

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4738

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, provide tax relief for farmers and small businesses, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 1998

Mr. ARCHER introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, provide tax relief for farmers and small businesses, and for other purposes.

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

3 **SECTION 1. AMENDMENT OF 1986 CODE; TABLE OF CON-**  
4 **TENTS.**

5 (a) AMENDMENT OF 1986 CODE.—Except as other-  
6 wise expressly provided, whenever in this Act an amend-  
7 ment or repeal is expressed in terms of an amendment  
8 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
 2 sion of the Internal Revenue Code of 1986.

3 (b) TABLE OF CONTENTS.—

Sec. 1. Amendment of 1986 Code; table of contents.

TITLE I—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING  
 PROVISIONS

Subtitle A—Tax Provisions

Sec. 101. Research credit.

Sec. 102. Work opportunity credit.

Sec. 103. Income averaging for farmers made permanent.

Sec. 104. Contributions of stock to private foundations; expanded public inspec-  
 tion of private foundations' annual returns.

Sec. 105. Subpart F exemption for active financing income.

Sec. 106. Disclosure of return information on income contingent student loans.

Subtitle B—Generalized System of Preferences

Sec. 111. Extension of Generalized System of Preferences.

TITLE II—OTHER PROVISIONS

Sec. 201. Depreciation study.

Sec. 202. Production flexibility contract payments.

Sec. 203. 100 percent deduction for health insurance costs of self-employed in-  
 dividuals.

Sec. 204. Increase in volume cap on private activity bonds.

Sec. 205. Modification of estimated tax safe harbors.

TITLE III—REVENUE OFFSETS

Sec. 301. Treatment of certain deductible liquidating distributions of regulated  
 investment companies and real estate investment trusts.

Sec. 302. Inclusion of rotavirus gastroenteritis as a taxable vaccine.

Sec. 303. Clarification and expansion of mathematical error assessment proce-  
 dures.

Sec. 304. Clarification of definition of specified liability loss.

TITLE IV—TECHNICAL CORRECTIONS

Sec. 401. Definitions; coordination with other titles.

Sec. 402. Amendments related to Internal Revenue Service Restructuring and  
 Reform Act of 1998.

Sec. 403. Amendments related to Taxpayer Relief Act of 1997.

Sec. 404. Amendments related to Tax Reform Act of 1984.

Sec. 405. Other amendments.

1 **TITLE I—EXTENSION AND MODI-**  
2 **FICATION OF CERTAIN EXPIR-**  
3 **ING PROVISIONS**

4 **Subtitle A—Tax Provisions**

5 **SEC. 101. RESEARCH CREDIT.**

6 (a) **TEMPORARY EXTENSION.**—Paragraph (1) of sec-  
7 tion 41(h) (relating to termination) is amended—

8 (1) by striking “June 30, 1998” and inserting  
9 “December 31, 1999”;

10 (2) by striking “24-month” and inserting “42-  
11 month”; and

12 (3) by striking “24 months” and inserting “42  
13 months”.

14 (b) **TECHNICAL AMENDMENT.**—Subparagraph (D) of  
15 section 45C(b)(1) is amended by striking “June 30, 1998”  
16 and inserting “December 31, 1999”.

17 (c) **EFFECTIVE DATE.**—The amendments made by  
18 this section shall apply to amounts paid or incurred after  
19 June 30, 1998.

20 **SEC. 102. WORK OPPORTUNITY CREDIT.**

21 (a) **TEMPORARY EXTENSION.**—Subparagraph (B) of  
22 section 51(c)(4) (relating to termination) is amended by  
23 striking “June 30, 1998” and inserting “December 31,  
24 1999”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to individuals who begin work for  
3 the employer after June 30, 1998.

4 **SEC. 103. INCOME AVERAGING FOR FARMERS MADE PER-**  
5 **MANENT.**

6 Subsection (c) of section 933 of the Taxpayer Relief  
7 Act of 1997 is amended by striking “, and before January  
8 1, 2001”.

9 **SEC. 104. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDA-**  
10 **TIONS; EXPANDED PUBLIC INSPECTION OF**  
11 **PRIVATE FOUNDATIONS’ ANNUAL RETURNS.**

12 (a) SPECIAL RULE FOR CONTRIBUTIONS OF STOCK  
13 MADE PERMANENT.—

14 (1) IN GENERAL.—Paragraph (5) of section  
15 170(e) is amended by striking subparagraph (D)  
16 (relating to termination).

17 (2) EFFECTIVE DATE.—The amendment made  
18 by paragraph (1) shall apply to contributions made  
19 after June 30, 1998.

20 (b) EXPANDED PUBLIC INSPECTION OF PRIVATE  
21 FOUNDATIONS’ ANNUAL RETURNS, ETC.—

22 (1) IN GENERAL.—Section 6104 (relating to  
23 publicity of information required from certain ex-  
24 empt organizations and certain trusts) is amended

1 by striking subsections (d) and (e) and inserting  
2 after subsection (c) the following new subsection:

3 “(d) PUBLIC INSPECTION OF CERTAIN ANNUAL RE-  
4 TURNS AND APPLICATIONS FOR EXEMPTION.—

5 “(1) IN GENERAL.—In the case of an organiza-  
6 tion described in subsection (c) or (d) of section 501  
7 and exempt from taxation under section 501(a)—

8 “(A) a copy of—

9 “(i) the annual return filed under sec-  
10 tion 6033 (relating to returns by exempt  
11 organizations) by such organization; and

12 “(ii) if the organization filed an appli-  
13 cation for recognition of exemption under  
14 section 501, the exempt status application  
15 materials of such organization,

16 shall be made available by such organization for  
17 inspection during regular business hours by any  
18 individual at the principal office of such organi-  
19 zation and, if such organization regularly main-  
20 tains 1 or more regional or district offices hav-  
21 ing 3 or more employees, at each such regional  
22 or district office; and

23 “(B) upon request of an individual made  
24 at such principal office or such a regional or  
25 district office, a copy of such annual return and

1 exempt status application materials shall be  
2 provided to such individual without charge  
3 other than a reasonable fee for any reproduc-  
4 tion and mailing costs.

5 The request described in subparagraph (B) must be  
6 made in person or in writing. If such request is  
7 made in person, such copy shall be provided imme-  
8 diately and, if made in writing, shall be provided  
9 within 30 days.

10 “(2) 3-YEAR LIMITATION ON INSPECTION OF  
11 RETURNS.—Paragraph (1) shall apply to an annual  
12 return filed under section 6033 only during the 3-  
13 year period beginning on the last day prescribed for  
14 filing such return (determined with regard to any  
15 extension of time for filing).

16 “(3) EXCEPTIONS FROM DISCLOSURE REQUIRE-  
17 MENT.—

18 “(A) NONDISCLOSURE OF CONTRIBUTORS,  
19 ETC.—Paragraph (1) shall not require the dis-  
20 closure of the name or address of any contribu-  
21 tor to the organization. In the case of an orga-  
22 nization described in section 501(d), subpara-  
23 graph (A) shall not require the disclosure of the  
24 copies referred to in section 6031(b) with re-  
25 spect to such organization.

1           “(B) NONDISCLOSURE OF CERTAIN OTHER  
2           INFORMATION.—Paragraph (1) shall not re-  
3           quire the disclosure of any information if the  
4           Secretary withheld such information from pub-  
5           lic inspection under subsection (a)(1)(D).

6           “(4) LIMITATION ON PROVIDING COPIES.—  
7           Paragraph (1)(B) shall not apply to any request if,  
8           in accordance with regulations promulgated by the  
9           Secretary, the organization has made the requested  
10          documents widely available, or the Secretary deter-  
11          mines, upon application by an organization, that  
12          such request is part of a harassment campaign and  
13          that compliance with such request is not in the pub-  
14          lic interest.

15          “(5) EXEMPT STATUS APPLICATION MATE-  
16          RIALS.—For purposes of paragraph (1), the term  
17          ‘exempt status applicable materials’ means the appli-  
18          cation for recognition of exemption under section  
19          501 and any papers submitted in support of such  
20          application and any letter or other document issued  
21          by the Internal Revenue Service with respect to such  
22          application.”.

23          (2) CONFORMING AMENDMENTS.—

24                  (A) Subsection (c) of section 6033 is  
25                  amended by adding “and” at the end of para-

1 graph (1), by striking paragraph (2), and by re-  
2 designating paragraph (3) as paragraph (2).

3 (B) Subparagraph (C) of section  
4 6652(c)(1) is amended by striking “subsection  
5 (d) or (e)(1) of section 6104 (relating to public  
6 inspection of annual returns)” and inserting  
7 “section 6104(d) with respect to any annual re-  
8 turn”.

