''(A) IN GENERAL.—The term 'modified adjusted gross income' means adjusted gross income—

''(i) increased by the sum of the amounts described in subparagraph (B), and

''(ii) determined without regard to the amounts described in subparagraph (C).

''(B) NONTAXABLE INCOME TAKEN INTO ACCOUNT.—Amounts described in this subparagraph are—

''(i) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, and

''(ii) amounts received as a pension or annuity, and any distributions or payments received from an individual retirement plan, by the taxpayer during the taxable year to the extent not included in gross income.

Clause (ii) shall not include any amount which is not includible in gross income by reason of section 402(c), 403(a)(4), 403(b)(8), 408(d) (3), (4), or (5), or 457(e)(10).

''(C) CERTAIN AMOUNTS DISREGARDED.—An amount is described in this subparagraph if it is—

''(i) the amount of losses from sales or exchanges of capital assets in excess of gains from such sales or exchanges to the extent such amount does not exceed the amount under section 1211(b)(1),

''(ii) the net loss from estates and trusts,

''(iii) the excess (if any) of amounts described in subsection (i)(2)(C)(ii) over the amounts described in subsection (i)(2)(C)(i) (relating to nonbusiness rents and royalties), and

''(iv) the net loss from the carrying on of trades or businesses, computed separately with respect to—

''(I) trades or businesses (other than farming) conducted as sole proprietorships,

''(II) trades or businesses of farming conducted as sole proprietorships, and

''(III) other trades or businesses.

For purposes of clause (iv), there shall not be taken into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1995.

(2) ADVANCE PAYMENT INDIVIDUALS.—In the case of any individual who on or before June 26, 1996, has in effect an earned income eligibility certificate for the individual's taxable year beginning in 1996, the amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2812. SUSPENSION OF INFLATION ADJUSTMENTS FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.

(a) IN GENERAL.—Subsection (j) of section 32 of the Internal Revenue Code of 1986, as amended by section 2911(a)(2) of this Act, is amended by adding at the end the following new paragraph:

''(3) NO ADJUSTMENT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.—This subsection shall not apply to each dollar amount contained in subsection (b)(2)(A) with respect to individuals with no qualifying children.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2813. REFUNDABLE CREDIT FOR ADOPTION EXPENSES.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ADOPTION EXPENSES.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year the amount of the qualified adoption expenses paid or incurred by the taxpayer during such taxable year.

''(b) LIMITATIONS.—

''(1) DOLLAR LIMITATION.—The aggregate amount of qualified adoption expenses which may be taken into account under subsection (a) with respect to the adoption of a child shall not exceed $5,000.

''(2) INCOME LIMITATION.—The amount allowable as a credit under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this paragraph but with regard to paragraph (1)) as—

''(A) the amount (if any) by which the taxpayer's adjusted gross income exceeds $60,000, bears to

''(B) $40,000.

''(3) DENIAL OF DOUBLE BENEFIT.—

''(A) IN GENERAL.—No credit shall be allowed under subsection (a) for any expense for which a deduction or credit is allowable under any other provision of this chapter.

''(B) GRANTS.—No credit shall be allowed under subsection (a) for any expense to the extent that funds for such expense are received under any Federal, State, or local program.

''(c) QUALIFIED ADOPTION EXPENSES.—For purposes of this section, the term 'qualified adoption expenses' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal and finalized adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement. The term 'qualified adoption expenses' shall not include any expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse.

''(d) MARRIED COUPLES MUST FILE JOINT RETURNS.—Rules similar to the rules of paragraphs (2), (3), and (4) of section 21(e) shall apply for purposes of this section.''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the last item and inserting the following:

''Sec. 35. Adoption expenses.

''Sec. 36. Overpayments of tax.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2814. EXCLUSION OF ADOPTION ASSISTANCE.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by redesignating section 137 as section 138 and by inserting after section 136 the following new section:

''SEC. 137. ADOPTION ASSISTANCE.

