

105TH CONGRESS  
1ST SESSION

# H. R. 515

To eliminate corporate welfare.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. ANDREWS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce, Resources, Agriculture, Transportation and Infrastructure, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To eliminate corporate welfare.

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. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Corporate Welfare Elimination Act of 1997”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

### TITLE I—TAX REFORM

Sec. 101. Short title; references to Internal Revenue Code of 1986.

Sec. 102. Repeal of expensing of intangible drilling and development costs and of mining exploration and development costs.

Sec. 103. Termination of credit for producing fuel from nonconventional source.

- Sec. 104. Repeal of percentage depletion.
- Sec. 105. Repeal of tax benefits for alcohol fuels.
- Sec. 106. Repeal of enhanced oil recovery credit.
- Sec. 107. Repeal of credit and deduction for electric vehicles, clean-fuel vehicles, and certain refueling property.
- Sec. 108. Repeal of deduction for tertiary injectants.
- Sec. 109. Repeal of rehabilitation credit for nonhistoric structures; reduction of rehabilitation credit for certified historic structures.
- Sec. 110. Repeal of treatment of blue cross and blue shield organizations, etc.
- Sec. 111. Repeal of small life insurance company deduction.
- Sec. 112. Repeal of alternative tax on small property and casualty insurance companies.
- Sec. 113. Cash accounting and expensing for agriculture.
- Sec. 114. Repeal of exclusion for cancellation of qualified farm indebtedness.
- Sec. 115. Repeal of exclusion for certain cost-sharing payments.
- Sec. 116. Reduction of expensing of timber-growing costs.
- Sec. 117. Repeal of reforestation credit.
- Sec. 118. Repeal of rapid amortization of reforestation expenditures.
- Sec. 119. Termination of exclusion of certain income of citizens or residents of United States living abroad.
- Sec. 120. Repeal of exclusion for income of foreign sales corporations.
- Sec. 121. Repeal of deferral of income of controlled foreign corporations.
- Sec. 122. Repeal of deferral of tax under merchant marine capital constructions funds.
- Sec. 123. Repeal of special treatment for magazine circulation expenditures.
- Sec. 124. Repeal of special treatment for returns of magazines, paperbacks, and records.
- Sec. 125. Repeal of exclusion for interest on State and local bonds.

## TITLE II—NATURAL RESOURCES

- Sec. 201. Public Resources Deficit Reduction Act of 1997.

### Subtitle A—General Provisions

- Sec. 211. Fair market value for resource disposal.
- Sec. 212. Fees from program beneficiaries.
- Sec. 213. Revenues from sale, lease, and transfer of assets.

### Subtitle B—Revenue From Mining Claims

- Sec. 221. Definitions.
- Sec. 222. Mining claim maintenance requirements.
- Sec. 223. Royalty.
- Sec. 224. Severance tax.
- Sec. 225. Fund for abandoned locatable minerals mine reclamation.
- Sec. 226. Limitation on patent issuance.
- Sec. 227. Purchasing power adjustment.
- Sec. 228. Savings clause.
- Sec. 229. Effective date.

### Subtitle C—Use or Disposal of Federal Natural Resources

- Sec. 241. Annual domestic livestock grazing fee.
- Sec. 242. Elimination of below-cost sales of timber from National Forest System lands.
- Sec. 243. Timberland suitability.

- Sec. 244. Reduction in maximum amount of payments under agricultural assistance programs to reflect receipt of Federal irrigation water.
- Sec. 245. Elimination of off budget expenditures.
- Sec. 246. Deposit of Taylor Grazing Act receipts in Treasury.
- Sec. 247. Repeal of livestock feed assistance program.
- Sec. 248. Oil and gas rentals.
- Sec. 249. Communication permits.

Subtitle D—National Park Concessions

- Sec. 251. Findings and policy.
- Sec. 252. Definitions.
- Sec. 253. Repeal of National Park Service Concessions Policy Act of 1965.
- Sec. 254. Use of concession contracts to provide services to park visitors.
- Sec. 255. Other authorities to provide services to park visitors.
- Sec. 256. Competitive selection process for concession contracts.
- Sec. 257. Preferential right of renewal of concession contracts.
- Sec. 258. Franchise fees.
- Sec. 259. Use of franchise fees.
- Sec. 260. Park Improvement Funds.
- Sec. 261. Duration of concession contracts.
- Sec. 262. Transfer of concession contracts.
- Sec. 263. Protection of concessioner investment.
- Sec. 264. Rates and charges to public.
- Sec. 265. Concessioner performance evaluation.
- Sec. 266. Recordkeeping requirements.
- Sec. 267. Exemption from certain lease requirements.
- Sec. 268. No effect on ANILCA provisions.
- Sec. 269. Implementation.
- Sec. 270. Authorization of appropriations.

1                   **TITLE I—TAX REFORM**

2   **SEC. 101. SHORT TITLE; REFERENCES TO INTERNAL REVE-**  
 3                   **NUE CODE OF 1986.**

4           (a) **SHORT TITLE.**—This title may be cited as the  
 5 “Termination of Energy and Natural Resource Tax Sub-  
 6 sidies Act of 1997”.

7           (b) **REFERENCES TO INTERNAL REVENUE CODE OF**  
 8 **1986.**—Except as otherwise expressly provided, whenever  
 9 in this title an amendment or repeal is expressed in terms  
 10 of an amendment to, or repeal of, a section or other provi-  
 11 sion, the reference shall be considered to be made to a

1 section or other provision of the Internal Revenue Code  
2 of 1986.

3 **SEC. 102. REPEAL OF EXPENSING OF INTANGIBLE DRILL-**  
4 **ING AND DEVELOPMENT COSTS AND OF MIN-**  
5 **ING EXPLORATION AND DEVELOPMENT**  
6 **COSTS.**

7 (a) INTANGIBLE DRILLING AND DEVELOPMENT  
8 COSTS.—Section 263(c) is hereby repealed.

9 (b) DEVELOPMENT EXPENDITURES.—Section 616  
10 (relating to development expenditures) is hereby repealed.

11 (c) EXPLORATION EXPENDITURES.—Subsection (i)  
12 of section 617 is amended to read as follows:

13 “(i) TERMINATION.—No deduction shall be allowed  
14 under this section for any expenditure paid or incurred  
15 in a taxable year beginning after the date of the enactment  
16 of this subsection.”

17 (d) CONFORMING AMENDMENTS.—

18 (1) Paragraph (2) of section 56(a) is hereby re-  
19 pealed.

20 (2) Subsection (a) of section 57 is amended by  
21 striking paragraph (2).

22 (3) Paragraph (2) of section 59(e) is amended  
23 by adding “and” at the end of subparagraph (A), by  
24 striking the comma at the end of subparagraph (B)

1 and inserting a period, and by striking subpara-  
2 graphs (C), (D), and (E).

3 (4) Subparagraph (A) of section 59(e)(5) is  
4 amended by inserting before the period “, as in ef-  
5 fect before the Termination of Energy and Natural  
6 Resource Tax Subsidies Act of 1997”.

7 (5) Subsection (c) of section 193 is amended to  
8 read as follows:

9 “(c) APPLICATION WITH OTHER DEDUCTIONS.—No  
10 deduction shall be allowed under subsection (a) with re-  
11 spect to any expenditure with respect to which a deduction  
12 is allowed or allowable to the taxpayer under any other  
13 provision of this chapter.”

14 (6) Paragraph (1) of section 263(a) is amended  
15 by striking subparagraph (A) and by redesignating  
16 the succeeding subparagraphs accordingly.

17 (7) Section 263 is amended by striking sub-  
18 section (i).

19 (8) Subsection (c) of section 263A is amended  
20 by striking paragraph (3) and by redesignating the  
21 succeeding paragraphs accordingly.

22 (9) Paragraph (5) of section 263A(c), as redesi-  
23 gnated by paragraph (8), is amended by striking  
24 “subparagraphs (B), (C), (D), and (E)” and insert-  
25 ing “subparagraph (B)”.

1           (10) Section 291 is amended by striking sub-  
2           section (b).

3           (11) Subsection (n) of section 312 is amended  
4           by striking paragraph (2).

5           (12) Paragraph (1) of section 1254(a) is  
6           amended—

7                   (A) by inserting “(as in effect before the  
8           Termination of Energy and Natural Resource  
9           Tax Subsidies Act of 1997)” after “617” in  
10           subparagraph (A)(i), and

11                   (B) by adding at the end the following:  
12           “For purposes of clause (i), any deduction  
13           under section 291(b)(2) (as in effect before the  
14           Termination of Energy and Natural Resource  
15           Tax Subsidies Act of 1997) shall be treated as  
16           a deduction allowable under section 263, 616,  
17           or 617 (whichever is appropriate).”

18           (c) EFFECTIVE DATE.—The amendments made by  
19           this section shall apply to amounts paid or incurred in tax-  
20           able years beginning after the date of the enactment of  
21           this Act.

22           **SEC. 103. TERMINATION OF CREDIT FOR PRODUCING FUEL**  
23                                   **FROM NONCONVENTIONAL SOURCE.**

24           Section 29 is amended by adding at the end the fol-  
25           lowing new subsection:

1       “(h) TERMINATION.—Notwithstanding any other  
2 provision of this section, no credit shall be allowed under  
3 this section with respect to any qualified fuels produced  
4 by a facility placed in service after December 31, 1997.”

5 **SEC. 104. REPEAL OF PERCENTAGE DEPLETION.**

6       (a) IN GENERAL.—Section 613 (relating to limita-  
7 tions on percentage depletion in case of oil and gas wells)  
8 is amended by adding at the end the following new sub-  
9 section:

10       “(f) TERMINATION.—The allowance under section  
11 611 shall be determined without regard to this section for  
12 taxable years beginning after the date of the enactment  
13 of this subsection.”

14       (b) TERMINATION OF SECTION 613A.—Section 613A  
15 is amended by adding at the end the following new sub-  
16 section:

17       “(f) TERMINATION.—The allowance under section  
18 611 shall be determined without regard to this section for  
19 taxable years beginning after the date of the enactment  
20 of this subsection.”

21 **SEC. 105. REPEAL OF TAX BENEFITS FOR ALCOHOL FUELS.**

22       (a) REPEAL OF ALCOHOL FUELS CREDIT.—

23               (1) IN GENERAL.—Section 40 (relating to alco-  
24 hol used as fuel) is hereby repealed.

25               (2) CONFORMING AMENDMENTS.—

1           (A) Subsection (b) of section 38 is amend-  
2           ed by striking paragraph (3) and by redesignat-  
3           ing the following paragraphs accordingly.

4           (B) Section 87 is hereby repealed.

5           (C) Subsection (e) of section 196 is  
6           amended by striking paragraph (3) and by re-  
7           designating the following paragraphs accord-  
8           ingly.

9           (D) Subsection (n) of section 6501 is  
10          amended by striking “40(f)”.

11          (E) The table of sections for subpart D of  
12          part IV of subchapter A of chapter 1 is amend-  
13          ed by striking the item relating to section 40.

14          (F) The table of sections for part II of  
15          subchapter B of chapter 1 is amended by strik-  
16          ing the item relating to section 87.

17          (3) EFFECTIVE DATE.—The amendments made  
18          by this subsection shall apply to taxable years begin-  
19          ning after the date of the enactment of this Act.

20          (b) REPEAL OF REDUCED FUEL TAX RATES.—

21           (1) GASOLINE AND DIESEL FUEL.—Section  
22          4081 is amended by striking subsection (e) and by  
23          redesignating subsections (d) and (e) as subsections  
24          (c) and (d), respectively.