9 (C) Subparagraph (D) of section  
10 6652(c)(1) is amended by striking “section  
11 6104(e)(2) (relating to public inspection of ap-  
12 plications for exemption)” and inserting “sec-  
13 tion 6104(d) with respect to any exempt status  
14 application materials (as defined in such sec-  
15 tion)”.

16 (D) Section 6685 is amended by striking  
17 “or (e)”.

18 (E) Section 7207 is amended by striking  
19 “or (e)”.

20 (3) EFFECTIVE DATE.—

21 (A) IN GENERAL.—Except as provided in  
22 subparagraph (B), the amendments made by  
23 this subsection shall apply to requests made  
24 after the later of December 31, 1998, or the  
25 60th day after the Secretary of the Treasury



1 first issues the regulations referred to such sec-  
2 tion 6104(d)(4) of the Internal Revenue Code  
3 of 1986, as amended by this section.

4 (B) PUBLICATION OF ANNUAL RETURNS.—  
5 Section 6104(d) of such Code, as in effect be-  
6 fore the amendments made by this subsection,  
7 shall not apply to any return the due date for  
8 which is after the date such amendments take  
9 effect under subparagraph (A).

10 **SEC. 105. SUBPART F EXEMPTION FOR ACTIVE FINANCING**  
11 **INCOME.**

12 (a) INCOME DERIVED FROM BANKING, FINANCING,  
13 OR SIMILAR BUSINESSES.—Section 954(h) (relating to in-  
14 come derived in the active conduct of banking, financing,  
15 or similar businesses) is amended to read as follows:

16 “(h) SPECIAL RULE FOR INCOME DERIVED IN THE  
17 ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR  
18 BUSINESSES.—

19 “(1) IN GENERAL.—For purposes of subsection  
20 (e)(1), foreign personal holding company income  
21 shall not include qualified banking or financing in-  
22 come of an eligible controlled foreign corporation.

23 “(2) ELIGIBLE CONTROLLED FOREIGN COR-  
24 PORATION.—For purposes of this subsection—

1           “(A) IN GENERAL.—The term ‘eligible con-  
2           trolled foreign corporation’ means a controlled  
3           foreign corporation which—

4                   “(i) is predominantly engaged in the  
5                   active conduct of a banking, financing, or  
6                   similar business, and

7                   “(ii) conducts substantial activity with  
8                   respect to such business.

9           “(B) PREDOMINANTLY ENGAGED.—A con-  
10           trolled foreign corporation shall be treated as  
11           predominantly engaged in the active conduct of  
12           a banking, financing, or similar business if—

13                   “(i) more than 70 percent of the gross  
14                   income of the controlled foreign corpora-  
15                   tion is derived directly from the active and  
16                   regular conduct of a lending or finance  
17                   business from transactions with customers  
18                   which are not related persons,

19                   “(ii) it is engaged in the active con-  
20                   duct of a banking business and is an insti-  
21                   tution licensed to do business as a bank in  
22                   the United States (or is any other corpora-  
23                   tion not so licensed which is specified by  
24                   the Secretary in regulations), or

1           “(iii) it is engaged in the active con-  
2           duct of a securities business and is reg-  
3           istered as a securities broker or dealer  
4           under section 15(a) of the Securities Ex-  
5           change Act of 1934 or is registered as a  
6           Government securities broker or dealer  
7           under section 15C(a) of such Act (or is  
8           any other corporation not so registered  
9           which is specified by the Secretary in regu-  
10          lations).

11           “(3) QUALIFIED BANKING OR FINANCING IN-  
12          COME.—For purposes of this subsection—

13           “(A) IN GENERAL.—The term ‘qualified  
14          banking or financing income’ means income of  
15          an eligible controlled foreign corporation  
16          which—

17           “(i) is derived in the active conduct of  
18          a banking, financing, or similar business  
19          by—

20           “(I) such eligible controlled for-  
21          eign corporation, or

22           “(II) a qualified business unit of  
23          such eligible controlled foreign cor-  
24          poration;

1           “(ii) is derived from one or more  
2           transactions—

3                   “(I) with customers located in a  
4                   country other than the United States,  
5                   and

6                   “(II) substantially all of the ac-  
7                   tivities in connection with which are  
8                   conducted directly by the corporation  
9                   or unit in its home country; and

10                   “(iii) is treated as earned by such cor-  
11                   poration or unit in its home country for  
12                   purposes of such country’s tax laws.

13                   “(B) LIMITATION ON NONBANKING AND  
14                   NONSECURITIES BUSINESSES.—No income of  
15                   an eligible controlled foreign corporation not de-  
16                   scribed in clause (ii) or (iii) of paragraph  
17                   (2)(B) (or of a qualified business unit of such  
18                   corporation) shall be treated as qualified bank-  
19                   ing or financing income unless more than 30  
20                   percent of such corporation’s or unit’s gross in-  
21                   come is derived directly from the active and  
22                   regular conduct of a lending or finance business  
23                   from transactions with customers which are not  
24                   related persons and which are located within  
25                   such corporation’s or unit’s home country.

1           “(C) SUBSTANTIAL ACTIVITY REQUIRE-  
2           MENT FOR CROSS BORDER INCOME.—The term  
3           ‘qualified banking or financing income’ shall  
4           not include income derived from 1 or more  
5           transactions with customers located in a coun-  
6           try other than the home country of the eligible  
7           controlled foreign corporation or a qualified  
8           business unit of such corporation unless such  
9           corporation or unit conducts substantial activity  
10          with respect to a banking, financing, or similar  
11          business in its home country.

12          “(D) DETERMINATIONS MADE SEPA-  
13          RATELY.—For purposes of this paragraph, the  
14          qualified banking or financing income of an eli-  
15          gible controlled foreign corporation and each  
16          qualified business unit of such corporation shall  
17          be determined separately for such corporation  
18          and each such unit by taking into account—

19                 “(i) in the case of the eligible con-  
20                 trolled foreign corporation, only items of  
21                 income, deduction, gain, or loss and activi-  
22                 ties of such corporation not properly allo-  
23                 cable or attributable to any qualified busi-  
24                 ness unit of such corporation; and

1           “(ii) in the case of a qualified busi-  
2           ness unit, only items of income, deduction,  
3           gain, or loss and activities properly alloca-  
4           ble or attributable to such unit.

5           “(4) LENDING OR FINANCE BUSINESS.—For  
6           purposes of this subsection, the term ‘lending or fi-  
7           nance business’ means the business of—

8           “(A) making loans;

9           “(B) purchasing or discounting accounts  
10          receivable, notes, or installment obligations;

11          “(C) engaging in leasing (including enter-  
12          ing into leases and purchasing, servicing, and  
13          disposing of leases and leased assets);

14          “(D) issuing letters of credit or providing  
15          guarantees;

16          “(E) providing charge and credit card  
17          services; or

18          “(F) rendering services or making facilities  
19          available in connection with activities described  
20          in subparagraphs (A) through (E) carried on  
21          by—

22                 “(i) the corporation (or qualified busi-  
23                 ness unit) rendering services or making fa-  
24                 cilities available; or

1           “(ii) another corporation (or qualified  
2           business unit of a corporation) which is a  
3           member of the same affiliated group (as  
4           defined in section 1504, but determined  
5           without regard to section 1504(b)(3)).

6           “(5) OTHER DEFINITIONS.—For purposes of  
7           this subsection—

8           “(A) CUSTOMER.—The term ‘customer’  
9           means, with respect to any controlled foreign  
10          corporation or qualified business unit, any per-  
11          son which has a customer relationship with  
12          such corporation or unit and which is acting in  
13          its capacity as such.

14          “(B) HOME COUNTRY.—Except as pro-  
15          vided in regulations—

16               “(i) CONTROLLED FOREIGN CORPORA-  
17               TION.—The term ‘home country’ means,  
18               with respect to any controlled foreign cor-  
19               poration, the country under the laws of  
20               which the corporation was created or orga-  
21               nized.

22               “(ii) QUALIFIED BUSINESS UNIT.—  
23               The term ‘home country’ means, with re-  
24               spect to any qualified business unit, the

1 country in which such unit maintains its  
2 principal office.

3 “(C) LOCATED.—The determination of  
4 where a customer is located shall be made  
5 under rules prescribed by the Secretary.

6 “(D) QUALIFIED BUSINESS UNIT.—The  
7 term ‘qualified business unit’ has the meaning  
8 given such term by section 989(a).

9 “(E) RELATED PERSON.—The term ‘relat-  
10 ed person’ has the meaning given such term by  
11 subsection (d)(3).

12 “(6) COORDINATION WITH EXCEPTION FOR  
13 DEALERS.—Paragraph (1) shall not apply to income  
14 described in subsection (c)(2)(C)(ii) of a dealer in  
15 securities (within the meaning of section 475) which  
16 is an eligible controlled foreign corporation described  
17 in paragraph (2)(B)(iii).