''(a) IN GENERAL.—Gross income of an employee does not include employee adoption assistance benefits, or military adoption assistance benefits, received by the employee with respect to the employee's adoption of a child.

''(b) DEFINITIONS.—For purposes of this section—

''(1) EMPLOYEE ADOPTION ASSISTANCE BENEFITS.—The term 'employee adoption assistance benefits' means payment by an employer of qualified adoption expenses with respect to an employee's adoption of a child, or reimbursement by the employer of such qualified adoption expenses paid or incurred by the employee in the taxable year.

''(2) EMPLOYER AND EMPLOYEE.—The terms 'employer' and 'employee' have the respective meanings given such terms by section 127(c).

''(3) MILITARY ADOPTION ASSISTANCE BENEFITS.—The term 'military adoption assistance benefits' means benefits provided under section 1052 of title 10, United States Code, or section 514 of title 14, United States Code.

''(4) QUALIFIED ADOPTION EXPENSES.—The term 'qualified adoption expenses' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal and finalized adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement. The term 'qualified adoption expenses' shall not include any expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse.

''(c) COORDINATION WITH OTHER PROVISIONS.—The Secretary shall issue regulations to coordinate the application of this section with the application of any other provision of this title which allows a credit or deduction with respect to qualified adoption expenses.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by striking the item relating to section 137 and inserting the following new items:

''Sec. 137. Adoption assistance.

''Sec. 138. Cross references to other Acts.''.

(c) EFFECTIVE DATE.—The amendments made this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2815. WITHDRAWAL FROM IRA FOR ADOPTION EXPENSES.

(a) IN GENERAL.—Subsection (d) of section 408 of the Internal Revenue Code of 1986 (relating to tax treatment of distributions) is amended by adding at the end the following new paragraph:

''(8) QUALIFIED ADOPTION EXPENSES.—

''(A) IN GENERAL.—Any amount which is paid or distributed out of an individual retirement plan of the taxpayer, and which would (but for this paragraph) be includible in gross income, shall be excluded from gross income to the extent that—

''(i) such amount exceeds the sum of—

''(I) the amount excludable under section 137, and

''(II) any amount allowable as a credit under this title with respect to qualified adoption expenses; and

''(ii) such amount does not exceed the qualified adoption expenses paid or incurred by the taxpayer during the taxable year.

''(B) QUALIFIED ADOPTION EXPENSES.—For purposes of this paragraph, the term 'qualified adoption expenses' has the meaning given such term by section 137.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1996.

FOOD QUALITY PROTECTION ACT

Mr. MCCONNELL. I ask unanimous consent that the Senate proceed to the consideration of H.R. 1627 which was received from the House.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 1627) to amend the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LUGAR. Today, the Senate takes final action on the Food Quality Protection Act. The legislation before us today passed the House on July 23 by a vote of 417 to 0.

I commend our colleagues in the House for this bipartisan compromise to reform the Delaney clause. Chairman BLILEY, Representative DINGELL, and Representative WAXMAN are to be commended for their efforts. I also want to thank my counterparts on the House Agriculture Committee, Chairman ROBERTS and Representative DE LA GARZA.

This bill represents a carefully crafted compromise. A large list of consumer groups, environmental organizations, food industry organizations, and farm groups support the bill. The administration has indicated the President will sign the bill.

The bill reforms the scientifically outdated Delaney clause enacted in 1958. The Delaney clause ignores the concept of risk. As science continues to develop new means of detecting even the smallest amount of substance in food, the Delaney clause would force more and more safe products off the market.

The compromise bill sets a ''safe'' standard for both raw and processed food. Safe is defined as ''a reasonable certainty that no harm will result from aggregate exposure to pesticide chemical residue.''

The bill also allows for the consideration of benefits when setting tolerances, but limits how much additional risk is acceptable as a tradeoff for benefits. As recommended by the National Academy of Sciences in 1993, EPA is required to give special consideration to infants and children when setting pesticide residue tolerances. For pesticides with threshold effects, an additional tenfold margin of safety shall be applied for infants and children, except EPA may use a different margin of safety on the basis of reliable data.