1           (2) AVIATION FUEL.—Section 4091 is amended  
2 by striking subsection (c).

3           (3) SPECIAL MOTOR FUELS.—

4           (A) Section 4041 is amended by striking  
5 subsections (k) and (m).

6           (B) Subsection (b) of section 4041 is  
7 amended by striking paragraph (2).

8           (4) CONFORMING AMENDMENTS.—

9           (A) Section 6427 is amended by striking  
10 subsection (f).

11           (B) Subsection (i) of section 6427 is  
12 amended by striking paragraph (3) and by re-  
13 designating paragraphs (4) and (5) as para-  
14 graphs (3) and (4), respectively.

15           (C) Paragraph (4) of section 6427(i), as  
16 redesignated by subparagraph (B), is amended  
17 by striking the last sentence of subparagraph  
18 (A) and inserting the following new flush sen-  
19 tence:

20           “Notwithstanding subsection (l)(1), if the Sec-  
21 retary has not paid pursuant to a claim filed  
22 under the preceding sentence within 20 days of  
23 the date of the filing of such claim, the claim

1 shall be paid with interest from such date de-  
2 termined by using the overpayment rate and  
3 method under section 6621.”

4 (D) Section 9502 is amended by striking  
5 subsection (e).

6 (E) Subsection (f) of section 9502 is  
7 amended by striking paragraph (2) and by re-  
8 designating paragraph (3) as paragraph (2).

9 (F) Subsection (b) of section 9503 is  
10 amended by striking paragraph (5).

11 (G) Subsection (f) of section 9503 is  
12 amended by striking paragraph (3) and by re-  
13 designating paragraph (4) as paragraph (3).

14 (5) EFFECTIVE DATE.—The amendments made  
15 by this subsection shall take effect on the date of the  
16 enactment of this Act.

17 **SEC. 106. REPEAL OF ENHANCED OIL RECOVERY CREDIT.**

18 (a) IN GENERAL.—Section 43 is hereby repealed.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Subsection (b) of section 38 is amended by  
21 striking paragraph (5), as redesignated by section  
22 105, and by redesignating the succeeding para-  
23 graphs accordingly.

1           (2) The table of sections for subpart D of part  
2           IV of subchapter A of chapter 1 is amended by  
3           striking the item relating to section 43.

4           (c) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply to taxable years beginning after  
6           December 31, 1997.

7           **SEC. 107. REPEAL OF CREDIT AND DEDUCTION FOR ELEC-**  
8                           **TRIC VEHICLES, CLEAN-FUEL VEHICLES, AND**  
9                           **CERTAIN REFUELING PROPERTY.**

10          (a) REPEAL OF CREDIT FOR QUALIFIED ELECTRIC  
11          VEHICLES.—Section 30 is hereby repealed.

12          (b) REPEAL OF DEDUCTION FOR CLEAN-FUEL VEHI-  
13          CLES AND CERTAIN REFUELING PROPERTY.—Section  
14          179A is hereby repealed.

15          (c) CONFORMING AMENDMENTS.—

16               (1) Paragraph (24) of section 1016(a) is  
17               amended by inserting “(as in effect on the day be-  
18               fore the date of the enactment of the Corporate Wel-  
19               fare Elimination Act of 1997)” after “section  
20               179A(e)(6)(A)”.

21               (2) Paragraph (25) of section 1016(a) is  
22               amended by inserting “(as in effect on the day be-  
23               fore the date of the enactment of the Corporate Wel-  
24               fare Elimination Act of 1997)” after “section  
25               30(d)(1)”.

1           (3) The table of sections for subpart B of part  
2           IV of subchapter A of chapter 1 is amended by  
3           striking the item relating to section 30.

4           (4) The table of sections for part VI of sub-  
5           chapter B of chapter 1 is amended by striking the  
6           item relating to section 179A.

7           (d) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years beginning after  
9           December 31, 1997.

10 **SEC. 108. REPEAL OF DEDUCTION FOR TERTIARY**  
11 **INJECTANTS.**

12           (a) IN GENERAL.—Section 193 (relating to tertiary  
13           injectants) is hereby repealed.

14           (b) CLERICAL AMENDMENT.—The table of sections  
15           for part VI of subchapter B of chapter 1 is amended by  
16           striking the item relating to section 193.

17           (c) EFFECTIVE DATE.—The amendments made by  
18           this section shall apply to taxable years beginning after  
19           December 31, 1997.

20 **SEC. 109. REPEAL OF REHABILITATION CREDIT FOR NON-**  
21 **HISTORIC STRUCTURES; REDUCTION OF RE-**  
22 **HABILITATION CREDIT FOR CERTIFIED HIS-**  
23 **TORIC STRUCTURES.**

24           (a) IN GENERAL.—Subsection (a) of section 47 is  
25           amended to read as follows:

1       “(a) GENERAL RULE.—For purposes of section 46,  
2 the rehabilitation credit for any taxable year is 15 percent  
3 of the qualified rehabilitation expenditures with respect to  
4 any certified historic structure.”

5       (b) CONFORMING AMENDMENTS.—

6           (1) Subparagraph (A) of section 47(c)(1) is  
7 amended by adding “and” at the end of clause (ii),  
8 by striking clause (iii) and by redesignating clause  
9 (iv) as clause (iii).

10          (2) Paragraph (1) of section 47(c) is amended  
11 by striking subparagraph (B) and by redesignating  
12 subparagraphs (C) and (D) as subparagraphs (B)  
13 and (C), respectively.

14       (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to property placed in service after  
16 December 31, 1997.

17 **SEC. 110. REPEAL OF TREATMENT OF BLUE CROSS AND**  
18 **BLUE SHIELD ORGANIZATIONS, ETC.**

19       (a) IN GENERAL.—Section 833 (relating to treat-  
20 ment of Blue Cross and Blue Shield organizations, etc.)  
21 is hereby repealed.

22       (b) CLERICAL AMENDMENT.—The table of sections  
23 for part II of subchapter L of chapter 1 is amended by  
24 striking the item relating to section 833.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1997.

4 **SEC. 111. REPEAL OF SMALL LIFE INSURANCE COMPANY**  
5 **DEDUCTION.**

6 (a) IN GENERAL.—Section 806 is hereby repealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) The text of section 804 is amended to read  
9 as follows:

10 “For purposes of this part, the term ‘life insurance  
11 deductions’ means the general deductions provided in sec-  
12 tion 805.”

13 (2) Subparagraph (A) of section 815(c)(2) is  
14 amended by adding “and” at the end of clause (i),  
15 by striking clause (ii), and by redesignating clause  
16 (iii) as clause (ii).

17 (3) Subparagraph (B) of section 453B(e)(2) is  
18 amended by striking “(as defined in section  
19 806(b)(3))”.

20 (4) Subsection (e) of section 453B is amended  
21 by adding at the end the following new paragraph:

22 “(3) NONINSURANCE BUSINESS.—For purposes  
23 of paragraph (2)—

1           “(A) IN GENERAL.—The term ‘noninsur-  
2           ance business’ means any activity which is not  
3           an insurance business.

4           “(B) CERTAIN ACTIVITIES TREATED AS IN-  
5           SURANCE BUSINESSES.—For purposes of sub-  
6           paragraph (A), any activity which is not an in-  
7           surance business shall be treated as an insur-  
8           ance business if—

9                   “(i) it is of a type traditionally carried  
10                   on by life insurance companies for invest-  
11                   ment purposes, but only if the carrying on  
12                   of such activity (other than in the case of  
13                   real estate) does not constitute the active  
14                   conduct of a trade or business, or

15                   “(ii) it involves the performance of ad-  
16                   ministrative services in connection with  
17                   plans providing life insurance, pension, or  
18                   accident and health benefits.”

19           (5) Subclause (II) of section 465(c)(7)(D)(v) is  
20           amended by striking “(within the meaning of section  
21           806(b)(3))” and inserting “(within the meaning of  
22           section 453B(e)(3))”.

23           (6) The table of sections for subpart C of part  
24           I of subchapter L of chapter 1 is amended by strik-  
25           ing the item relating to section 806.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1997.

4 **SEC. 112. REPEAL OF ALTERNATIVE TAX ON SMALL PROP-**  
5 **ERTY AND CASUALTY INSURANCE COMPA-**  
6 **NIES.**

7 (a) IN GENERAL.—Section 831 (relating to tax on  
8 insurance companies other than life insurance companies)  
9 is amended by striking subsection (b) and by redesignat-  
10 ing subsection (c) as subsection (b).

11 (b) CONFORMING AMENDMENTS.—

12 (1) Subparagraph (C) of section 501(c)(15) is  
13 amended to read as follows:

14 “(C) For purposes of subparagraph (B),  
15 the term ‘controlled group’ means any con-  
16 trolled group of corporations (as defined in sec-  
17 tion 1563(a)); except that—

18 “(i) ‘more than 50 percent’ shall be  
19 substituted for ‘at least 80 percent’ each  
20 place it appears in section 1563(a), and

21 “(ii) subsections (a)(4) and (b)(2)(D)  
22 of section 1563 shall not apply.”

23 (2) Sections 832(b)(7)(D)(ii) and 834(a) are  
24 each amended by inserting “(as in effect on the day

1 before the date of the enactment of the Corporate  
2 Welfare Elimination Act of 1997)” after “831(b)”.

3 (3) Sections 904(b)(3)(D) and 1201(a) are each  
4 amended by striking “831(a) or (b)” and inserting  
5 “831(a)”.

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 1997.

9 **SEC. 113. CASH ACCOUNTING AND EXPENSING FOR AGRI-**  
10 **CULTURE.**

11 (a) REPEAL OF PROVISIONS PERMITTING FARMING  
12 BUSINESSES TO USE CASH METHOD OF ACCOUNTING.—

13 (1) Section 447 is amended by striking sub-  
14 sections (g), (h), and (i).

15 (2) Subsection (b) of section 448 is amended by  
16 striking paragraph (1).

17 (b) REPEAL OF DEDUCTION FOR SOIL AND WATER  
18 CONSERVATION EXPENDITURES.—

19 (1) IN GENERAL.—Section 175 (relating to soil  
20 and water conservation expenditures) is hereby re-  
21 pealed.

22 (2) CLERICAL AMENDMENT.—The table of sec-  
23 tions for part VI of subchapter B of chapter 1 is  
24 amended by striking the item relating to section  
25 175.

1 (c) REPEAL OF DEDUCTION FOR EXPENDITURES BY  
2 FARMERS FOR FERTILIZER, ETC.—

3 (1) IN GENERAL.—Section 180 (relating to ex-  
4 penditures by farmers for fertilizer, etc) is hereby re-  
5 pealed.

6 (2) CLERICAL AMENDMENT.—The table of sec-  
7 tions for part VI of subchapter B of chapter 1 is  
8 amended by striking the item relating to section  
9 180.

10 (d) REPEAL OF CERTAIN EXCEPTIONS PERMITTING  
11 CERTAIN FARM BUSINESS TO USE CASH METHOD OF AC-  
12 COUNTING.—Section 447 (relating to method of account-  
13 ing for corporations engaged in farming) is amended by  
14 striking subsections (d)(2), (e), (g), (h), and (i).

15 (e) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 1997.

18 **SEC. 114. REPEAL OF EXCLUSION FOR CANCELLATION OF**  
19 **QUALIFIED FARM INDEBTEDNESS.**

20 (a) IN GENERAL.—Paragraph (1) of section 108(a)  
21 is amended by inserting “or” at the end of subparagraph  
22 (B), by striking subparagraph (C), and by redesignating  
23 subparagraph (D) as subparagraph (C).