18 “(7) ANTI-ABUSE RULES.—For purposes of ap-  
19 plying this subsection and subsection (c)(2)(C)(ii)—

20 “(A) there shall be disregarded any item of  
21 income, gain, loss, or deduction with respect to  
22 any transaction or series of transactions one of  
23 the principal purposes of which is qualifying in-  
24 come or gain for the exclusion under this sec-  
25 tion, including any transaction or series of



1 transactions a principal purpose of which is the  
2 acceleration or deferral of any item in order to  
3 claim the benefits of such exclusion through the  
4 application of this subsection;

5 “(B) there shall be disregarded any item of  
6 income, gain, loss, or deduction of an entity  
7 which is not engaged in regular and continuous  
8 transactions with customers which are not re-  
9 lated persons;

10 “(C) there shall be disregarded any item of  
11 income, gain, loss, or deduction with respect to  
12 any transaction or series of transactions utiliz-  
13 ing, or doing business with—

14 “(i) one or more entities in order to  
15 satisfy any home country requirement  
16 under this subsection, or

17 “(ii) a special purpose entity or ar-  
18 rangement, including a securitization, fi-  
19 nancing, or similar entity or arrangement,  
20 if one of the principal purposes of such trans-  
21 action or series of transactions is qualifying in-  
22 come or gain for the exclusion under this sub-  
23 section; and

24 “(D) a related person, an officer, a direc-  
25 tor, or an employee with respect to any con-

1           trolled foreign corporation (or qualified business  
2           unit) which would otherwise be treated as a  
3           customer of such corporation or unit with re-  
4           spect to any transaction shall not be so treated  
5           if a principal purpose of such transaction is to  
6           satisfy any requirement of this subsection.

7           “(8) REGULATIONS.—The Secretary shall pre-  
8           scribe such regulations as may be necessary or ap-  
9           propriate to carry out the purposes of this sub-  
10          section, subsection (c)(1)(B)(i), subsection  
11          (c)(2)(C)(ii), and the last sentence of subsection  
12          (e)(2).

13          “(9) APPLICATION.—This subsection, sub-  
14          section (c)(2)(C)(ii), and the last sentence of sub-  
15          section (e)(2) shall apply only to the first taxable  
16          year of a foreign corporation beginning after Decem-  
17          ber 31, 1998, and before January 1, 2000, and to  
18          taxable years of United States shareholders with or  
19          within which such taxable year of such foreign cor-  
20          poration ends.”.

21          (b) INCOME DERIVED FROM INSURANCE BUSI-  
22          NESS.—

23                  (1) INCOME ATTRIBUTABLE TO ISSUANCE OR  
24          REINSURANCE.—

1 (A) IN GENERAL.—Section 953(a) (defin-  
2 ing insurance income) is amended to read as  
3 follows:

4 “(a) INSURANCE INCOME.—

5 “(1) IN GENERAL.—For purposes of section  
6 952(a)(1), the term ‘insurance income’ means any  
7 income which—

8 “(A) is attributable to the issuing (or rein-  
9 suring) of an insurance or annuity contract;  
10 and

11 “(B) would (subject to the modifications  
12 provided by subsection (b)) be taxed under sub-  
13 chapter L of this chapter if such income were  
14 the income of a domestic insurance company.

15 “(2) EXCEPTION.—Such term shall not include  
16 any exempt insurance income (as defined in sub-  
17 section (e)).”.

18 (B) EXEMPT INSURANCE INCOME.—Sec-  
19 tion 953 (relating to insurance income) is  
20 amended by adding at the end the following  
21 new subsection:

22 “(e) EXEMPT INSURANCE INCOME.—For purposes of  
23 this section—

24 “(1) EXEMPT INSURANCE INCOME DEFINED.—

1           “(A) IN GENERAL.—The term ‘exempt in-  
2           surance income’ means income derived by a  
3           qualifying insurance company which—

4                   “(i) is attributable to the issuing (or  
5                   reinsuring) of an exempt contract by such  
6                   company or a qualifying insurance com-  
7                   pany branch of such company; and

8                   “(ii) is treated as earned by such com-  
9                   pany or branch in its home country for  
10                  purposes of such country’s tax laws.

11           “(B) EXCEPTION FOR CERTAIN ARRANGE-  
12           MENTS.—Such term shall not include income  
13           attributable to the issuing (or reinsuring) of an  
14           exempt contract as the result of any arrange-  
15           ment whereby another corporation receives a  
16           substantially equal amount of premiums or  
17           other consideration in respect of issuing (or re-  
18           insuring) a contract which is not an exempt  
19           contract.

20           “(C) DETERMINATIONS MADE SEPA-  
21           RATELY.—For purposes of this subsection and  
22           section 954(i), the exempt insurance income  
23           and exempt contracts of a qualifying insurance  
24           company or any qualifying insurance company  
25           branch of such company shall be determined

1 separately for such company and each such  
2 branch by taking into account—

3 “(i) in the case of the qualifying in-  
4 surance company, only items of income, de-  
5 duction, gain, or loss, and activities of such  
6 company not properly allocable or attrib-  
7 utable to any qualifying insurance com-  
8 pany branch of such company; and

9 “(ii) in the case of a qualifying insur-  
10 ance company branch, only items of in-  
11 come, deduction, gain, or loss and activities  
12 properly allocable or attributable to such  
13 unit.

14 “(2) EXEMPT CONTRACT.—

15 “(A) IN GENERAL.—The term ‘exempt  
16 contract’ means an insurance or annuity con-  
17 tract issued or reinsured by a qualifying insur-  
18 ance company or qualifying insurance company  
19 branch in connection with property in, liability  
20 arising out of activity in, or the lives or health  
21 of residents of, a country other than the United  
22 States.

23 “(B) MINIMUM HOME COUNTRY INCOME  
24 REQUIRED.—

1           “(i) IN GENERAL.—No contract of a  
2           qualifying insurance company or of a  
3           qualifying insurance company branch shall  
4           be treated as an exempt contract unless  
5           such company or branch derives more than  
6           30 percent of its net written premiums  
7           from exempt contracts (determined without  
8           regard to this subparagraph)—

9                   “(I) which cover applicable home  
10                   country risks; and

11                   “(II) with respect to which no  
12                   policyholder, insured, annuitant, or  
13                   beneficiary is a related person (as de-  
14                   fined in section 954(d)(3)).

15           “(ii) APPLICABLE HOME COUNTRY  
16           RISKS.—The term ‘applicable home coun-  
17           try risks’ means risks in connection with  
18           property in, liability arising out of activity  
19           in, or the lives or health of residents of,  
20           the home country of the qualifying insur-  
21           ance company or qualifying insurance com-  
22           pany branch, as the case may be, issuing  
23           or reinsuring the contract covering the  
24           risks.

1           “(C) SUBSTANTIAL ACTIVITY REQUIRE-  
2           MENTS FOR CROSS BORDER RISKS.—A contract  
3           issued by a qualifying insurance company or  
4           qualifying insurance company branch which  
5           covers risks other than applicable home country  
6           risks (as defined in subparagraph (B)(ii)) shall  
7           not be treated as an exempt contract unless  
8           such company or branch, as the case may be—

9                   “(i) conducts substantial activity with  
10                  respect to an insurance business in its  
11                  home country; and

12                  “(ii) performs in its home country  
13                  substantially all of the activities necessary  
14                  to give rise to the income generated by  
15                  such contract.

16           “(3) QUALIFYING INSURANCE COMPANY.—The  
17           term ‘qualifying insurance company’ means any con-  
18           trolled foreign corporation which—

19                   “(A) is subject to regulation as an insur-  
20                  ance (or reinsurance) company by its home  
21                  country, and is licensed, authorized, or regu-  
22                  lated by the applicable insurance regulatory  
23                  body for its home country to sell insurance, re-  
24                  insurance, or annuity contracts to persons other

1 than related persons (within the meaning of  
2 section 954(d)(3)) in such home country;

3 “(B) derives more than 50 percent of its  
4 aggregate net written premiums from the  
5 issuance or reinsurance by such controlled for-  
6 eign corporation and each of its qualifying in-  
7 surance company branches of contracts—

8 “(i) covering applicable home country  
9 risks (as defined in paragraph (2)) of such  
10 corporation or branch, as the case may be;  
11 and

12 “(ii) with respect to which no policy-  
13 holder, insured, annuitant, or beneficiary is  
14 a related person (as defined in section  
15 954(d)(3));

16 except that in the case of a branch, such pre-  
17 miums shall only be taken into account to the  
18 extent such premiums are treated as earned by  
19 such branch in its home country for purposes of  
20 such country’s tax laws; and

21 “(C) is engaged in the insurance business  
22 and would be subject to tax under subchapter  
23 L if it were a domestic corporation.