National uniformity of tolerances is maintained with some exceptions. Uniformity does not apply to warning labels like Prop 65.

The bill contains provisions to encourage development of new minor use pesticides without compromising food safety or adversely affecting the environment.

The bill also addresses antimicrobial registrations by expediting registration procedures for antimicrobial pesticides.

The bill extends EPA authorization to collect $14 million annually in reregistration fees—a provision strongly endorsed by the Environmental Protection Agency.

Finally, I want to commend Senator PRYOR for his efforts to reform the Delaney clause and his strong support for the legislation we introduced. Senator KASSEBAUM, chairman of the Labor and Human Resources Committee, has been a strong supporter of Delaney reform as an original cosponsor of S. 1166 and is supportive of our efforts to move forward. I also want to thank Senator LEAHY for his support of this compromise and his willingness to work to move this bill through the Senate.

I am pleased that we have a compromise bill before us that will reform the outdated Delaney clause and help ensure the continued availability of a safe, affordable and abundant food supply in our Nation. I urge my colleagues to support this important legislation.

I ask unanimous consent to have printed in the RECORD three letters from Dr. Lynn Goldman, Assistant Administrator, Environmental Protection Agency.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, DC, July 23, 1996.

Hon. RICHARD LUGAR,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I am writing to clarify some questions your staff has raised concerning certain provisions of H.R. 1627 as unanimously approved by the House of Representatives.

The first issue relates to the tenfold additional margin of safety when assessing risks to infants and children during tolerance evaluations. We have clarified this issue through a letter dated July 23, 1996 to Chairman Bliley (enclosed), and would like to clarify one more point:

Under this provision, as an uncertainty factor, we would require an additional tenfold margin of safety if the Agency does not have complete and reliable data to assess pre or postnatal toxicity relating to infants and children, or if the data indicate pre or postnatal effects of concern. When the data are incomplete, we use an additional uncertainty factor between three and ten based on how much information is incomplete. The data EPA would consider include data submitted in compliance with EPA testing requirements, available data published in the scientific literature, and any other data available to EPA and meeting general scientific standards. Where reproductive and developmental data have been found acceptable by EPA, and the data do not indicate potential pre or postnatal effects of concern, the additional tenfold margin of safety would not be applied.

The second issue regards administrative hearings. With respect to hearings under section 408 (g)(2)(B), EPA will determine whether there are issues of material fact on which a public hearing should be held. Issues of material fact may include, for example, issues as to the magnitude of risk or whether an effect is a threshold or non-threshold effect. Where issues of material fact are raised, and relevant factual information is at issue, the Administrator is required to grant a request for a public hearing.

The third issue regards the classification of certain chemicals as threshold or non-threshold effects. For purposes of the determination of safety under Section 408 (b)(2)(A)(ii), chemicals which currently are classified as Category C carcinogens with no quantification of risk would be treated under the standard applicable to threshold effects.

The Office of management and budget advises that there is no objection to the presentation of these views from the standpoint of the President's program.

Sincerely,

LYNN R. GOLDMAN, M.D.,
Assistant Administrator.

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, DC, July 23, 1996.

Hon. RICHARD LUGAR,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I am writing in response to your question concerning the Agency's Special Review of the pesticide atrazine. As you know, atrazine has been in Special Review since November 1994, and currently we are reviewing the additional information submitted by the registrant and the public comments.

Specifically, you have asked whether possible changes in the Federal Food, Drug, and Cosmetic Act (FFDCA) might obviate the need for completion of the atrazine Special Review under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA).

H.R. 1627 as enacted by the House of Representatives contains numerous provisions changing the way we assess tolerances for pesticide residues on food. However, should the bill become law, the Special Review of atrazine would continue as we assess the data submitted by the registrant and others. Our plans for completion of the next step in the Special Review process, the issuance of what we call ''Position Document 2/3,'' remains unchanged. Completion of this document is now planned for late 1997.