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1997.

4 **SEC. 115. REPEAL OF EXCLUSION FOR CERTAIN COST-**  
5 **SHARING PAYMENTS.**

6 (a) IN GENERAL.—Section 126 (relating to certain  
7 cost-sharing payments) is hereby repealed.

8 (b) CLERICAL AMENDMENT.—The table of sections  
9 for part III of subchapter B of chapter 1 is amended by  
10 striking the item relating to section 126.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 1997.

14 **SEC. 116. REDUCTION OF EXPENSING OF TIMBER-GROWING**  
15 **COSTS.**

16 (a) IN GENERAL.—Paragraph (5) of section 263A(c)  
17 (relating to general exceptions) is amended by striking  
18 “This section shall not apply to” and inserting “This sec-  
19 tion shall not apply to  $\frac{2}{3}$  of the costs described in sub-  
20 section (a)(2) with respect to”.

21 (b) EFFECTIVE DATE.—The amendment made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 1997.

1 **SEC. 117. REPEAL OF REFORESTATION CREDIT.**

2 (a) IN GENERAL.—Subsection (b) of section 48 is  
3 hereby repealed.

4 (b) CONFORMING AMENDMENTS.—

5 (1) The heading of section 48 is amended to  
6 read as follows:

7 **“SEC. 48. ENERGY CREDIT.”**

8 (2) The table of sections for subpart E of part  
9 IV of subchapter A of chapter 1 is amended by  
10 amending the item relating to section 48 to read as  
11 follows:

“Sec. 48. Energy credit.”

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 1997.

15 **SEC. 118. REPEAL OF RAPID AMORTIZATION OF REFOREST-**  
16 **ATION EXPENDITURES.**

17 (a) IN GENERAL.—Section 194 is hereby repealed.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (a) of section 62 is amended by  
20 striking paragraph (11).

21 (2) Subsections (a)(3)(C) and (b)(8) of section  
22 1245 are each amended by inserting “(as in effect  
23 before its repeal by the Corporate Welfare Elimini-  
24 nation Act of 1997)” after “section 194”.

1           (3) The table of sections for part VI of sub-  
2           chapter B of chapter 1 is amended by striking the  
3           item relating to section 194.

4           (c) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply to taxable years beginning after  
6           December 31, 1997.

7   **SEC. 119. TERMINATION OF EXCLUSION OF CERTAIN IN-**  
8                           **COME OF CITIZENS OR RESIDENTS OF UNIT-**  
9                           **ED STATES LIVING ABROAD.**

10          (a) IN GENERAL.—Section 911 (relating to citizens  
11          or residents of the United States living abroad) is amend-  
12          ed by redesignating subsection (f) as subsection (g) and  
13          by inserting after subsection (e) the following new sub-  
14          section:

15          “(f) TERMINATION.—This section shall not apply to  
16          any taxable year beginning after December 31, 1997.”

17          (b) EFFECTIVE DATE.—The amendment made by  
18          this section shall apply to taxable years beginning after  
19          December 31, 1997.

20   **SEC. 120. REPEAL OF EXCLUSION FOR INCOME OF FOR-**  
21                           **EIGN SALES CORPORATIONS.**

22          (a) IN GENERAL.—Subpart C of part III of sub-  
23          chapter N of chapter 1 (relating to taxation of foreign  
24          sales corporations) is hereby repealed.

1 (b) CLERICAL AMENDMENT.—The table of subparts  
2 for such part III is amended by striking the item relating  
3 to subpart C.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 1997.

7 **SEC. 121. REPEAL OF DEFERRAL OF INCOME OF CON-**  
8 **TROLLED FOREIGN CORPORATIONS.**

9 (a) GENERAL RULE.—Subpart F of part III of sub-  
10 chapter N of chapter 1 is amended by striking sections  
11 952, 953, and 954 and inserting the following new sec-  
12 tions:

13 **“SEC. 952. SUBPART F INCOME.**

14 “(a) GENERAL RULE.—For purposes of this subpart,  
15 the term ‘subpart F income’ means the earnings and prof-  
16 its of the controlled foreign corporation for the taxable  
17 year computed with the following adjustments:

18 “(1) There shall be excluded the amount of the  
19 earnings and profits which are attributable to in-  
20 come from sources within the United States which  
21 is effectively connected with the conduct by the con-  
22 trolled foreign corporation of a trade or business  
23 within the United States, except to the extent such  
24 income is exempt from taxation (or subject to a re-  
25 duced rate of tax) pursuant to a treaty obligation of

1 the United States. For purposes of the preceding  
2 sentence, income described in paragraph (2) or (3)  
3 of section 921(d) shall be treated as derived from  
4 sources within the United States.

5 “(2) In determining earnings and profits (or  
6 the deficit in earnings and profits), the amount of  
7 any illegal bribe, kickback, or other payment (within  
8 the meaning of section 162(c), except as otherwise  
9 provided in this paragraph) shall not be taken into  
10 account to decrease such earnings and profits or to  
11 increase such deficit. The payments referred to in  
12 the preceding sentence include payments which  
13 would be unlawful under the Foreign Corrupt Prac-  
14 tices Act of 1977 if the payor were a United States  
15 person.

16 “(3) Under regulations prescribed by the Sec-  
17 retary, there shall be excluded any part of any earn-  
18 ings and profits if it is established to the satisfaction  
19 of the Secretary that such part could not have been  
20 distributed by the controlled foreign corporation to  
21 United States shareholders who own (within the  
22 meaning of section 958(a)) stock of such controlled  
23 foreign corporation because of currency or other re-  
24 strictions or limitations imposed under the laws of  
25 any foreign country.

1           “(4) Earnings and profits shall be determined  
2           without regard to paragraphs (4), (5), and (6) of  
3           section 312(n). Under regulations, the preceding  
4           sentence shall not apply to the extent it would in-  
5           crease earnings and profits by an amount which was  
6           previously distributed by the controlled foreign cor-  
7           poration.

8           Except as provided in this subsection and section  
9           312(k)(4), the earnings and profits of any foreign corpora-  
10          tion, and the deficit and earnings and profits of any for-  
11          eign corporation for any taxable year shall be determined  
12          according to rules similar to those applicable to domestic  
13          corporations, under regulations prescribed by the Sec-  
14          retary.

15          “(b) CERTAIN DEFICITS MAY BE TAKEN INTO AC-  
16          COUNT.—

17                 “(1) TREATMENT OF CERTAIN PRIOR YEAR  
18                 DEFICITS.—

19                         “(A) IN GENERAL.—The amount included  
20                         in the gross income of any United States share-  
21                         holder under section 951(a)(1)(A)(i) for any  
22                         taxable year with respect to any controlled for-  
23                         eign corporation shall be reduced by the amount  
24                         of such shareholder’s pro rata share of any

1 qualified deficit of such controlled foreign cor-  
2 poration.

3 “(B) QUALIFIED DEFICIT.—For purposes  
4 of this paragraph—

5 “(i) IN GENERAL.—The term ‘quali-  
6 fied deficit’ means any deficit in the earn-  
7 ings and profits of the controlled foreign  
8 corporation for any prior taxable year  
9 which began after December 31, 1997, and  
10 for which such corporation was a con-  
11 trolled foreign corporation, but only to the  
12 extent such deficit has not previously been  
13 taken into account under this paragraph.

14 “(ii) SPECIAL RULE FOR DEFICITS  
15 BEFORE 1996.—The term ‘qualified deficit’  
16 includes any deficit in earnings and profits  
17 for any taxable year beginning before Jan-  
18 uary 1, 1998, to the extent that such defi-  
19 cit qualified as a qualified deficit under  
20 subsection (c)(1)(B) of this section (as in  
21 effect on the day before the date of the en-  
22 actment of this subsection); except that  
23 any such deficit may be taken into account  
24 under this paragraph only to offset

1 amounts attributable to the same activity  
2 as the activity giving rise to such deficit.

3 “(C) PRO RATA SHARE.—For purposes of  
4 this paragraph, the shareholder’s pro rata share  
5 of any deficit shall be determined under rules  
6 similar to the rules of section 951(a)(2) for  
7 whichever of the following yields the smallest  
8 share:

9 “(i) the close of the taxable year, or  
10 “(ii) the close of the taxable year in  
11 which the deficit arose.

12 “(2) CERTAIN DEFICITS OF MEMBER OF THE  
13 SAME CHAIN OF CORPORATIONS MAY BE TAKEN  
14 INTO ACCOUNT.—

15 “(A) IN GENERAL.—A controlled foreign  
16 corporation may elect to reduce the amount of  
17 its subpart F income for any taxable year by  
18 the amount of any deficit in earnings and prof-  
19 its of a qualified chain member for a taxable  
20 year ending with (or within) the taxable year of  
21 such controlled foreign corporation. To the ex-  
22 tent any deficit reduces subpart F income  
23 under the preceding sentence, such deficit shall  
24 not be taken into account under paragraph (1).

1           “(B) QUALIFIED CHAIN MEMBER.—For  
2 purposes of this paragraph, the term ‘qualified  
3 chain member’ means, with respect to any con-  
4 trolled foreign corporation, any other corpora-  
5 tion which is created or organized under the  
6 laws of the same foreign country as the con-  
7 trolled foreign corporation but only if—

8           “(i) all the stock of such other cor-  
9 poration (other than directors’ qualifying  
10 shares) is owned at all times during the  
11 taxable year in which the deficit arose (di-  
12 rectly or through 1 or more corporations  
13 other than the common parent) by such  
14 controlled foreign corporation, or

15           “(ii) all the stock of such controlled  
16 foreign corporation (other than directors’  
17 qualifying shares) is owned at all times  
18 during the taxable year in which the deficit  
19 arose (directly or through 1 or more cor-  
20 porations other than the common parent)  
21 by such other corporation.

22           “(C) COORDINATION.—This paragraph  
23 shall be applied after paragraph (1).

24           “(3) DETERMINATION OF DEFICIT.—In deter-  
25 mining the amount of any deficit in earnings and

1 profits, the adjustments set forth in subsection (a)  
2 shall apply.

3 **“SEC. 953. SPECIAL RULES FOR CERTAIN INSURANCE COM-**  
4 **PANIES.**

5 “(a) SPECIAL RULE FOR CERTAIN CAPTIVE INSUR-  
6 ANCE COMPANIES.—

7 “(1) IN GENERAL.—For purposes only of tak-  
8 ing into account subpart F income which is attrib-  
9 utable to related person insurance income—

10 “(A) the term ‘United States shareholder’  
11 means, with respect to any foreign corporation,  
12 a United States person (as defined in section  
13 957(c)) who owns (within the meaning of sec-  
14 tion 958(a)) any stock of the foreign corpora-  
15 tion,

16 “(B) the term ‘controlled foreign corpora-  
17 tion’ has the meaning given to such term by  
18 section 957(a) determined by substituting ‘25  
19 percent or more’ for ‘more than 50 percent’,  
20 and

21 “(C) the pro rata share referred to in sec-  
22 tion 951(a)(1)(A)(i) shall be determined under  
23 paragraph (5) of this subsection.

24 “(2) RELATED PERSON INSURANCE INCOME.—  
25 For purposes of this subsection, the term ‘related

1 person insurance income' means any insurance in-  
2 come (within the meaning of subsection (c)) attrib-  
3 utable to a policy of insurance or reinsurance with  
4 respect to which the person (directly or indirectly)  
5 insured is a United States shareholder in the foreign  
6 corporation or a related person to such a share-  
7 holder.