24 “(4) QUALIFYING INSURANCE COMPANY  
25 BRANCH.—The term ‘qualifying insurance company



1 branch' means a qualified business unit (within the  
2 meaning of section 989(a)) of a controlled foreign  
3 corporation if—

4 “(A) such unit is licensed, authorized, or  
5 regulated by the applicable insurance regulatory  
6 body for its home country to sell insurance, re-  
7 insurance, or annuity contracts to persons other  
8 than related persons (within the meaning of  
9 section 954(d)(3)) in such home country; and

10 “(B) such controlled foreign corporation is  
11 a qualifying insurance company, determined  
12 under paragraph (3) as if such unit were a  
13 qualifying insurance company branch.

14 “(5) LIFE INSURANCE OR ANNUITY CON-  
15 TRACT.—For purposes of this section and section  
16 954, the determination of whether a contract issued  
17 by a controlled foreign corporation or a qualified  
18 business unit (within the meaning of section 989(a))  
19 is a life insurance contract or an annuity contract  
20 shall be made without regard to sections 72(s),  
21 101(f), 817(h), and 7702 if—

22 “(A) such contract is regulated as a life in-  
23 surance or annuity contract by the corpora-  
24 tion's or unit's home country; and

1           “(B) no policyholder, insured, annuitant,  
2           or beneficiary with respect to the contract is a  
3           United States person.

4           “(6) HOME COUNTRY.—For purposes of this  
5           subsection, except as provided in regulations—

6           “(A) CONTROLLED FOREIGN CORPORA-  
7           TION.—The term ‘home country’ means, with  
8           respect to a controlled foreign corporation, the  
9           country in which such corporation is created or  
10          organized.

11          “(B) QUALIFIED BUSINESS UNIT.—The  
12          term ‘home country’ means, with respect to a  
13          qualified business unit (as defined in section  
14          989(a)), the country in which the principal of-  
15          fice of such unit is located and in which such  
16          unit is licensed, authorized, or regulated by the  
17          applicable insurance regulatory body to sell in-  
18          surance, reinsurance, or annuity contracts to  
19          persons other than related persons (as defined  
20          in section 954(d)(3)) in such country.

21          “(7) ANTI-ABUSE RULES.—For purposes of ap-  
22          plying this subsection and section 954(i)—

23          “(A) the rules of section 954(h)(7) (other  
24          than subparagraph (B) thereof) shall apply;

1           “(B) there shall be disregarded any item of  
2 income, gain, loss, or deduction of, or derived  
3 from, an entity which is not engaged in regular  
4 and continuous transactions with persons which  
5 are not related persons;

6           “(C) there shall be disregarded any change  
7 in the method of computing reserves a principal  
8 purpose of which is the acceleration or deferral  
9 of any item in order to claim the benefits of  
10 this subsection or section 954(i);

11           “(D) a contract of insurance or reinsur-  
12 ance shall not be treated as an exempt contract  
13 (and premiums from such contract shall not be  
14 taken into account for purposes of paragraph  
15 (2)(B) or (3)) if—

16           “(i) any policyholder, insured, annu-  
17 itant, or beneficiary is a resident of the  
18 United States and such contract was mar-  
19 keted to such resident and was written to  
20 cover a risk outside the United States; or

21           “(ii) the contract covers risks located  
22 within and without the United States and  
23 the qualifying insurance company or quali-  
24 fying insurance company branch does not  
25 maintain such contemporaneous records,

1           and file such reports, with respect to such  
2           contract as the Secretary may require;

3           “(E) the Secretary may prescribe rules for  
4           the allocation of contracts (and income from  
5           contracts) among 2 or more qualifying insur-  
6           ance company branches of a qualifying insur-  
7           ance company in order to clearly reflect the in-  
8           come of such branches; and

9           “(F) premiums from a contract shall not  
10          be taken into account for purposes of para-  
11          graph (2)(B) or (3) if such contract reinsures  
12          a contract issued or reinsured by a related per-  
13          son (as defined in section 954(d)(3)).

14          For purposes of subparagraph (D), the determina-  
15          tion of where risks are located shall be made under  
16          the principles of section 953.

17          “(8) COORDINATION WITH SUBSECTION (c).—  
18          In determining insurance income for purposes of  
19          subsection (c), exempt insurance income shall not in-  
20          clude income derived from exempt contracts which  
21          cover risks other than applicable home country risks.

22          “(9) REGULATIONS.—The Secretary shall pre-  
23          scribe such regulations as may be necessary or ap-  
24          propriate to carry out the purposes of this sub-  
25          section and section 954(i).

1           “(10) APPLICATION.—This subsection and sec-  
 2           tion 954(i) shall apply only to the first taxable year  
 3           of a foreign corporation beginning after December  
 4           31, 1998, and before January 1, 2000, and to tax-  
 5           able years of United States shareholders with or  
 6           within which such taxable year of such foreign cor-  
 7           poration ends.

8           “(11) CROSS REFERENCE.—

**“For income exempt from foreign personal hold-  
 ing company income, see section 954(i).”.**

9           (2) EXEMPTION FROM FOREIGN PERSONAL  
 10          HOLDING COMPANY INCOME.—Section 954 (defining  
 11          foreign base company income) is amended by adding  
 12          at the end the following new subsection:

13          “(i) SPECIAL RULE FOR INCOME DERIVED IN THE  
 14          ACTIVE CONDUCT OF INSURANCE BUSINESS.—

15               “(1) IN GENERAL.—For purposes of subsection  
 16               (c)(1), foreign personal holding company income  
 17               shall not include qualified insurance income of a  
 18               qualifying insurance company.

19               “(2) QUALIFIED INSURANCE INCOME.—The  
 20               term ‘qualified insurance income’ means income of a  
 21               qualifying insurance company which is—

22                       “(A) received from a person other than a  
 23                       related person (within the meaning of sub-  
 24                       section (d)(3)) and derived from the invest-

1           ments made by a qualifying insurance company  
2           or a qualifying insurance company branch of its  
3           reserves allocable to exempt contracts or of 80  
4           percent of its unearned premiums from exempt  
5           contracts (as both are determined in the man-  
6           ner prescribed under paragraph (4)), or

7           “(B) received from a person other than a  
8           related person (within the meaning of sub-  
9           section (d)(3)) and derived from investments  
10          made by a qualifying insurance company or a  
11          qualifying insurance company branch of an  
12          amount of its assets allocable to exempt con-  
13          tracts equal to—

14                 “(i) in the case of property, casualty,  
15                 or health insurance contracts, one-third of  
16                 its premiums earned on such insurance  
17                 contracts during the taxable year (as de-  
18                 fined in section 832(b)(4)), and

19                 “(ii) in the case of life insurance or  
20                 annuity contracts, 10 percent of the re-  
21                 serves described in subparagraph (A) for  
22                 such contracts.

23           “(3) PRINCIPLES FOR DETERMINING INSUR-  
24          ANCE INCOME.—Except as provided by the Sec-

1       retary, for purposes of subparagraphs (A) and (B)  
2       of paragraph (2)—

3               “(A) in the case of any contract which is  
4               a separate account-type contract (including any  
5               variable contract not meeting the requirements  
6               of section 817), income credited under such  
7               contract shall be allocable only to such contract,  
8               and

9               “(B) income not allocable under subpara-  
10              graph (A) shall be allocated ratably among con-  
11              tracts not described in subparagraph (A).

12             “(4) METHODS FOR DETERMINING UNEARNED  
13             PREMIUMS AND RESERVES.—For purposes of para-  
14             graph (2)(A)—

15               “(A) PROPERTY AND CASUALTY CON-  
16               TRACTS.—The unearned premiums and reserves  
17               of a qualifying insurance company or a qualify-  
18               ing insurance company branch with respect to  
19               property, casualty, or health insurance con-  
20               tracts shall be determined using the same meth-  
21               ods and interest rates which would be used if  
22               such company or branch were subject to tax  
23               under subchapter L, except that—

24                       “(i) the interest rate determined for  
25                       the functional currency of the company or

1 branch, and which, except as provided by  
2 the Secretary, is calculated in the same  
3 manner as the Federal mid-term rate  
4 under section 1274(d), shall be substituted  
5 for the applicable Federal interest rate,  
6 and

7 “(ii) such company or branch shall  
8 use the appropriate foreign loss payment  
9 pattern.

10 “(B) LIFE INSURANCE AND ANNUITY CON-  
11 TRACTS.—The amount of the reserve of a quali-  
12 fying insurance company or qualifying insur-  
13 ance company branch for any life insurance or  
14 annuity contract shall be equal to the greater  
15 of—

16 “(i) the net surrender value of such  
17 contract (as defined in section  
18 807(e)(1)(A)), or

19 “(ii) the reserve determined under  
20 paragraph (5).