We would not expect to examine the tolerances associated with the current uses of atrazine until the later stages of the Special Review process, that is at the ''Position Document 4'' stage.

Commonly, as part of our Special Review process, the Agency discusses risk reduction measures on a continuing basis with the registrant and affected grower community. These are often a valuable part of the pesticide regulatory decision process. Obviously, if the risk issues are resolved through this process, we would terminate the Special Review.

The Office of Management and Budget advises that there is no objection to the presentation of these views from the standpoint of the President's program.

Sincerely,

LYNN R. GOLDMAN, M.D.,
Assistant Administrator.

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, DC, July 23, 1996.

Hon. THOMAS BLILEY,
Chairman, Committee on Commerce, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: We are writing to clarify questions regarding the provision in H.R. 1627 as passed by the Committee on Commerce concerning the ten-fold additional margin of safety when assessing risks to infants and children during tolerance evaluations. We believe that this language when applied with the general safety standard, would provide EPA with an important tool to implement the recommendations found in the National Academy of Sciences' report, Pesticides in the Diets of Infants and Children.

We believe that this provision is consistent with the recommendations found in that report (see attached), and would allow the Agency to ensure that pesticide tolerances are safe for children in those situations where an additional margin of safety is necessary to account for inadequate or otherwise incomplete data. This language provides the Agency with discretion, based on

sound science, to set the margin of safety at an appropriate level to protect infants and children.

This provision is consistent with current Agency risk assessment practices. We have the been actively working to implement the NAS recommendations, and are using the best available science to assess risks to infants and children in a manner consistent with those recommendations. In doing so, EPA scientists exercise their best judgment, based on reliable data, to determine whether studies accurately reflect the risk to children or if an additional margin of safety of up to ten is required. When the data are incomplete, we use an additional uncertainty factor between three and ten based on how much information is incomplete.

We believe that the language passed by the Committee on Commerce strikes the proper balance in setting a strong standard to protect children while giving EPA the discretion to use the best available science. We are pleased that the children's standard will allow us to assure the public that all foods are safe for children.

The Office of Management and Budget advises that there is no objection to the presentation of these views from the standpoint of the President's program.

Sincerely,

LYNN R. GOLDMAN, M.D.,
Assistant Administrator.

PESTICIDES IN THE DIETS OF INFANTS AND CHILDREN

(National Academy of Sciences Recommendations, page 9)

Uncertainty factors.—For toxic effects other than cancer or heritable mutation, uncertainty factors are widely used to establish guidelines for human exposure on the basis of animal testing results. This is often done by dividing the no-observed-effect level (NOEL) found in animal tests by an uncertainty factor of 100-fold. This factor comprises two separate factors of 10-fold each; one allows for uncertainty in extrapolating data from animals to humans; the other accommodates variation within the human population. Although the committee believes that the latter uncertainty factor generally provides adequate protection for infants and children, this population subgroup may be uniquely susceptible to chemical exposures at particularly sensitive stages of development.

At the present, to provide added protection during early development, a third uncertainty factor of 10 is applied to the NOEL to develop the RfD. This third 10-fold factor has been applied by the EPA and FDA whenever toxicity studies and metabolic/disposition studies have shown fetal developmental effects.

Because there exist specific periods of vulnerability during postnatal development, the committee recommends that an uncertainty factor up to the 10-fold factor traditionally used by EPA and FDA for fetal developmental toxicity should also be considered when there is evidence of postnatal developmental toxicity and when data from toxicity testing relative to children are incomplete. The committee wishes to emphasize that this is not a new, additional uncertainty factor but, rather, an extended application of an uncertainty factor now routinely used by the agencies for a narrower purpose.

In the absence of data to the contrary, there should be a presumption of greater toxicity to infants and children. To validate this presumption, the sensitivity of mature and immature individuals should be studied systematically to expand the current limited data base on relative sensitivity.