8 “(3) EXCEPTIONS.—

9 “(A) CORPORATIONS NOT HELD BY  
10 INSUREDS.—Paragraph (1) shall not apply to  
11 any foreign corporation if at all times during  
12 the taxable year of such foreign corporation—

13 “(i) less than 20 percent of the total  
14 combined voting power of all classes of  
15 stock of such corporation entitled to vote,  
16 and

17 “(ii) less than 20 percent of the total  
18 value of such corporation,

19 is owned (directly or indirectly) under the prin-  
20 ciples of section 883(c)(4) by persons who are  
21 (directly or indirectly) insured under any policy  
22 of insurance or reinsurance issued by such cor-  
23 poration or who are related persons to any such  
24 person.

1           “(B) DE MINIMIS EXCEPTION.—Paragraph  
2           (1) shall not apply to any foreign corporation  
3           for a taxable year of such corporation if the re-  
4           lated person insurance income (determined on a  
5           gross basis) of such corporation for such tax-  
6           able year is less than 20 percent of its insur-  
7           ance income (as so determined) for such taxable  
8           year determined without regard to those provi-  
9           sions of subsection (c)(1) which limit insurance  
10          income to income from countries other than the  
11          country in which the corporation was created or  
12          organized.

13          “(C) ELECTION TO TREAT INCOME AS EF-  
14          FECTIVELY CONNECTED.—Paragraph (1) shall  
15          not apply to any foreign corporation for any  
16          taxable year if—

17                  “(i) such corporation elects (at such  
18                  time and in such manner as the Secretary  
19                  may prescribe)—

20                          “(I) to treat its related person in-  
21                          surance income for such taxable year  
22                          as income effectively connected with  
23                          the conduct of a trade or business in  
24                          the United States, and

1                   “(II) to waive all benefits (other  
2                   than with respect to section 884) with  
3                   respect to related person insurance in-  
4                   come granted by the United States  
5                   under any treaty between the United  
6                   States and any foreign country, and

7                   “(ii) such corporation meets such re-  
8                   quirements as the Secretary shall prescribe  
9                   to ensure that the tax imposed by this  
10                  chapter on such income is paid.

11                  An election under this subparagraph made for  
12                  any taxable year shall not be effective if the  
13                  corporation (or any predecessor thereof) was a  
14                  disqualified corporation for the taxable year for  
15                  which the election was made or for any prior  
16                  taxable year beginning after 1986.

17                  “(D) SPECIAL RULES FOR SUBPARAGRAPH  
18                  (C).—

19                         “(i) PERIOD DURING WHICH ELEC-  
20                         TION IN EFFECT.—

21                                 “(I) IN GENERAL.—Except as  
22                                 provided in subclause (II), any elec-  
23                                 tion under subparagraph (C) shall  
24                                 apply to the taxable year for which  
25                                 made and all subsequent taxable years

1 unless revoked with the consent of the  
2 Secretary.

3 “(II) TERMINATION.—If a for-  
4 eign corporation which made an elec-  
5 tion under subparagraph (C) for any  
6 taxable year is a disqualified corpora-  
7 tion for any subsequent taxable year,  
8 such election shall not apply to any  
9 taxable year beginning after such sub-  
10 sequent taxable year.

11 “(ii) EXEMPTION FROM TAX IMPOSED  
12 BY SECTION 4371.—The tax imposed by  
13 section 4371 shall not apply with respect  
14 to any related person insurance income  
15 treated as effectively connected with the  
16 conduct of a trade or business within the  
17 United States under subparagraph (C).

18 “(E) DISQUALIFIED CORPORATION.—For  
19 purposes of this paragraph the term ‘disquali-  
20 fied corporation’ means, with respect to any  
21 taxable year, any foreign corporation which is a  
22 controlled foreign corporation for an uninter-  
23 rupted period of 30 days or more during such  
24 taxable year (determined without regard to this

1 subsection) but only if a United States share-  
2 holder (determined without regard to this sub-  
3 section) owns (within the meaning of section  
4 958(a)) stock in such corporation at some time  
5 during such taxable year.

6 “(4) TREATMENT OF MUTUAL INSURANCE COM-  
7 PANIES.—In the case of a mutual insurance com-  
8 pany—

9 “(A) this subsection shall apply,

10 “(B) policyholders of such company shall  
11 be treated as shareholders, and

12 “(C) appropriate adjustments in the appli-  
13 cation of this subpart shall be made under reg-  
14 ulations prescribed by the Secretary.

15 “(5) DETERMINATION OF PRO RATA SHARE.—

16 “(A) IN GENERAL.—The pro rata share  
17 determined under this paragraph for any Unit-  
18 ed States shareholder is the lesser of—

19 “(i) the amount which would be deter-  
20 mined under paragraph (2) of section  
21 951(a) if—

22 “(I) only related person insur-  
23 ance income were taken into account,

24 “(II) stock owned (within the  
25 meaning of section 958(a)) by United

1 States shareholders on the last day of  
2 the taxable year were the only stock  
3 in the foreign corporation, and

4 “(III) only distributions received  
5 by United States shareholders were  
6 taken into account under subpara-  
7 graph (B) of such paragraph (2), or

8 “(ii) the amount which would be de-  
9 termined under paragraph (2) of section  
10 951(a) on the basis of the entire subpart  
11 F income of the foreign corporation for the  
12 taxable year.

13 “(B) COORDINATION WITH OTHER PROVI-  
14 SIONS.—The Secretary shall prescribe regula-  
15 tions providing for such modifications to the  
16 provisions of this subpart as may be necessary  
17 or appropriate by reason of subparagraph (A).

18 “(6) RELATED PERSON.—For purposes of this  
19 subsection—

20 “(A) IN GENERAL.—Except as provided in  
21 subparagraph (B), the term ‘related person’ has  
22 the meaning given such term by section 964(a).

23 “(B) TREATMENT OF CERTAIN LIABILITY  
24 INSURANCE POLICIES.—In the case of any pol-  
25 icy of insurance covering liability arising from

1 services performed as a director, officer, or em-  
2 ployee of a corporation or as a partner or em-  
3 ployee of a partnership, the person performing  
4 such services and the entity for which such  
5 services are performed shall be treated as relat-  
6 ed persons.

7 “(7) COORDINATION WITH SECTION 1248.—For  
8 purposes of section 1248, if any person is (or would  
9 be but for paragraph (3)) treated under paragraph  
10 (1) as a United States shareholder with respect to  
11 any foreign corporation which would be taxed under  
12 subchapter L if it were a domestic corporation and  
13 which is (or would be but for paragraph (3)) treated  
14 under paragraph (1) as a controlled foreign corpora-  
15 tion—

16 “(A) such person shall be treated as meet-  
17 ing the stock ownership requirements of section  
18 1248(a)(2) with respect to such foreign cor-  
19 poration, and

20 “(B) such foreign corporation shall be  
21 treated as a controlled foreign corporation.

22 “(8) REGULATIONS.—The Secretary shall pre-  
23 scribe such regulations as may be necessary to carry  
24 out the purposes of this subsection, including—

1           “(A) regulations preventing the avoidance  
2 of this subsection through cross insurance ar-  
3 rangements or otherwise, and

4           “(B) regulations which may provide that a  
5 person will not be treated as a United States  
6 shareholder under paragraph (1) with respect  
7 to any foreign corporation if neither such per-  
8 son (nor any related person to such person) is  
9 (directly or indirectly) insured under any policy  
10 of insurance or reinsurance issued by such for-  
11 eign corporation.

12           “(b) ELECTION BY FOREIGN INSURANCE COMPANY  
13 TO BE TREATED AS DOMESTIC CORPORATION.—

14           “(1) IN GENERAL.—If—

15           “(A) a foreign corporation is a controlled  
16 foreign corporation (as defined in section  
17 957(a) by substituting ‘25 percent or more’ for  
18 ‘more than 50 percent’ and by using the defini-  
19 tion of United States shareholder under sub-  
20 section (a)(1)(A) of this section),

21           “(B) such foreign corporation would qual-  
22 ify under part I or II of subchapter L for the  
23 taxable year if it were a domestic corporation,

24           “(C) such foreign corporation meets such  
25 requirements as the Secretary shall prescribe to

1 ensure that the taxes imposed by this chapter  
2 on such foreign corporation are paid, and

3 “(D) such foreign corporation makes an  
4 election to have this paragraph apply and  
5 waives all benefits to such corporation granted  
6 by the United States under any treaty,

7 for purposes of this title, such corporation shall be  
8 treated as a domestic corporation.

9 “(2) PERIOD DURING WHICH ELECTION IS IN  
10 EFFECT.—

11 “(A) IN GENERAL.—Except as provided in  
12 subparagraph (B), an election under paragraph  
13 (1) shall apply to the taxable year for which  
14 made and all subsequent taxable years unless  
15 revoked with the consent of the Secretary.

16 “(B) TERMINATION.—If a corporation  
17 which made an election under paragraph (1) for  
18 any taxable year fails to meet the requirements  
19 of subparagraph (A), (B), or (C) of paragraph  
20 (1) for any subsequent taxable year, such elec-  
21 tion shall not apply to any taxable year begin-  
22 ning after such subsequent taxable year.

23 “(3) TREATMENT OF LOSSES.—If any corpora-  
24 tion treated as a domestic corporation under this  
25 subsection is treated as a member of an affiliated

1 group for purposes of chapter 6 (relating to consoli-  
2 dated returns), any loss of such corporation shall be  
3 treated as a dual consolidated loss for purposes of  
4 section 1503(d) without regard to paragraph (2)(B)  
5 thereof.

6 “(4) EFFECT OF ELECTION.—

7 “(A) IN GENERAL.—For purposes of sec-  
8 tion 367, any foreign corporation making an  
9 election under paragraph (1) shall be treated as  
10 transferring (as the 1st day of the 1st taxable  
11 year to which such election applies) all of its as-  
12 sets to a domestic corporation in connection  
13 with an exchange to which section 354 applies.

14 “(B) EXCEPTION FOR PRE-1988 EARNINGS  
15 AND PROFIT.—

16 “(i) IN GENERAL.—Earnings and  
17 profits of the foreign corporation accumu-  
18 lated in taxable years beginning before  
19 January 1, 1988, shall not be included in  
20 the gross income of the persons holding  
21 stock in such corporation by reason of sub-  
22 paragraph (A).

23 “(ii) TREATMENT OF DISTRIBUTIONS.—For purposes of this title, any dis-  
24 tribution made by a corporation to which  
25

1 an election under paragraph (1) applies  
2 out of earnings and profits accumulated in  
3 taxable years beginning before January 1,  
4 1988, shall be treated as a distribution  
5 made by a foreign corporation.

6 “(iii) CERTAIN RULES TO CONTINUE  
7 TO APPLY TO PRE-1988 EARNINGS.—The  
8 provisions specified in clause (iv) shall be  
9 applied without regard to paragraph (1),  
10 except that, in the case of a corporation to  
11 which an election under paragraph (1) ap-  
12 plies, only earnings and profits accumu-  
13 lated in taxable years beginning before  
14 January 1, 1988, shall be taken into ac-  
15 count.

16 “(iv) SPECIFIED PROVISIONS.—The  
17 provisions specified in this clause are:

18 “(I) Section 1248 (relating to  
19 gain from certain sales or exchanges  
20 of stock in certain foreign corpora-  
21 tions).

22 “(II) This subpart to the extent  
23 such subpart relates to earnings in-  
24 vested in United States property or

1 amounts referred to in clause (ii) or  
2 (iii) of section 951(a)(1)(A).

3 “(III) Section 884 to the extent  
4 the foreign corporation reinvested  
5 1987 earnings and profits in United  
6 States assets.