21 “(C) LIMITATION ON RESERVES.—In no  
22 event shall the reserve determined under this  
23 paragraph for any contract as of any time ex-  
24 ceed the amount which would be taken into ac-  
25 count with respect to such contract as of such



1 time in determining foreign statement reserves  
2 (less any catastrophe, deficiency, equalization,  
3 or similar reserves).

4 “(5) AMOUNT OF RESERVE.—The amount of  
5 the reserve determined under this paragraph with  
6 respect to any contract shall be determined in the  
7 same manner as it would be determined if the quali-  
8 fying insurance company or qualifying insurance  
9 company branch were subject to tax under sub-  
10 chapter L, except that in applying such sub-  
11 chapter—

12 “(A) the interest rate determined for the  
13 functional currency of the company or branch,  
14 and which, except as provided by the Secretary,  
15 is calculated in the same manner as the Federal  
16 mid-term rate under section 1274(d), shall be  
17 substituted for the applicable Federal interest  
18 rate;

19 “(B) the highest assumed interest rate  
20 permitted to be used in determining foreign  
21 statement reserves shall be substituted for the  
22 prevailing State assumed interest rate; and

23 “(C) tables for mortality and morbidity  
24 which reasonably reflect the current mortality  
25 and morbidity risks in the company’s or

1           branch’s home country shall be substituted for  
2           the mortality and morbidity tables otherwise  
3           used for such subchapter.

4           The Secretary may provide that the interest rate  
5           and mortality and morbidity tables of a qualifying  
6           insurance company may be used for 1 or more of its  
7           qualifying insurance company branches when appro-  
8           priate.

9           “(6) DEFINITIONS.—For purposes of this sub-  
10          section, any term used in this subsection which is  
11          also used in section 953(e) shall have the meaning  
12          given such term by section 953.”.

13          (3) RESERVES.—Section 953(b) is amended by  
14          redesignating paragraph (3) as paragraph (4) and  
15          by inserting after paragraph (2) the following new  
16          paragraph:

17          “(3) Reserves for any insurance or annuity con-  
18          tract shall be determined in the same manner as  
19          under section 954(i).”.

20          (c) SPECIAL RULES FOR DEALERS.—Section  
21          954(e)(2)(C) is amended to read as follows:

22          “(C) EXCEPTION FOR DEALERS.—Except  
23          as provided by regulations, in the case of a reg-  
24          ular dealer in property which is property de-  
25          scribed in paragraph (1)(B), forward contracts,

1 option contracts, or similar financial instru-  
2 ments (including notional principal contracts  
3 and all instruments referenced to commodities),  
4 there shall not be taken into account in comput-  
5 ing foreign personal holding company income—

6 “(i) any item of income, gain, deduc-  
7 tion, or loss (other than any item described  
8 in subparagraph (A), (E), or (G) of para-  
9 graph (1)) from any transaction (including  
10 hedging transactions) entered into in the  
11 ordinary course of such dealer’s trade or  
12 business as such a dealer; and

13 “(ii) if such dealer is a dealer in secu-  
14 rities (within the meaning of section 475),  
15 any interest or dividend or equivalent  
16 amount described in subparagraph (E) or  
17 (G) of paragraph (1) from any transaction  
18 (including any hedging transaction or  
19 transaction described in section  
20 956(e)(2)(J)) entered into in the ordinary  
21 course of such dealer’s trade or business as  
22 such a dealer in securities, but only if the  
23 income from the transaction is attributable  
24 to activities of the dealer in the country  
25 under the laws of which the dealer is cre-

1           ated or organized (or in the case of a  
2           qualified business unit described in section  
3           989(a), is attributable to activities of the  
4           unit in the country in which the unit both  
5           maintains its principal office and conducts  
6           substantial business activity).”.

7           (d) EXEMPTION FROM FOREIGN BASE COMPANY  
8 SERVICES INCOME.—Paragraph (2) of section 954(e) is  
9 amended by inserting “or” at the end of subparagraph  
10 (A), by striking “, or” at the end of subparagraph (B)  
11 and inserting a period, by striking subparagraph (C), and  
12 by adding at the end the following new flush sentence:

13           “Paragraph (1) shall also not apply to income which  
14           is exempt insurance income (as defined in section  
15           953(e)) or which is not treated as foreign personal  
16           holding income by reason of subsection (c)(2)(C)(ii),  
17           (h), or (i).”.

18           (e) EXEMPTION FOR GAIN.—Section 954(c)(1)(B)(i)  
19 (relating to net gains from certain property transactions)  
20 is amended by inserting “other than property which gives  
21 rise to income not treated as foreign personal holding com-  
22 pany income by reason of subsection (h) or (i) for the tax-  
23 able year” before the comma at the end.

1 **SEC. 106. DISCLOSURE OF RETURN INFORMATION ON IN-**  
 2 **COME CONTINGENT STUDENT LOANS.**

3 Subparagraph (D) of section 6103(l)(13) (relating to  
 4 disclosure of return information to carry out income con-  
 5 tingent repayment of student loans) is amended by strik-  
 6 ing “September 30, 1998” and inserting “September 30,  
 7 2003”.

8 **Subtitle B—Generalized System of**  
 9 **Preferences**

10 **SEC. 111. EXTENSION OF GENERALIZED SYSTEM OF PREF-**  
 11 **ERENCES.**

12 (a) EXTENSION OF DUTY-FREE TREATMENT UNDER  
 13 SYSTEM.—Section 505 of the Trade Act of 1974 (29  
 14 U.S.C. 2465) is amended by striking “June 30, 1998” and  
 15 inserting “December 31, 1999”.

16 (b) RETROACTIVE APPLICATION FOR CERTAIN LIQ-  
 17 UIDATIONS AND RELIQUIDATIONS.—

18 (1) IN GENERAL.—Notwithstanding section 514  
 19 of the Tariff Act of 1930 or any other provision of  
 20 law, and subject to paragraph (2), any entry—

21 (A) of an article to which duty-free treat-  
 22 ment under title V of the Trade Act of 1974  
 23 would have applied if such title had been in ef-  
 24 fect during the period beginning on July 1,  
 25 1998, and ending on the day before the date of  
 26 the enactment of this Act; and

1 (B) that was made after June 30, 1998,  
2 and before the date of the enactment of this  
3 Act,  
4 shall be liquidated or reliquidated as free of duty,  
5 and the Secretary of the Treasury shall refund any  
6 duty paid with respect to such entry. As used in this  
7 subsection, the term “entry” includes a withdrawal  
8 from warehouse for consumption.

9 (2) REQUESTS.—Liquidation or reliquidation  
10 may be made under paragraph (1) with respect to  
11 an entry only if a request therefor is filed with the  
12 Customs Service, within 180 days after the date of  
13 the enactment of this Act, that contains sufficient  
14 information to enable the Customs Service—

15 (A) to locate the entry; or

16 (B) to reconstruct the entry if it cannot be  
17 located.

## 18 **TITLE II—OTHER PROVISIONS**

### 19 **SEC. 201. DEPRECIATION STUDY.**

20 The Secretary of the Treasury (or the Secretary’s  
21 delegate)—

22 (1) shall conduct a comprehensive study of the  
23 recovery periods and depreciation methods under  
24 section 168 of the Internal Revenue Code of 1986,  
25 and



1 amended by striking the provisions relating to calendar  
2 years 2002 and thereafter and inserting the following:

“2002 .....	75
2003 or thereafter .....	100.”

3 (b) EFFECTIVE DATE.—The amendment made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 1998.

6 **SEC. 204. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY**  
7 **BONDS.**

8 (a) IN GENERAL.—Subsection (d) of section 146 (re-  
9 lating to volume cap) is amended by striking paragraphs  
10 (1) and (2) and inserting the following new paragraphs:

11 “(1) IN GENERAL.—The State ceiling applicable  
12 to any State for any calendar year shall be the  
13 greater of—

14 “(A) an amount equal to the per capita  
15 limit for such year multiplied by the State pop-  
16 ulation, or

17 “(B) the aggregate limit for such year.

18 Subparagraph (B) shall not apply to any possession  
19 of the United States.

20 “(2) PER CAPITA LIMIT; AGGREGATE LIMIT.—  
21 For purposes of paragraph (1), the per capita limit,  
22 and the aggregate limit, for any calendar year shall  
23 be determined in accordance with the following  
24 table:



Calendar Year	Per Capita Limit	Aggregate Limit
1999 through 2002 .....	\$50	\$150,000,000
2003 .....	55	165,000,000
2004 .....	60	180,000,000
2005 .....	65	195,000,000
2006 .....	70	210,000,000
2007 and thereafter .....	75	225,000,000.”

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to calendar years after 1998.

