relating to
24 a violation or potential violation under any applica-
25 ble environmental law.

1 “(b) DEFINITIONS.—For purposes of this section—

2 “(1) ENVIRONMENTAL SETTLEMENT.—The
3 term ‘environmental settlement’ means any settle-
4 ment of a claim (or potential claim) of a violation of
5 any provision of an applicable environmental law if
6 the payment of any fine or penalty for such violation
7 would not be allowed as a deduction under this
8 chapter.

9 “(2) APPLICABLE ENVIRONMENTAL LAW.—The
10 term ‘applicable environmental law’ means—

11 “(A) the Oil Pollution Act of 1990,

12 “(B) the Federal Water Pollution Control
13 Act,

14 “(C) the Comprehensive Environmental
15 Response, Compensation, and Liability Act of
16 1980,

17 “(D) the Solid Waste Disposal Act,

18 “(E) the Marine Protection, Research and
19 Sanctuaries Act,

20 “(F) the Clean Air Act, and

21 “(G) the Emergency Planning and Com-
22 munity Right-To-Know Act.

23 “(3) SETTLEMENT.—The term ‘settlement’ in-
24 cludes any consent decree and any contractual un-
25 derstanding.”

1 (b) PROHIBITION AGAINST OFFSET BY NET OPERAT-
2 ING LOSS DEDUCTION.—Section 172 of such Code is
3 amended by redesignating subsection (i) as subsection (j)
4 and by inserting after subsection (h) the following new
5 subsection:

6 “(i) LIMITATION ON USE TO OFFSET DEDUCTIONS
7 DISALLOWED UNDER SECTION 280I.—The deduction al-
8 lowed under this section shall not reduce taxable income
9 for any taxable year to an amount less than the amount
10 disallowed under section 280I for such taxable year. Ap-
11 propriate adjustments in the application of subsection
12 (b)(2) shall be made to take into account the provisions
13 of this subsection.”.

14 (c) CLERICAL AMENDMENT.—The table of sections
15 for part IX of subchapter B of chapter 1 of such Code
16 is amended by adding at the end thereof the following new
17 item:

“Sec. 280I. Disallowance of payments under settlement agree-
ments and for compensatory damages under certain
environmental laws.”

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to amounts paid after the date of
20 the enactment of this Act.

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