7 “(5) EFFECT OF TERMINATION.—For purposes  
8 of section 367, if—

9 “(A) an election is made by a corporation  
10 under paragraph (1) for any taxable year, and

11 “(B) such election ceases to apply for any  
12 subsequent taxable year,

13 such corporation shall be treated as a domestic cor-  
14 poration transferring (as of the 1st day of such sub-  
15 sequent taxable year) all of its property to a foreign  
16 corporation in connection with an exchange to which  
17 section 354 applies.

18 “(6) ADDITIONAL TAX ON CORPORATION MAK-  
19 ING ELECTION.—

20 “(A) IN GENERAL.—If a corporation  
21 makes an election under paragraph (1), the  
22 amount of tax imposed by this chapter for the  
23 1st taxable year to which such election applies  
24 shall be increased by the amount determined  
25 under subparagraph (B).

1           “(B) AMOUNT OF TAX.—The amount of  
2 tax determined under this paragraph shall be  
3 equal to the lesser of—

4                   “(i)  $\frac{3}{4}$  of 1 percent of the aggregate  
5 amount of capital and accumulated surplus  
6 of the corporation as of December 31,  
7 1987, or

8                   “(ii) \$1,500,000.

9           “(c) INSURANCE INCOME DEFINED.—For purposes  
10 of this section, the term ‘insurance income’ means any in-  
11 come which—

12                   “(1) is attributable to the issuing (or reinsur-  
13 ing) of any insurance or annuity contract—

14                           “(A) in connection with property in, liabil-  
15 ity arising out of activity in, or in connection  
16 with the lives or health of residents of, a coun-  
17 try other than the country under the laws of  
18 which the controlled foreign corporation is cre-  
19 ated or organized, or

20                           “(B) in connection with risks not described  
21 in subparagraph (A) as the result of any ar-  
22 rangement whereby another corporation receives  
23 a substantially equal amount of premiums or

1 other consideration in respect of issuing (or re-  
2 insuring) a contract described in subparagraph  
3 (A), and

4 “(2) would (subject to the modifications pro-  
5 vided by paragraphs (1) and (2) of subsection (d))  
6 be taxed under subchapter L of this chapter if such  
7 income were the income of a domestic insurance  
8 company.

9 “(d) SPECIAL RULES.—In determining the amount  
10 of insurance income—

11 “(1) The following provisions of subchapter L  
12 shall not apply:

13 “(A) The small life insurance company de-  
14 duction.

15 “(B) Section 805(a)(5) (relating to oper-  
16 ations loss deduction).

17 “(C) Section 832(c)(5) (relating to certain  
18 capital losses).

19 “(2) The items referred to in—

20 “(A) section 803(a)(1) (relating to gross  
21 amount of premiums and other considerations),

22 “(B) section 803(a)(2) (relating to net de-  
23 crease in reserves),

24 “(C) section 805(a)(2) (relating to net in-  
25 crease in reserves), and

1           “(D) section 832(b)(4) (relating to pre-  
2           miums earned on insurance contracts),  
3           shall be taken into account only to the extent they  
4           are in respect of any reinsurance or the issuing of  
5           any insurance or annuity contract described in sub-  
6           section (a)(1).

7           “(3) All items of income, expenses, losses, and  
8           deductions shall be properly allocated or apportioned  
9           under regulations prescribed by the Secretary.”

10          (b) REPEAL OF EXPORT TRADE CORPORATION PRO-  
11          VISIONS.—Subpart G of part III of subchapter N of chap-  
12          ter 1 (relating to export trade corporations) is hereby re-  
13          pealed.

14          (c) CONFORMING AMENDMENTS TO SUBPART F.—

15                 (1) Subparagraph (A) of section 955(a)(1) is  
16                 amended by inserting “(as in effect for taxable years  
17                 beginning before 1987)” after “section 954(b)(2)”.

18                 (2) Subsection (b) of section 955 is amended by  
19                 striking “within the meaning of section 954(d)(3)”  
20                 and inserting “within the meaning of section  
21                 964(a)”.

22                 (3) Paragraph (2) of section 956(c) is amend-  
23                 ed—

1 (A) by striking “section 953(a)(1)” in sub-  
2 paragraph (E) and inserting “section  
3 953(c)(1)”, and

4 (B) by inserting “(as in effect on the day  
5 before the date of the enactment of this par-  
6 enthetical) or under section 952(a)(1)” after  
7 “section 952(b)” in subparagraph (H).

8 (4) Subsection (b) of section 957 is amended—

9 (A) by striking “income described in sec-  
10 tion 953(a)” and inserting “subpart F income  
11 attributable to income described in section  
12 953(c)”, and

13 (B) by striking “section 953(a)(1)” and in-  
14 serting “section 953(c)(1)”.

15 (5) Subsection (b) of section 958 is amended—

16 (A) by striking “954(d)(3), 956(b)(2), and  
17 957” and inserting “956(b)(2), 957, and  
18 964(a)”, and

19 (B) by striking “954(d)(3)” the second  
20 place it appears and inserting “964(a)”.

21 (6) Subsection (b) of section 959 is amended by  
22 striking “be also included in the gross income” and  
23 inserting “be also included in the subpart F in-  
24 come”.

1           (7) Subsection (a) of section 964 is amended to  
2       read as follows:

3       “(a) RELATED PERSON.—For purposes of this part,  
4 a person is a related person with respect to a controlled  
5 foreign corporation, if—

6           “(1) such person is an individual, corporation,  
7       partnership, trust, or estate which controls, or is  
8       controlled by, the controlled foreign corporation, or

9           “(2) such person is a corporation, partnership,  
10       trust, or estate which is controlled by the same per-  
11       son or persons which control the controlled foreign  
12       corporation.

13 For purposes of the preceding sentence, control means,  
14 with respect to a corporation, the ownership, directly or  
15 indirectly, of stock possessing more than 50 percent of the  
16 total voting power of all classes of stock entitled to vote  
17 or of the total value of stock of such corporation. In the  
18 case of a partnership, trust, or estate, control means the  
19 ownership, directly or indirectly, more than 50 percent (by  
20 value) of the beneficial interests in such partnership, trust,  
21 or estate. For purposes of this paragraph, rules similar  
22 to the rules of section 958 shall apply.”

23           (8) Section 964 is amended by striking sub-  
24       section (b).

1           (9) The table of sections for subpart F of part  
2           III of subchapter N of chapter 1 is amended by  
3           striking the items relating to sections 952, 953 and  
4           954 and inserting the following:

          “Sec. 952. Subpart F income.

          “Sec. 953. Special rules for certain insurance companies.”

5           (d) OTHER CONFORMING AMENDMENTS.—

6           (1) Paragraph (2) of section 552(c) is amend-  
7           ed—

8                   (A) by amending subparagraph (A) to read  
9                   as follows:

10                   “(A) is received from a related person  
11                   which (i) is a corporation created or organized  
12                   under the laws of the same foreign country  
13                   under the laws of which the foreign corporation  
14                   involved was created or organized, and (ii) has  
15                   a substantial part of its assets used in its trade  
16                   or business located in such same foreign coun-  
17                   try, and”, and

18                   (B) by striking “954(d)(3)” and inserting  
19                   “964(a)”.

20           (2) Subparagraph (B) of section 861(c)(2) is  
21           amended by striking “954(d)(3)” and inserting  
22           “964(a)”.

23           (3) Subparagraph (A) of section 864(d)(5) is  
24           amended by striking clauses (ii), (iii), and (iv).

1           (4) Subparagraph (A) of section 881(c)(5) is  
2 hereby repealed.

3           (5) Subparagraph (D) of section 884(d)(2) is  
4 amended by striking “953(c)(3)(C)” and inserting  
5 “953(a)(3)(C)”.

6           (6) Subparagraph (A) of section 898(b)(3) is  
7 amended—

8                 (A) by striking “953(c)(2)” and inserting  
9 “953(a)(2)”, and

10                (B) by striking “953(c)(1) and inserting  
11 “953(a)(1)”.

12           (7) Clause (i) of section 904(d)(2)(A) is amend-  
13 ed by inserting “, as in effect on the day before the  
14 date of the repeal of such section” after “section  
15 954(c)”.

16           (8) Subclause (III) of section 904(d)(2)(C)(ii)  
17 is amended by striking “953(a)” and inserting  
18 “953(c)”.

19           (9) Subparagraph (D) of section 904(d)(2) is  
20 amended—

21                 (A) by inserting “, as in effect on the day  
22 before the date of the repeal of such section”  
23 after “954(f)”, and

24                 (B) by inserting “or passive income” be-  
25 fore the period at the end thereof.

1           (10) Subparagraph (H) of section 904(d)(2) is  
2 amended by striking “954(d)(3)” and inserting  
3 “964(a)”.

4           (11) Subparagraph (E) of section 904(d)(3) is  
5 hereby repealed.

6           (12) Subparagraph (C) of section 988(a)(3) is  
7 amended by striking “954(d)(3)” and inserting  
8 “964(a)”.

9           (13) Subsection (c) of section 999 is amend-  
10 ed—

11                   (A) by striking “, 952(a)(3),” in para-  
12 graph (1), and

13                   (B) by striking “, the addition to subpart  
14 F income under section 952(a)(3),” in para-  
15 graph (2).

16           (14) Subsection (a) of section 6046 is amended  
17 by striking “953(e)” and inserting “953(a)”.

18           (15) The table of subparts for part III of sub-  
19 chapter M of chapter 1 is amended by striking the  
20 item relating to subpart G.

21           (e) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years of controlled for-  
23 eign corporations beginning after December 31, 1997, and  
24 to the taxable years of United States shareholders with

1 which (or in which) such taxable years of controlled for-  
2 eign corporations end.

3 **SEC. 122. REPEAL OF DEFERRAL OF TAX UNDER MER-**  
4 **CHANT MARINE CAPITAL CONSTRUCTIONS**  
5 **FUNDS.**

6 (a) IN GENERAL.—Subsection (c) of section 7518  
7 (relating to tax incentives relating to Merchant Marine  
8 Capital Construction Fund) is amended by adding at the  
9 end the following new paragraph:

10 “(3) TERMINATION.—Subparagraphs (A), (B),  
11 and (C) of paragraph (1) shall not apply to any tax-  
12 able year beginning after December 31, 1997.”

13 (b) CONFORMING AMENDMENT TO MERCHANT MA-  
14 RINE ACT, 1936.—Subsection (d) of section 607 of the  
15 Merchant Marine Act, 1936, is amended by adding at the  
16 end the following new paragraph:

17 “(3) TERMINATION.—Subparagraphs (A), (B),  
18 and (C) of paragraph (1) shall not apply to any tax-  
19 able year beginning after December 31, 1997.”

20 **SEC. 123. REPEAL OF SPECIAL TREATMENT FOR MAGAZINE**  
21 **CIRCULATION EXPENDITURES.**

22 (a) IN GENERAL.—Section 173 (relating to circula-  
23 tion expenditures) is hereby repealed.

24 (b) CONFORMING AMENDMENTS.—

1           (1) Subparagraph (A) of section 56(b)(2) is  
2 amended to read as follows:

3           “(A) IN GENERAL.—The amount allowable  
4 as a deduction under section 174(a) in comput-  
5 ing the regular tax for amounts paid or in-  
6 curred after December 31, 1986, shall be cap-  
7 italized and shall be amortized ratably over the  
8 10-year period beginning with the taxable year  
9 in which the expenditures were made.”

10          (2) Paragraph (2) of section 56(c) is amended  
11 by striking subparagraph (C).