3 **SEC. 205. MODIFICATION OF ESTIMATED TAX SAFE HAR-**  
 4 **BORS.**

5 (a) IN GENERAL.—The table contained in clause (i)  
 6 of section 6654(d)(1)(C) (relating to limitation on use of  
 7 preceding year’s tax) is amended by striking the provision  
 8 relating to 1998, 1999, or 2000 and inserting the follow-  
 9 ing:

“1998 .....	105
1999 or 2000 .....	106”.

10 (b) EFFECTIVE DATE.—The amendment made by  
 11 this section shall apply with respect to any installment  
 12 payment for taxable years beginning after December 31,  
 13 1999.

1     **TITLE III—REVENUE OFFSETS**

2     **SEC. 301. TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDAT-**  
3                   **ING DISTRIBUTIONS OF REGULATED INVEST-**  
4                   **MENT COMPANIES AND REAL ESTATE IN-**  
5                   **VESTMENT TRUSTS.**

6           (a) IN GENERAL.—Section 332 (relating to complete  
7 liquidations of subsidiaries) is amended by adding at the  
8 end the following new subsection:

9           “(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF  
10 REGULATED INVESTMENT COMPANIES AND REAL ES-  
11 TATE INVESTMENT TRUSTS.—If a corporation receives a  
12 distribution from a regulated investment company or a  
13 real estate investment trust which is considered under sub-  
14 section (b) as being in complete liquidation of such com-  
15 pany or trust, then, notwithstanding any other provision  
16 of this chapter, such corporation shall recognize and treat  
17 as a dividend from such company or trust an amount  
18 equal to the deduction for dividends paid allowable to such  
19 company or trust by reason of such distribution.”.

20           (b) CONFORMING AMENDMENTS.—

21                 (1) The material preceding paragraph (1) of  
22           section 332(b) is amended by striking “subsection  
23           (a)” and inserting “this section”.

1           (2) Paragraph (1) of section 334(b) is amended  
2           by striking “section 332(a)” and inserting “section  
3           332”.

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to distributions after May 21,  
6 1998.

7 **SEC. 302. INCLUSION OF ROTAVIRUS GASTROENTERITIS AS**  
8 **A TAXABLE VACCINE.**

9           (a) IN GENERAL.—Paragraph (1) of section 4132  
10 (defining taxable vaccine) is amended by adding at the end  
11 the following new subparagraph:

12                   “(K) Any vaccine against rotavirus  
13                   gastroenteritis.”.

14           (b) EFFECTIVE DATE.—

15           (1) SALES.—The amendment made by this sec-  
16 tion shall apply to sales after the date of the enact-  
17 ment of this Act.

18           (2) DELIVERIES.—For purposes of paragraph  
19 (1), in the case of sales on or before the date of the  
20 enactment of this Act for which delivery is made  
21 after such date, the delivery date shall be considered  
22 the sale date.

1 **SEC. 303. CLARIFICATION AND EXPANSION OF MATHEMATI-**  
2 **CAL ERROR ASSESSMENT PROCEDURES.**

3 (a) TIN DEEMED INCORRECT IF INFORMATION ON  
4 RETURN DIFFERS WITH AGENCY RECORDS.—Paragraph  
5 (2) of section 6213(g) (defining mathematical or clerical  
6 error) is amended by adding at the end the following flush  
7 sentence:

8 “A taxpayer shall be treated as having omitted a  
9 correct TIN for purposes of the preceding sentence  
10 if information provided by the taxpayer on the re-  
11 turn with respect to the individual whose TIN was  
12 provided differs from the information the Secretary  
13 obtains from the person issuing the TIN.”.

14 (b) EXPANSION OF MATHEMATICAL ERROR PROCE-  
15 DURES TO CASES WHERE TIN ESTABLISHES INDIVIDUAL  
16 NOT ELIGIBLE FOR TAX CREDIT.—Paragraph (2) of sec-  
17 tion 6213(g) is amended by striking “and” at the end of  
18 subparagraph (J), by striking the period at the end of the  
19 subparagraph (K) and inserting “, and”, and by inserting  
20 after subparagraph (K) the following new subparagraph:

21 “(L) the inclusion on a return of a TIN re-  
22 quired to be included on the return under sec-  
23 tion 21, 24, or 32 if—

24 “(i) such TIN is of an individual  
25 whose age affects the amount of the credit  
26 under such section; and

1           “(ii) the computation of the credit on  
2           the return reflects the treatment of such  
3           individual as being of an age different  
4           from the individual’s age based on such  
5           TIN.”.

6           (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years ending after the  
8 date of the enactment of this Act.

9   **SEC. 304. CLARIFICATION OF DEFINITION OF SPECIFIED LI-**  
10                           **ABILITY LOSS.**

11           (a) IN GENERAL.—Subparagraph (B) of section  
12 172(f)(1) (defining specified liability loss) is amended to  
13 read as follows:

14                           “(B)(i) Any amount allowable as a deduc-  
15                           tion under this chapter (other than section  
16                           468(a)(1) or 468A(a)) which is in satisfaction  
17                           of a liability under a Federal or State law re-  
18                           quiring—

19   “(I) the reclamation of land;

20   “(II) the decommissioning of a nu-  
21   clear power plant (or any unit thereof);

22   “(III) the dismantlement of a drilling  
23   platform;

24   “(IV) the remediation of environ-  
25   mental contamination; or

1           “(V) a payment under any workers  
2           compensation act (within the meaning of  
3           section 461(h)(2)(C)(i)).

4           “(ii) A liability shall be taken into account  
5           under this subparagraph only if—

6                   “(I) the act (or failure to act) giving  
7                   rise to such liability occurs at least 3 years  
8                   before the beginning of the taxable year;  
9                   and

10                   “(II) the taxpayer used an accrual  
11                   method of accounting throughout the pe-  
12                   riod or periods during which such act (or  
13                   failure to act) occurred.”.

14           (b) EFFECTIVE DATE.—The amendment made by  
15           this section shall apply to net operating losses arising in  
16           taxable years ending after the date of the enactment of  
17           this Act.

18                   **TITLE IV—TECHNICAL**  
19                   **CORRECTIONS**

20           **SEC. 401. DEFINITIONS; COORDINATION WITH OTHER TI-**  
21                   **TLES.**

22           (a) DEFINITIONS.—For purposes of this title—

23                   (1) 1986 CODE.—The term “1986 Code”  
24           means the Internal Revenue Code of 1986.

1           (2) 1998 ACT.—The term “1998 Act” means  
2           the Internal Revenue Service Restructuring and Re-  
3           form Act of 1998 (Public Law 105–206).

4           (3) 1997 ACT.—The term “1997 Act” means  
5           the Taxpayer Relief Act of 1997 (Public Law 105–  
6           34).

7           (b) COORDINATION WITH OTHER TITLES.—For pur-  
8           poses of applying the amendments made by any title of  
9           this Act other than this title, the provisions of this title  
10          shall be treated as having been enacted immediately before  
11          the provisions of such other titles.

12   **SEC. 402. AMENDMENTS RELATED TO INTERNAL REVENUE**  
13                   **SERVICE RESTRUCTURING AND REFORM ACT**  
14                   **OF 1998.**

15          (a) AMENDMENT RELATED TO SECTION 1101 OF  
16          1998 ACT.—Paragraph (5) of section 6103(h) of the 1986  
17          Code, as added by section 1101(b) of the 1998 Act, is  
18          redesignated as paragraph (6).

19          (b) AMENDMENT RELATED TO SECTION 3001 OF  
20          1998 ACT.—Paragraph (2) of section 7491(a) of the 1986  
21          Code is amended by adding at the end the following flush  
22          sentence:

23                “Subparagraph (C) shall not apply to any qualified  
24                revocable trust (as defined in section 645(b)(1)) with  
25                respect to liability for tax for any taxable year end-

1       ing after the date of the decedent’s death and before  
2       the applicable date (as defined in section  
3       645(b)(2)).”.

4       (c) AMENDMENTS RELATED TO SECTION 3201 OF  
5 1998 ACT.—

6           (1) Section 7421(a) of the 1986 Code is amend-  
7       ed by striking “6015(d)” and inserting “6015(e)”.

8           (2) Subparagraph (A) of section 6015(e)(3) is  
9       amended by striking “of this section” and inserting  
10      “of subsection (b) or (f)”.

11      (d) AMENDMENT RELATED TO SECTION 3301 OF  
12 1998 ACT.—Paragraph (2) of section 3301(e) of the 1998  
13 Act is amended by striking “The amendments” and insert-  
14 ing “Subject to any applicable statute of limitation not  
15 having expired with regard to either a tax underpayment  
16 or a tax overpayment, the amendments”.

17      (e) AMENDMENT RELATED TO SECTION 3401 OF  
18 1998 ACT.—Section 3401(e) of the 1998 Act is amend-  
19 ed—

20           (1) in paragraph (1), by striking “7443(b)”  
21      and inserting “7443A(b)”; and

22           (2) in paragraph (2), by striking “7443(c)” and  
23      inserting “7443A(c)”.