Mr. PRYOR. Mr. President, today marks the conclusion of a monumental effort by numerous individuals and organizations to finally update food safety laws of this country. With the help of the Clinton administration, members of both the Agriculture and Labor Committees—particularly Senator LUGAR, the chief sponsor of the bill in the Senate—as well as our colleagues in the House, passage of the Food Quality Protection Act has finally become a reality.

This legislation at long last updates the famed Delaney Clause which was first enacted in the 1950's, but became obsolete with the advances in science and technology. Although the provision served a very useful purpose in its day, we have recently found ourselves in a situation where the outdated law was working against the ability of the crop protection industry to find safer alternatives for our farmers and ranchers to use in the production of food and fiber.

Again, Mr. President, I want to complement the Clinton administration for helping find a bipartisan solution to a problem that has plagued farmers and consumers for a number of years. The result is consumers continue to have a safe and abundant food supply and that farmers and agribusiness will be treated more fairly by government regulators. It is a clear victory for both farmers and consumers and proves once again that when we work in a bipartisan fashion we're all the better.

CONSUMER RIGHT TO KNOW SECTION

Mr. SANTORUM. As we prepare to vote on H.R. 1627, I wish to seek clarification on the consumer right to know section if Chairman LUGAR would be kind enough to respond.

Mr. LUGAR. What clarification is the Senator seeking?

Mr. SANTORUM. It is my understanding that under the consumer right to know section, the administrator of EPA in consultation with the Secretary of Agriculture and the Secretary of Health and Human Services will develop and distribute to large retail grocers information relating to the risks and benefits of pesticide residues in or on food items that are purchased by consumers.

Mr. LUGAR. That is correct.

Mr. SANTORUM. In turn, under this section, grocers are expected to display or make available this information in whatever manner best works for that retail store.

Mr. LUGAR. Yes, the legislation makes this type of information available for display.

Mr. SANTORUM. It is also my understanding under this section that a supermarket would not be held liable for any civil or criminal penalties in the event that the store were to be depleted of its supply of brochures or whatever information is provided by EPA, USDA, and FDA. Nor would a grocer be held liable or have products deemed misbranded if the information is not always available, or in the event the Government fails to provide the information to supermarkets.

Mr. LUGAR. It is clearly not the intent of Congress to penalize supermarkets for failure to display the information. It is our intent, however, for grocery stores to serve as a conduit for the display and dissemination of this information to the greatest extent practical in a manner that will be determined by each store. In other words, we do not intend to impose an unfair burden on grocery stores that would subject them to fines or seizure of products simply because the information is not always available.

Mr. SANTORUM. I appreciate this clarification on the consumer right to know section of the legislation.

Mr. HEFLIN. Mr. President, it would be my understanding that with regard to the authority given the administrator to require a period of not less than 60 days for public comment after issuing a regulation under section 408(e)(1) of the Act that this would apply only to those tolerance petitions submitted after the effective date of the Act.

Mr. LUGAR. The Senator from Alabama is correct.

Mr. MCCONNELL. Mr. President, I ask unanimous consent the bill be deemed read a third time, passed, the motion to reconsider be laid upon the table, and that any statements relating to this measure appear at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (H.R. 1627) was deemed read a third time, and passed.

OFFICE OF GOVERNMENT ETHICS AUTHORIZATION ACT OF 1996

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of calendar No. 429, H.R. 3235.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 3235) to amend the Ethics in Government Act of 1978, to extend the authorization of appropriations for the Office of Government Ethics for three years, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. COHEN. Mr. President, today the Senate will pass H.R. 3235, the Office of Government Ethics [OGE] Authorization Act of 1996. OGE was created by the Ethics in Government Act of 1978 to provide overall direction to the executive branch in developing policies to prevent conflicts of interest and ensure ethical conduct by executive branch officers and employees.

Senator LEVIN and I have long been proponents of strong ethics laws. We serve as the chairman and the ranking minority member on the Subcommittee on Oversight of Government Management and the District of Columbia