12          (3) Clause (ii) of section 56(g)(4)(D) is amend-  
13 ed to read as follows:

14                   “(ii) AMORTIZATION OF ORGANIZA-  
15                   TION EXPENDITURES NOT TO APPLY.—  
16                   Section 248 shall not apply to expenditures  
17                   paid or incurred in taxable year beginning  
18                   after December 31, 1989.”

19          (4) Paragraph (1) of section 59(e) is amended  
20 by striking “(3-year period in the case of circulation  
21 expenditures described in section 173)”.

22          (5) Paragraph (2) of section 59(e) is amended  
23 by striking subparagraph (A) and by redesignating  
24 the following subparagraphs accordingly.

1           (6) Paragraph (3) of section 312(n) is amended  
2 to read as follows:

3           “(3) AMORTIZATION OF ORGANIZATION EX-  
4 PENDITURES NOT TO APPLY.—Section 248 shall not  
5 apply.”

6           (7) Subparagraph (B) of section 1016(a)(1) is  
7 amended by striking “expenditures” and inserting  
8 “expenditures, as in effect on the day before the  
9 date of the enactment of the Corporate Welfare  
10 Elimination Act of 1997”.

11           (8) The table of sections for part VI of sub-  
12 chapter B of chapter 1 is amended by striking the  
13 item relating to section 173.

14           (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to amounts paid or incurred after  
16 December 31, 1997.

17 **SEC. 124. REPEAL OF SPECIAL TREATMENT FOR RETURNS**  
18 **OF MAGAZINES, PAPERBACKS, AND RECORDS.**

19           (a) IN GENERAL.—Section 458 (relating to maga-  
20 zines, paperbacks, and records returned after the close of  
21 the taxable year) is hereby repealed.

22           (b) CLERICAL AMENDMENT.—The table of sections  
23 for subpart B of part II of subchapter E of chapter 1  
24 is amended by striking the item relating to section 458.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 1997.

4 **SEC. 125. REPEAL OF EXCLUSION FOR INTEREST ON STATE**  
 5 **AND LOCAL BONDS.**

6 Section 103 (relating to interest on State and local  
 7 bonds) is amended by adding at the end the following new  
 8 subsection:

9 “(d) TERMINATION.—This section shall not apply to  
 10 any obligation issued after December 31, 1997.”

11 **TITLE II—NATURAL RESOURCES**

12 **SEC. 201. PUBLIC RESOURCES DEFICIT REDUCTION ACT OF**  
 13 **1997.**

14 This title may be cited as the “Public Resources Defi-  
 15 cit Reduction Act of 1997”.

16 **Subtitle A—General Provisions**

17 **SEC. 211. FAIR MARKET VALUE FOR RESOURCE DISPOSAL.**

18 (a) IN GENERAL.—Notwithstanding any other provi-  
 19 sion of law, no timber, minerals, forage, or other natural  
 20 resource owned by the United States, no Federally owned  
 21 water, and no hydroelectric energy generated at a Federal  
 22 facility may be sold, leased, or otherwise disposed of by  
 23 any department, agency, or instrumentality of the United  
 24 States for an amount less than fair market value, as deter-  
 25 mined by such department, agency, or instrumentality.

1 (b) EXISTING CONTRACTS, LEASES, ETC.—

2 (1) EXISTING ARRANGEMENTS.—The provisions  
3 of subsection (a) shall not apply to any existing con-  
4 tract, lease, or other binding arrangement entered  
5 into before the date of the enactment of this title  
6 unless such contract, lease or other arrangement is  
7 renewed or extended after such date of enactment.

8 (2) ARRANGEMENTS ENTERED INTO IN 5-YEAR  
9 PERIOD.—The provisions of subsection (a) shall take  
10 effect on the date 5 years after the date of enact-  
11 ment of this title in the case of any contract, lease,  
12 or other binding arrangement entered into or re-  
13 newed or extended after such date but before the  
14 date 5 years after such date.

15 (3) ARRANGEMENTS ENTERED INTO AFTER 5  
16 YEARS.—The provisions of subsection (a) shall apply  
17 immediately to all contracts, leases, or other binding  
18 arrangements entered into or renewed or extended  
19 after the date 5 years after the enactment of this  
20 title.

21 (c) WAIVER.—The President may waive the require-  
22 ments of subsection (a) whenever the President deter-  
23 mines that such waiver is in the national interest. The  
24 President shall submit a notice to Congress containing an

1 explanation of the reasons for any such determination  
2 within 60 days after the date of the determination.

3 **SEC. 212. FEES FROM PROGRAM BENEFICIARIES.**

4 (a) GENERAL AUTHORITY.—The Secretary of the In-  
5 terior and the Secretary of Agriculture are each author-  
6 ized to establish and collect from persons subject to pro-  
7 grams administered by each such Secretary such user fees  
8 as may be necessary to reimburse the United States for  
9 the expenses incurred in administering such programs.  
10 The aggregate amount of fees that may be assessed and  
11 collected under this section by each such Secretary in any  
12 fiscal year from persons subject to any such program shall  
13 not exceed the aggregate amount of expenses incurred in  
14 administering such program in such fiscal year.

15 (b) EFFECTIVE DATE; OIL AND GAS LEASE TRANS-  
16 FERS.—The Secretary of the Interior and the Secretary  
17 of Agriculture may, by rule, establish the applicable effec-  
18 tive date of any fee to be imposed under this section, ex-  
19 cept that fees shall be established and collected under this  
20 section from each person receiving a transfer of a Federal  
21 onshore oil and gas lease after the date of the enactment  
22 of this section.

1 **SEC. 213. REVENUES FROM SALE, LEASE, AND TRANSFER**  
2 **OF ASSETS.**

3 (a) IN GENERAL.—Section 1105(a) of chapter 11 of  
4 title 31, United States Code, is amended by adding at the  
5 end the following new paragraph:

6 “(31) a separate statement of—

7 “(A) projected revenues during the fiscal  
8 year for which the budget is submitted from the  
9 anticipated sale, lease, or transfer of any phys-  
10 ical asset; and

11 “(B) the estimated price at which this  
12 asset or a comparable asset would be sold in an  
13 arms length transaction in the private sector;  
14 asset by asset and aggregated by major functional  
15 category.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall become effective for fiscal year 1998  
18 and shall be fully reflected in the fiscal year 1998 budget  
19 submitted by the President in February 1997 as required  
20 by section 1105(a) of title 31, United States Code.

21 **Subtitle B—Revenue From Mining**  
22 **Claims**

23 **SEC. 221. DEFINITIONS.**

24 (a) DEFINITIONS.—As used in this subtitle:

1           (1) The term “locatable mineral” means any  
2 mineral not subject to disposition under any of the  
3 following:

4                   (A) the Mineral Leasing Act (30 U.S.C.  
5 181 and following);

6                   (B) the Geothermal Steam Act of 1970  
7 (30 U.S.C. 100 and following);

8                   (C) the Act of July 31, 1947, commonly  
9 known as the Materials Act of 1947 (30 U.S.C.  
10 601 and following); or

11                   (D) the Mineral Leasing for Acquired  
12 Lands Act (30 U.S.C. 351 and following).

13           (2) The term “mineral activities” means any  
14 activity for, related to, or incidental to mineral ex-  
15 ploration, mining, beneficiation, and processing ac-  
16 tivities for any locatable mineral, including access.  
17 When used with respect to this term—

18                   (A) The term “exploration” means those  
19 techniques employed to locate the presence of a  
20 locatable mineral deposit and to establish its  
21 nature, position, size, shape, grade, and value.

22                   (B) The term “mining” means the proc-  
23 esses employed for the extraction of a locatable  
24 mineral from the earth.

1           (C) The term “beneficiation” means the  
2           crushing and grinding of locatable mineral ore  
3           and such processes as are employed to free the  
4           mineral from other constituents, including but  
5           not necessarily limited to, physical and chemical  
6           separation techniques.

7           (D) The term “processing” means proc-  
8           esses downstream of beneficiation employed to  
9           prepare locatable mineral ore into the final  
10          marketable product, including but not limited  
11          to, smelting and electrolytic refining.

12          (3) The term “mining claim” means a claim for  
13          the purposes of mineral activities.

14          (4) The term “Secretary” means, unless other-  
15          wise provided in this subtitle, the Secretary of the  
16          Interior acting through the Director of the Minerals  
17          Management Service.

18 **SEC. 222. MINING CLAIM MAINTENANCE REQUIREMENTS.**

19          (a) **IN GENERAL.**—The holder of each mining claim  
20          located on lands open to location shall pay to the Secretary  
21          an annual claim maintenance fee of \$100 per claim per  
22          calendar year.

23          (b) **TIME OF PAYMENT.**—The claim maintenance fee  
24          payable pursuant to subsection (a) for any year shall be  
25          paid on or before August 31 of each year, except that for

1 the initial calendar year in which the location is made,  
2 the locator shall pay the initial claim maintenance fee at  
3 the time the location notice is recorded with the Bureau  
4 of Land Management.

5 (c) OIL SHALE CLAIMS SUBJECT TO CLAIM MAINTENANCE FEES UNDER ENERGY POLICY ACT OF 1992.—  
6 This section shall not apply to any oil shale claims for  
7 which a fee is required to be paid under section 2511(e)(2)  
8 of the Energy Policy Act of 1992 (106 Stat. 3111; 30  
9 U.S.C. 242).

11 (d) CLAIM MAINTENANCE FEES PAYABLE UNDER  
12 1993 ACT.—The claim maintenance fees payable under  
13 this section for any period with respect to any claim shall  
14 be reduced by the amount of the claim maintenance fees  
15 paid under section 10101 of the Omnibus Budget Rec-  
16 onciliation Act of 1993 (30 U.S.C. 28f) with respect to  
17 that claim and with respect to the same period.

18 (e) WAIVER.—(1) The claim maintenance fee re-  
19 quired under this section may be waived for a claim holder  
20 who certifies in writing to the Secretary that on the date  
21 the payment was due, the claim holder and all related par-  
22 ties held not more than 10 mining claims on lands open  
23 to location. Such certification shall be made on or before  
24 the date on which payment is due.

1           (2) For purposes of paragraph (1), with respect to  
2 any claim holder, the term “related party” means each  
3 of the following:

4           (A) The spouse and dependent children (as de-  
5 fined in section 152 of the Internal Revenue Code of  
6 1986), of the claim holder.

7           (B) Any affiliate of the claim holder.

8           (f) CO-OWNERSHIP.—Upon the failure of any one or  
9 more of several co-owners to contribute such co-owner or  
10 owners’ portion of the fee under this section, any co-owner  
11 who has paid such fee may, after the payment due date,  
12 give the delinquent co-owner or owners notice of such fail-  
13 ure in writing (or by publication in the newspaper nearest  
14 the claim for at least once a week for at least 90 days).  
15 If at the expiration of 90 days after such notice in writing  
16 or by publication, any delinquent co-owner fails or refuses  
17 to contribute his portion, his interest in the claim shall  
18 become the property of the co-owners who have paid the  
19 required fee.

20 **SEC. 223. ROYALTY.**

21           (a) RESERVATION OF ROYALTY.—Production of all  
22 locatable minerals from any mining claim located under  
23 the general mining laws, or mineral concentrates or prod-  
24 ucts derived from locatable minerals from any mining  
25 claim located under the general mining laws, as the case

1 may be, shall be subject to a royalty of 8 percent of the  
2 gross income from such production. The claimholder and  
3 any operator to whom the claimholder has assigned the  
4 obligation to make royalty payments under the claim and  
5 any person who controls such claimholder or operator shall  
6 be jointly and severally liable for payment of such royal-  
7 ties.