1 (f) AMENDMENT RELATED TO SECTION 3433 OF  
2 1998 ACT.—Section 7421(a) of the 1986 Code is amended  
3 by inserting “6331(i),” after “6246(b),”.

4 (g) AMENDMENT RELATED TO SECTION 3467 OF  
5 1998 ACT.—The subsection (d) of section 6159 of the  
6 1986 Code relating to cross reference is redesignated as  
7 subsection (e).

8 (h) AMENDMENT RELATED TO SECTION 3708 OF  
9 1998 ACT.—Subparagraph (A) of section 6103(p)(3) of  
10 the 1986 Code is amended by inserting “(f)(5),” after  
11 “(c), (e),”.

12 (i) AMENDMENTS RELATED TO SECTION 5001 OF  
13 1998 ACT.—

14 (1) Subparagraph (B) of section 1(h)(13) of the  
15 1986 Code is amended by striking “paragraph  
16 (7)(A)” and inserting “paragraph (7)(A)(i)”.

17 (2)(A) Subparagraphs (A)(i)(II), (A)(ii)(II),  
18 and (B)(ii) of section 1(h)(13) of the 1986 Code  
19 shall not apply to any distribution after December  
20 31, 1997, by a regulated investment company or a  
21 real estate investment trust with respect to—

22 (i) gains and losses recognized directly by  
23 such company or trust, and

24 (ii) amounts properly taken into account  
25 by such company or trust by reason of holding

1 (directly or indirectly) an interest in another  
2 such company or trust to the extent that such  
3 subparagraphs did not apply to such other com-  
4 pany or trust with respect to such amounts.

5 (B) Subparagraph (A) shall not apply to any  
6 distribution which is treated under section 852(b)(7)  
7 or 857(b)(8) of the 1986 Code as received on De-  
8 cember 31, 1997.

9 (C) For purposes of subparagraph (A), any  
10 amount which is includible in gross income of its  
11 shareholders under section 852(b)(3)(D) or  
12 857(b)(3)(D) of the 1986 Code after December 31,  
13 1997, shall be treated as distributed after such date.

14 (D)(i) For purposes of subparagraph (A), in  
15 the case of a qualified partnership with respect to  
16 which a regulated investment company meets the  
17 holding requirement of clause (iii)—

18 (I) the subparagraphs referred to in sub-  
19 paragraph (A) shall not apply to gains and  
20 losses recognized directly by such partnership  
21 for purposes of determining such company's  
22 distributive share of such gains and losses, and

23 (II) such company's distributive share of  
24 such gains and losses (as so determined) shall

1           be treated as recognized directly by such com-  
2           pany.

3           The preceding sentence shall apply only if the quali-  
4           fied partnership provides the company with written  
5           documentation of such distributive share as so deter-  
6           mined.

7           (ii) For purposes of clause (i), the term “quali-  
8           fied partnership” means, with respect to a regulated  
9           investment company, any partnership if—

10                   (I) the partnership is an investment com-  
11                   pany registered under the Investment Company  
12                   Act of 1940,

13                   (II) the regulated investment company is  
14                   permitted to invest in such partnership by rea-  
15                   son of section 12(d)(1)(E) of such Act or an ex-  
16                   emptive order of the Securities and Exchange  
17                   Commission under such section, and

18                   (III) the regulated investment company  
19                   and the partnership have the same taxable year.

20           (iii) A regulated investment company meets the  
21           holding requirement of this clause with respect to a  
22           qualified partnership if (as of January 1, 1998)—

23                   (I) the value of the interests of the regu-  
24                   lated investment company in such partnership

1 is 35 percent or more of the value of such com-  
2 pany's total assets, or

3 (II) the value of the interests of the regu-  
4 lated investment company in such partnership  
5 and all other qualified partnerships is 90 per-  
6 cent or more of the value of such company's  
7 total assets.

8 (3) Paragraph (13) of section 1(h) of the 1986  
9 Code is amended by adding at the end the following  
10 new subparagraph:

11 “(D) CHARITABLE REMAINDER TRUSTS.—  
12 Subparagraphs (A) and (B)(ii) shall not apply  
13 to any capital gain distribution made by a trust  
14 described in section 664.”

15 (j) AMENDMENT RELATED TO SECTION 7004 OF  
16 1998 ACT.—Clause (i) of section 408A(c)(3)(C) of the  
17 1986 Code, as amended by section 7004 of the 1998 Act,  
18 is amended by striking the period at the end of subclause  
19 (II) and inserting “, and”.

20 (k) EFFECTIVE DATE.—The amendments made by  
21 this section shall take effect as if included in the provisions  
22 of the 1998 Act to which they relate.

1 **SEC. 403. AMENDMENTS RELATED TO TAXPAYER RELIEF**

2 **ACT OF 1997.**

3 (a) AMENDMENTS RELATED TO SECTION 202 OF  
4 1997 ACT.—

5 (1) Paragraph (2) of section 163(h) of the  
6 1986 Code is amended by striking “and” at the end  
7 of subparagraph (D), by striking the period at the  
8 end of subparagraph (E) and inserting “, and”, and  
9 by adding at the end the following new subpara-  
10 graph:

11 “(F) any interest allowable as a deduction  
12 under section 221 (relating to interest on edu-  
13 cational loans).”

14 (2)(A) Subparagraph (C) of section 221(b)(2)  
15 of the 1986 Code is amended—

16 (i) by striking “135, 137,” in clause (i),

17 (ii) by inserting “135, 137,” after “sec-  
18 tions 86,” in clause (ii), and

19 (iii) by striking the last sentence.

20 (B) Sections 86(b)(2)(A), 135(c)(4)(A), and  
21 219(g)(3)(A)(ii) of the 1986 Code are each amended  
22 by inserting “221,” after “137.”

23 (C) Subparagraph (A) of section 137(b)(3) of  
24 the 1986 Code is amended by inserting “221,” be-  
25 fore “911.”

1           (D) Clause (iii) of section 469(i)(3)(E) of the  
2           1986 Code is amended to read as follows:

3                       “(iii) the amounts allowable as a de-  
4                       duction under sections 219 and 221, and”.

5           (3) The last sentence of section 221(e)(1) of  
6           the 1986 Code is amended by inserting before the  
7           period “or to any person by reason of a loan under  
8           any qualified employer plan (as defined in section  
9           72(p)(4)) or under any contract referred to in sec-  
10          tion 72(p)(5)”.

11          (b) PROVISION RELATED TO SECTION 311 OF 1997  
12          ACT.—In the case of any capital gain distribution made  
13          after 1997 by a trust to which section 664 of the 1986  
14          Code applies with respect to amounts properly taken into  
15          account by such trust during 1997, paragraphs  
16          (5)(A)(i)(I), (5)(A)(ii)(I), and (13)(A) of section 1(h) of  
17          the 1986 Code (as in effect for taxable years ending on  
18          December 31, 1997) shall not apply.

19          (c) AMENDMENT RELATED TO SECTION 506 OF 1997  
20          ACT.—Section 2001(f)(2) of the 1986 Code is amended  
21          by adding at the end the following:

22                       “For purposes of subparagraph (A), the value of an  
23                       item shall be treated as shown on a return if the  
24                       item is disclosed in the return, or in a statement at-

1       tached to the return, in a manner adequate to ap-  
2       prise the Secretary of the nature of such item.”.

3       (d) AMENDMENTS RELATED TO SECTION 904 OF  
4 1997 ACT.—

5           (1) Paragraph (1) of section 9510(c) of the  
6 1986 Code is amended to read as follows:

7           “(1) IN GENERAL.—Amounts in the Vaccine In-  
8 jury Compensation Trust Fund shall be available, as  
9 provided in appropriation Acts, only for—

10           “(A) the payment of compensation under  
11 subtitle 2 of title XXI of the Public Health  
12 Service Act (as in effect on August 5, 1997) for  
13 vaccine-related injury or death with respect to  
14 any vaccine—

15           “(i) which is administered after Sep-  
16 tember 30, 1988, and

17           “(ii) which is a taxable vaccine (as de-  
18 fined in section 4132(a)(1)) at the time  
19 compensation is paid under such subtitle 2,  
20 or

21           “(B) the payment of all expenses of admin-  
22 istration (but not in excess of \$9,500,000 for  
23 any fiscal year) incurred by the Federal Gov-  
24 ernment in administering such subtitle.”.