8 (b) DUTIES OF CLAIM HOLDERS, OPERATORS, AND  
9 TRANSPORTERS.—(1) A person—

10 (A) who is required to make any royalty pay-  
11 ment under this section shall make such payments  
12 to the United States at such times and in such man-  
13 ner as the Secretary may by rule prescribe; and

14 (B) shall notify the Secretary, in the time and  
15 manner as may be specified by the Secretary, of any  
16 assignment that such person may have made of the  
17 obligation to make any royalty or other payment  
18 under a mining claim.

19 (2) Any person paying royalties under this section  
20 shall file a written instrument, together with the first roy-  
21 alty payment, affirming that such person is liable to the  
22 Secretary for making proper payments for all amounts due  
23 for all time periods for which such person as a payment  
24 responsibility. Such liability for the period referred to in  
25 the preceding sentence shall include any and all additional

1 amounts billed by the Secretary and determined to be due  
2 by final agency or judicial action. Any person liable for  
3 royalty payments under this section who assigns any pay-  
4 ment obligation shall remain jointly and severally liable  
5 for all royalty payments due for the claim for the period.

6 (3) A person conducting mineral activities shall—

7 (A) develop and comply with the site security  
8 provisions in operations permit designed to protect  
9 from theft the locatable minerals, concentrates, or  
10 products derived therefrom which are produced or  
11 stored on a mining claim, and such provisions shall  
12 conform with such minimum standards as the Sec-  
13 retary may prescribe by rule, taking into account the  
14 variety of circumstances on mining claims; and

15 (B) not later than the 5th business day after  
16 production begins anywhere on a mining claim, or  
17 production resumes after more than 90 days after  
18 production was suspended, notify the Secretary, in  
19 the manner prescribed by the Secretary, of the date  
20 on which such production has begun or resumed.

21 (4) The Secretary may by rule require any person en-  
22 gaged in transporting a locatable mineral, concentrate, or  
23 product derived therefrom to carry on his or her person,  
24 in his or her vehicle, or in his or her immediate control,

1 documentation showing, at a minimum, the amount, ori-  
2 gin, and intended destination of the locatable mineral, con-  
3 centrate, or product derived therefrom in such cir-  
4 cumstances as the Secretary determines is appropriate.

5 (c) RECORDKEEPING AND REPORTING REQUIRE-  
6 MENTS.—(1) A claim holder, operator, or other person di-  
7 rectly involved in developing, producing, processing, trans-  
8 porting, purchasing, or selling locatable minerals, con-  
9 centrates, or products derived therefrom, subject to this  
10 title, through the point of royalty computation shall estab-  
11 lish and maintain any records, make any reports, and pro-  
12 vide any information that the Secretary may reasonably  
13 require for the purposes of implementing this section or  
14 determining compliance with rules or orders under this  
15 section. Such records shall include, but not be limited to,  
16 periodic reports, records, documents, and other data. Such  
17 reports may also include, but not be limited to, pertinent  
18 technical and financial data relating to the quantity, qual-  
19 ity, composition volume, weight, and assay of all minerals  
20 extracted from the mining claim. Upon the request of any  
21 officer or employee duly designated by the Secretary or  
22 any State conducting an audit or investigation pursuant  
23 to this section, the appropriate records, reports, or infor-  
24 mation which may be required by this section shall be

1 made available for inspection and duplication by such offi-  
2 cer or employee or State.

3 (2) Records required by the Secretary under this sec-  
4 tion shall be maintained for 6 years after cessation of all  
5 mining activity at the claim concerned unless the Sec-  
6 retary notifies the operator that he or she has initiated  
7 an audit or investigation involving such records and that  
8 such records must be maintained for a longer period. In  
9 any case when an audit or investigation is underway,  
10 records shall be maintained until the Secretary releases  
11 the operator of the obligation to maintain such records.

12 (d) AUDITS.—The Secretary is authorized to conduct  
13 such audits of all claim holders, operators, transporters,  
14 purchasers, processors, or other persons directly or indi-  
15 rectly involved in the production or sales of minerals cov-  
16 ered by this subtitle, as the Secretary deems necessary for  
17 the purposes of ensuring compliance with the require-  
18 ments of this section. For purposes of performing such  
19 audits, the Secretary shall, at reasonable times and upon  
20 request, have access to, and may copy, all books, papers  
21 and other documents that relate to compliance with any  
22 provision of this section by any person.

23 (e) COOPERATIVE AGREEMENTS.—(1) The Secretary  
24 is authorized to enter into cooperative agreements with the  
25 Secretary of Agriculture to share information concerning

1 the royalty management of locatable minerals, con-  
2 centrates, or products derived therefrom, to carry out in-  
3 spection, auditing, investigation, or enforcement (not in-  
4 cluding the collection of royalties, civil or criminal pen-  
5 alties, or other payments) activities under this section in  
6 cooperation with the Secretary, and to carry out any other  
7 activity described in this section.

8       (2) Except as provided in paragraph (4)(A) of this  
9 subsection (relating to trade secrets), and pursuant to a  
10 cooperative agreement, the Secretary of Agriculture shall,  
11 upon request, have access to all royalty accounting infor-  
12 mation in the possession of the Secretary respecting the  
13 production, removal, or sale of locatable minerals, con-  
14 centrates, or products derived therefrom from claims on  
15 lands open to location under the general mining laws.

16       (3) Trade secrets, proprietary, and other confidential  
17 information shall be made available by the Secretary pur-  
18 suant to a cooperative agreement under this subsection to  
19 the Secretary of Agriculture upon request only if—

20           (A) the Secretary of Agriculture consents in  
21 writing to restrict the dissemination of the informa-  
22 tion to those who are directly involved in an audit  
23 or investigation under this section and who have a  
24 need to know;

1           (B) the Secretary of Agriculture accepts liabil-  
2           ity for wrongful disclosure; and

3           (C) the Secretary of Agriculture demonstrates  
4           that such information is essential to the conduct of  
5           an audit or investigation under this subsection.

6           (f) INTEREST AND SUBSTANTIAL UNDERREPORTING  
7 ASSESSMENTS.—(1) In the case of mining claims where  
8 royalty payments are not received by the Secretary on the  
9 date that such payments are due, the Secretary shall  
10 charge interest on such under payments at the same inter-  
11 est rate as is applicable under section 6621(a)(2) of the  
12 Internal Revenue Code of 1986. In the case of an under-  
13 payment, interest shall be computed and charged only on  
14 the amount of the deficiency and not on the total amount.

15           (2) If there is any underreporting of royalty owed on  
16 production from a claim for any production month by any  
17 person liable for royalty payments under this section, the  
18 Secretary may assess a penalty of 10 percent of the  
19 amount of that underreporting.

20           (3) If there is a substantial underreporting of royalty  
21 owed on production from a claim for any production  
22 month by any person responsible for paying the royalty,  
23 the Secretary may assess an additional penalty of 10 per-  
24 cent of the amount of that underreporting.

1           (4) For the purposes of this subsection, the term  
2 “underreporting” means the difference between the roy-  
3 alty on the value of the production which should have been  
4 reported and the royalty on the value of the production  
5 which was reported, if the value which should have been  
6 reported is greater than the value which was reported. An  
7 underreporting constitutes a “substantial underreporting”  
8 if such difference exceeds 10 percent of the royalty on the  
9 value of production which should have been reported.

10           (5) The Secretary shall not impose the assessment  
11 provided in paragraph (2) or (3) of this subsection if the  
12 person liable for royalty payments under this section cor-  
13 rects the underreporting before the date such person re-  
14 ceives notice from the Secretary that an underreporting  
15 may have occurred, or before 90 days after the date of  
16 the enactment of this section, whichever is later.

17           (6) The Secretary shall waive any portion of an as-  
18 sessment under paragraph (2) or (3) of this subsection  
19 attributable to that portion of the underreporting for  
20 which the person responsible for paying the royalty dem-  
21 onstrates that—

22                   (A) such person had written authorization from  
23           the Secretary to report royalty on the value of the  
24           production on the basis on which it was reported,

1           (B) such person had substantial authority for  
2 reporting royalty on the value of the production on  
3 the basis on which it was reported,

4           (C) such person previously had notified the Sec-  
5 retary, in such manner as the Secretary may by rule  
6 prescribe, of relevant reasons or facts affecting the  
7 royalty treatment of specific production which led to  
8 the underreporting, or

9           (D) such person meets any other exception  
10 which the Secretary may, by rule, establish.

11       (7) All penalties collected under this subsection shall  
12 be deposited in the Treasury.

13       (g) EXPANDED ROYALTY OBLIGATIONS.—Each per-  
14 son liable for royalty payments under this section shall  
15 be jointly and severally liable for royalty on all locatable  
16 minerals, concentrates, or products derived therefrom lost  
17 or wasted from a mining claim located or converted under  
18 this section when such loss or waste is due to negligence  
19 on the part of any person or due to the failure to comply  
20 with any rule, regulation, or order issued under this sec-  
21 tion.

22       (h) EXCEPTION.—No royalty shall be payable under  
23 subsection (a) with respect to minerals processed at a fa-  
24 cility by the same person or entity which extracted the  
25 minerals if an urban development action grant has been

1 made under section 119 of the Housing and Community  
2 Development Act of 1974 with respect to any portion of  
3 such facility.

4 (i) EFFECTIVE DATE.—The royalty under this sec-  
5 tion shall take effect with respect to the production of  
6 locatable minerals after the enactment of this title, but  
7 any royalty payments attributable to production during  
8 the first 12 calendar months after the enactment of this  
9 title shall be payable at the expiration of such 12-month  
10 period.

11 **SEC. 224. SEVERANCE TAX.**

12 (a) SEVERANCE TAX ON MINERALS.—Chapter 36 of  
13 the Internal Revenue Code of 1986 (relating to certain  
14 other excise taxes) is amended by adding at the end the  
15 following new subchapter:

16 **“Subchapter G—Tax on Severance of**  
17 **Locatable Minerals**

18 **“SEC. 4500. TAX ON SEVERANCE OF LOCATABLE MINERALS.**

19 “(a) IN GENERAL.—There is hereby imposed a tax  
20 on gross income resulting from the severance of any  
21 locatable mineral, or mineral concentrates or products,  
22 from a mine or other natural deposit located within the  
23 United States.

24 “(b) AMOUNT OF TAX.—The amount of the tax im-  
25 posed by subsection (a) shall be 8 percent of the gross

1 income derived from the locatable mineral, or from the  
2 mineral concentrates or products, severed as described in  
3 such subsection.

4 “(c) EXCEPTION IF ROYALTY IMPOSED.—Subsection  
5 (a) shall not apply to gross income with respect to which  
6 a royalty is imposed by section 203 of the Public Re-  
7 sources Deficit Reduction Act of 1997.”.

8 (b) CONFORMING AMENDMENT.—The table of sub-  
9 chapters for chapter 36 of such Code (relating to certain  
10 other excise taxes) is amended by adding at the end the  
11 following new item:

“SUBCHAPTER G. Tax on severance of locatable minerals.”.

12 **SEC. 225. FUND FOR ABANDONED LOCATABLE MINERALS**  
13 **MINE RECLAMATION.**

14 (a) ESTABLISHMENT OF FUND.—(1) There is estab-  
15 lished on the books of the Treasury of the United States  
16 a trust fund to be known as the Abandoned Locatable  
17 Minerals Mine Reclamation Fund (hereinafter in this sub-  
18 title referred to as the ‘Fund’). The Fund shall be admin-  
19 istered by the Secretary acting through the Director of  
20 the Office of Surface Mining Reclamation and Enforce-  
21 ment.