1           (2) Section 9510(b) of the 1986 Code is amend-  
2           ed by adding at the end the following new para-  
3           graph:

4           “(3) LIMITATION ON TRANSFERS TO VACCINE  
5           INJURY COMPENSATION TRUST FUND.—No amount  
6           may be appropriated to the Vaccine Injury Com-  
7           pensation Trust Fund on and after the date of any  
8           expenditure from the Trust Fund which is not per-  
9           mitted by this section. The determination of whether  
10          an expenditure is so permitted shall be made without  
11          regard to—

12                 “(A) any provision of law which is not con-  
13                 tained or referenced in this title or in a revenue  
14                 Act, and

15                 “(B) whether such provision of law is a  
16                 subsequently enacted provision or directly or in-  
17                 directly seeks to waive the application of this  
18                 paragraph.”.

19          (e) AMENDMENTS RELATED TO SECTION 915 OF  
20          1997 Act.—

21           (1) Section 915 of the 1997 Act is amended—

22                 (A) in subsection (b), by inserting “or  
23                 1998” after “1997”, and

24                 (B) by amending subsection (d) to read as  
25                 follows:



1       “(d) EFFECTIVE DATE.—This section shall apply to  
2 taxable years ending with or within calendar year 1997.”.

3           (2) Paragraph (2) of section 6404(h) of the  
4 1986 Code is amended by inserting “Robert T. Staf-  
5 ford” before “Disaster”.

6       (f) AMENDMENTS RELATED TO SECTION 1012 OF  
7 1997 ACT.—

8           (1) Paragraph (2) of section 351(c) of the 1986  
9 Code, as amended by section 6010(c) of the 1998  
10 Act, is amended by inserting “, or the fact that the  
11 corporation whose stock was distributed issues addi-  
12 tional stock,” after “dispose of part or all of the dis-  
13 tributed stock”.

14           (2) Clause (ii) of section 368(a)(2)(H) of the  
15 1986 Code, as amended by section 6010(c) of the  
16 1998 Act, is amended by inserting “, or the fact  
17 that the corporation whose stock was distributed  
18 issues additional stock,” after “dispose of part or all  
19 of the distributed stock”.

20       (g) PROVISION RELATED TO SECTION 1042 OF 1997  
21 ACT.—Rules similar to the rules of section 1.1502-  
22 75(d)(5) of the Treasury Regulations shall apply with re-  
23 spect to any organization described in section 1042(b) of  
24 the 1997 Act.

1 (h) AMENDMENT RELATED TO SECTION 1082 OF  
2 1997 ACT.—Subparagraph (F) of section 172(b)(1) of the  
3 1986 Code is amended by adding at the end the following  
4 new clause:

5 “(iv) COORDINATION WITH PARA-  
6 GRAPH (2).—For purposes of applying  
7 paragraph (2), an eligible loss for any tax-  
8 able year shall be treated in a manner  
9 similar to the manner in which a specified  
10 liability loss is treated.”

11 (i) AMENDMENT RELATED TO SECTION 1084 OF  
12 1997 ACT.—Paragraph (3) of section 264(f) of the 1986  
13 Code is amended by adding at the end the following flush  
14 sentence:

15 “If the amount described in subparagraph (A) with  
16 respect to any policy or contract does not reasonably  
17 approximate its actual value, the amount taken into  
18 account under subparagraph (A) shall be the greater  
19 of the amount of the insurance company liability or  
20 the insurance company reserve with respect to such  
21 policy or contract (as determined for purposes of the  
22 annual statement approved by the National Associa-  
23 tion of Insurance Commissioners) or shall be such  
24 other amount as is determined by the Secretary.”

1 (j) AMENDMENT RELATED TO SECTION 1175 OF  
2 1997 ACT.—Subparagraph (C) of section 954(e)(2) of the  
3 1986 Code is amended by striking “subsection (h)(8)” and  
4 inserting “subsection (h)(9)”.

5 (k) AMENDMENT RELATED TO SECTION 1205 OF  
6 1997 ACT.—Paragraph (2) of section 6311(d) of the 1986  
7 Code is amended by striking “under such contracts” in  
8 the last sentence and inserting “under any such contract  
9 for the use of credit, debit, or charge cards for the pay-  
10 ment of taxes imposed by subtitle A”.

11 (l) EFFECTIVE DATE.—The amendments made by  
12 this section shall take effect as if included in the provisions  
13 of the 1997 Act to which they relate.

14 **SEC. 404. AMENDMENTS RELATED TO TAX REFORM ACT OF**  
15 **1984.**

16 (a) IN GENERAL.—Subparagraph (C) of section  
17 172(d)(4) of the 1986 Code is amended to read as follows:

18 “(C) any deduction for casualty or theft  
19 losses allowable under paragraph (2) or (3) of  
20 section 165(e) shall be treated as attributable  
21 to the trade or business; and”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (3) of section 67(b) of the 1986  
24 Code is amended by striking “for losses described in  
25 subsection (e)(3) or (d) of section 165” and insert-

1 ing “for casualty or theft losses described in para-  
2 graph (2) or (3) of section 165(c) or for losses de-  
3 scribed in section 165(d)”.

4 (2) Paragraph (3) of section 68(c) of the 1986  
5 Code is amended by striking “for losses described in  
6 subsection (c)(3) or (d) of section 165” and insert-  
7 ing “for casualty or theft losses described in para-  
8 graph (2) or (3) of section 165(c) or for losses de-  
9 scribed in section 165(d)”.

10 (3) Paragraph (1) of section 873(b) is amended  
11 to read as follows:

12 “(1) LOSSES.—The deduction allowed by sec-  
13 tion 165 for casualty or theft losses described in  
14 paragraph (2) or (3) of section 165(c), but only if  
15 the loss is of property located within the United  
16 States.”

17 (c) EFFECTIVE DATES.—

18 (1) The amendments made by subsections (a)  
19 and (b)(3) shall apply to taxable years beginning  
20 after December 31, 1983.

21 (2) The amendment made by subsection (b)(1)  
22 shall apply to taxable years beginning after Decem-  
23 ber 31, 1986.

1           (3) The amendment made by subsection (b)(2)  
2           shall apply to taxable years beginning after Decem-  
3           ber 31, 1990.

4 **SEC. 405. OTHER AMENDMENTS.**

5           (a) AMENDMENTS RELATED TO SECTION 6103 OF  
6 1986 CODE.—

7           (1) Subsection (j) of section 6103 of the 1986  
8           Code is amended by adding at the end the following  
9           new paragraph:

10           “(5) DEPARTMENT OF AGRICULTURE.—Upon  
11           request in writing by the Secretary of Agriculture,  
12           the Secretary shall furnish such returns, or return  
13           information reflected thereon, as the Secretary may  
14           prescribe by regulation to officers and employees of  
15           the Department of Agriculture whose official duties  
16           require access to such returns or information for the  
17           purpose of, but only to the extent necessary in,  
18           structuring, preparing, and conducting the census of  
19           agriculture pursuant to the Census of Agriculture  
20           Act of 1997 (Public Law 105–113).”.

21           (2) Paragraph (4) of section 6103(p) of the  
22           1986 Code is amended by striking “(j)(1) or (2)” in  
23           the material preceding subparagraph (A) and in sub-  
24           paragraph (F) and inserting “(j)(1), (2), or (5)”.

1           (3) The amendments made by this subsection  
2 shall apply to requests made on or after the date of  
3 the enactment of this Act.

4           (b) AMENDMENT RELATED TO SECTION 9004 OF  
5 TRANSPORTATION EQUITY ACT FOR THE 21ST CEN-  
6 TURY.—

7           (1) Paragraph (2) of section 9503(f) of the  
8 1986 Code is amended to read as follows:

9           “(2) notwithstanding section 9602(b), obliga-  
10 tions held by such Fund after September 30, 1998,  
11 shall be obligations of the United States which are  
12 not interest-bearing.”

13           (2) The amendment made by paragraph (1)  
14 shall take effect on October 1, 1998.

15           (c) CLERICAL AMENDMENTS.—

16           (1) Clause (i) of section 51(d)(6)(B) of the  
17 1986 Code is amended by striking “rehabilitation  
18 plan” and inserting “plan for employment”. The ref-  
19 erence to “plan for employment” in such clause shall  
20 be treated as including a reference to the rehabilita-  
21 tion plan referred to in such clause as in effect be-  
22 fore the amendment made by the preceding sen-  
23 tence.

24           (2) Paragraph (3) of section 56(a) of the 1986  
25 Code is amended by striking “section 460(b)(2)”

1 and inserting “section 460(b)(1)” and by striking  
2 “section 460(b)(4)” and inserting “section  
3 460(b)(3)”.

4 (3) Subparagraphs (C) and (D) of section  
5 6693(a)(2) of the 1986 Code are each amended by  
6 striking “Section” and inserting “section”.

7 (4) Paragraph (10) of section 2031(c) of the  
8 1986 Code is amended by striking “section  
9 2033A(e)(3)” and inserting “section 2057(e)(3)”.

○