22 (2) The Secretary shall notify the Secretary of the  
23 Treasury as to what portion of the Fund is not, in the

1 Secretary's judgment, required to meet current withdraw-  
2 als. The Secretary of the Treasury shall invest such por-  
3 tion of the Fund in public debt securities with maturities  
4 suitable for the needs of such Fund and bearing interest  
5 at rates determined by the Secretary of the Treasury, tak-  
6 ing into consideration current market yields on outstand-  
7 ing marketplace obligations of the United States of com-  
8 parable maturities. The income on such investments shall  
9 be credited to, and form a part of, the Fund.

10 (b) AMOUNTS.—The following amounts shall be cred-  
11 ited to the Fund:

12 (1) All moneys received from royalties under  
13 section 223.

14 (2) All taxes collected under section 4500 of the  
15 Internal Revenue Code of 1986.

16 (3) All donations by persons, corporations, as-  
17 sociations, and foundations for the purposes of this  
18 section.

19 (c) USE AND OBJECTIVES OF THE FUND.—The Sec-  
20 retary is authorized, subject to appropriations, to use  
21 moneys in the Fund for the reclamation and restoration  
22 of land and water resources adversely affected by past  
23 mineral activities on lands the legal and beneficial title to  
24 which resides in the United States, and of land within the  
25 exterior boundary of any National Forest System unit.

1 (d) SPECIFIC SITES AND AREAS NOT ELIGIBLE.—  
2 The provisions of section 411(d) of the Surface Mining  
3 Control and Reclamation Act of 1977 (30 U.S.C.  
4 1240a(d)) shall apply to expenditures made from the  
5 Fund established under this section.

6 (e) FUND EXPENDITURES.—Moneys available from  
7 the Fund may be expended for the purposes specified in  
8 subsection (e) directly by the Director of the Office of Sur-  
9 face Mining Reclamation and Enforcement. The Director  
10 may also make such money available for such purposes  
11 to the Director of the Bureau of Land Management, to  
12 the Chief of the United States Forest Service, to the Di-  
13 rector of the National Park Service, to the Director of the  
14 United States Fish and Wildlife Service, to any other  
15 agency of the United States, to an Indian tribe, or to any  
16 public entity that volunteers to develop and implement,  
17 and that has the ability to carry out, all or a significant  
18 portion of a reclamation program under this subtitle.

19 (f) AUTHORIZATION OF APPROPRIATIONS.—Amounts  
20 credited to the Fund are authorized to be appropriated  
21 for the purpose of this section without fiscal year limita-  
22 tion.

23 **SEC. 226. LIMITATION ON PATENT ISSUANCE.**

24 (a) MINING CLAIMS.—After the date of enactment of  
25 this title, no patent shall be issued by the United States

1 for any mining claim located under the general mining  
2 laws unless the Secretary determines that, for the claim  
3 concerned—

4           (1) a patent application was filed with the Sec-  
5           retary on or before January 27, 1995; and

6           (2) all requirements established under sections  
7           2325 and 2326 of the Revised Statutes (30 U.S.C.  
8           29 and 30) for vein or lode claims and sections  
9           2329, 2330, 2331, and 2333 of the Revised Statutes  
10          (30 U.S.C. 35, 36, and 37) for placer claims were  
11          fully complied with by that date.

12 If the Secretary makes the determinations referred to in  
13 paragraphs (1) and (2) for any mining claim, the holder  
14 of the claim shall be entitled to the issuance of a patent  
15 in the same manner and degree to which such claim holder  
16 would have been entitled to prior to the enactment of this  
17 title, unless and until such determinations are withdrawn  
18 or invalidated by the Secretary or by a court of the United  
19 States.

20          (b) *MILL SITES*.—After the date of enactment of this  
21 title, no patent shall be issued by the United States for  
22 any mill site claim located under the general mining laws  
23 unless the Secretary determines that for the mill site con-  
24 cerned—

1           (1) a patent application for such land was filed  
2           with the Secretary on or before January 27, 1997;  
3           and

4           (2) all requirements applicable to such patent  
5           application were fully complied with by that date.

6 If the Secretary makes the determinations referred to in  
7 paragraphs (1) and (2) for any mill site claim, the holder  
8 of the claim shall be entitled to the issuance of a patent  
9 in the same manner and degree to which such claim holder  
10 would have been entitled to prior to the enactment of this  
11 title, unless and until such determinations are withdrawn  
12 or invalidated by the Secretary or by a court of the United  
13 States.

14 **SEC. 227. PURCHASING POWER ADJUSTMENT.**

15           The Secretary shall adjust all dollar amounts estab-  
16 lished in this subtitle for changes in the purchasing power  
17 of the dollar every 10 years following the date of enact-  
18 ment of this title, employing the Consumer Price Index  
19 for all-urban consumers published by the Department of  
20 Labor as the basis for adjustment, and rounding accord-  
21 ing to the adjustment process of conditions of the Federal  
22 Civil Penalties Inflation Adjustment Act of 1990 (104  
23 Stat. 890).

1 **SEC. 228. SAVINGS CLAUSE.**

2 Nothing in this title shall be construed as repealing  
3 or modifying any Federal law, regulation, order, or land  
4 use plan, in effect prior to the effective date of this title,  
5 that prohibits or restricts the application of the general  
6 mining laws, including such laws that provide for special  
7 management criteria for operations under the general  
8 mining laws as in effect prior to the effective date of this  
9 title, to the extent such laws provide environmental protec-  
10 tion greater than required under this subtitle.

11 **SEC. 229. EFFECTIVE DATE.**

12 Except as otherwise provided in section 226 (relating  
13 to limitation on patent issuance), this subtitle shall take  
14 effect on the date 1 year after the date of enactment of  
15 this title.

16 **Subtitle C—Use or Disposal of**  
17 **Federal Natural Resources**

18 **SEC. 241. ANNUAL DOMESTIC LIVESTOCK GRAZING FEE.**

19 The Federal Land Policy and Management Act of  
20 1976 is amended by inserting after section 401 (43 U.S.C.  
21 1751) the following new section:

22 **“SEC. 401A. ESTABLISHMENT OF FAIR MARKET VALUE**  
23 **GRAZING FEES.**

24 **“(a) ESTABLISHMENT OF ANNUAL DOMESTIC LIVE-**  
25 **STOCK GRAZING FEE.—(1) Notwithstanding any other**  
26 **provision of law, the Secretary of Agriculture, with respect**

1 to National Forest System lands in the 16 contiguous  
 2 Western States (except National Grasslands) administered  
 3 by the Forest Service where domestic livestock grazing is  
 4 permitted under applicable law, shall establish an annual  
 5 domestic livestock grazing fee equal to fair market value.

6 “(2) Notwithstanding any other provision of law, the  
 7 Secretary of the Interior, with respect to public domain  
 8 lands administered by the Bureau of Land Management  
 9 where domestic livestock grazing is permitted under appli-  
 10 cable law, shall establish an annual domestic livestock  
 11 grazing fee equal to fair market value.

12 “(b) CALCULATION OF FAIR MARKET VALUE.—(1)  
 13 For purposes of determining the annual domestic livestock  
 14 grazing fee under this section, the Secretary concerned  
 15 shall calculate fair market value using the following for-  
 16 mula:

$$\text{Fair Market Value} = \frac{\text{Appraised Base Value} \times \text{Forage Value Index}}{100}$$

17 “(2) For purposes of the formula in paragraph (1):

18 “(A) The term ‘Forage Value Index’ means the  
 19 Forage Value Index (FVI) computed annually by the  
 20 Economic Research Service, United States Depart-  
 21 ment of Agriculture, and set with the 1997 FVI  
 22 equal to 100; and

1           “(B) The term ‘Appraised Base Value’ means  
2           the 1983 Appraisal Value conclusions for mature  
3           cattle and horses (expressed in dollars per head or  
4           per month), as determined in the 1986 report pre-  
5           pared jointly by the Secretary of Agriculture and the  
6           Secretary of the Interior entitled ‘Grazing Fee Re-  
7           view and Evaluation’, dated February 1986, on a  
8           west-wide basis using the lowest appraised value of  
9           the pricing areas adjusted for advanced payment  
10          and indexed to 1997.

11          “(c) LIMITATION ON FLUCTUATIONS OF FEES.—  
12          Notwithstanding the amount calculated under subsection  
13          (b) for a year, the domestic livestock grazing fee charged  
14          for any given year shall not increase nor decrease by more  
15          than 33.3 percent from the domestic livestock grazing fee  
16          for the previous year.

17          “(d) EFFECT ON EXECUTIVE ORDER.—Executive  
18          Order No. 12548, dated February 14, 1986 (51 Fed. Reg.  
19          5985), shall not apply to grazing fees established pursuant  
20          to this section.

21          “(e) EFFECT ON GRAZING ADVISORY BOARDS.—The  
22          grazing advisory boards established pursuant to Secretar-  
23          ial action, notice of which was published in the Federal

1 Register on May 14, 1986 (51 Fed. Reg. 17874), are abol-  
2 ished, effective as of the date of the enactment of this sec-  
3 tion, and the advisory functions exercised by such boards  
4 shall be exercised only by the appropriate councils estab-  
5 lished under section 309 of this Act.

6       “(f) USE OF FEES AND RANGE IMPROVEMENT  
7 FUNDS.—Funds appropriated pursuant to section 5 of the  
8 Public Rangelands Improvement Act of 1978 (43 U.S.C.  
9 1904) or any other provision of law related to disposition  
10 of the Federal share of receipts from fees for grazing on  
11 public domain lands or National Forest lands in the 16  
12 contiguous western States shall be used for restoration  
13 and enhancement of fish and wildlife habitat, for restora-  
14 tion and improved management of riparian areas, and for  
15 implementation and enforcement of applicable land man-  
16 agement plans, allotment plans, and regulations regarding  
17 the use of such lands for domestic livestock grazing. Such  
18 funds shall be distributed as the Secretary concerned con-  
19 siders advisable after consultation and coordination with  
20 the advisory councils established pursuant to section 309  
21 of this Act and other interested parties.

22       “(g) COMMENCEMENT DATE FOR FEES.—The first  
23 annual domestic livestock grazing fee required by this sec-  
24 tion shall apply with respect to the grazing season com-  
25 mencing on March 1, 1998.”.

1 **SEC. 242. ELIMINATION OF BELOW-COST SALES OF TIMBER**  
2 **FROM NATIONAL FOREST SYSTEM LANDS.**

3 (a) IN GENERAL.—The National Forest Management  
4 Act of 1976 is amended by inserting after section 14 (16  
5 U.S.C. 472a) the following new section:

6 **“SEC. 14A. ELIMINATION OF BELOW-COST TIMBER SALES**  
7 **FROM NATIONAL FOREST SYSTEM LANDS.**

8 “(a) REQUIREMENT THAT SALE REVENUES EXCEED  
9 COSTS.—On and after October 1, 2002, in appraising tim-  
10 ber and setting a minimum bid for trees, portions of trees,  
11 or forest products located on National Forest System  
12 lands proposed for sale under section 14 or any other pro-  
13 vision of law, the Secretary of Agriculture shall ensure  
14 that the estimated cash returns to the United States  
15 Treasury from each sale exceed the estimated costs to be  
16 incurred by the Federal Government in the preparation  
17 of the sale or as a result of the sale.

18 “(b) COSTS TO BE CONSIDERED.—For purposes of  
19 estimating under this section the costs to be incurred by  
20 the Federal Government from each timber sale, the Sec-  
21 retary shall assign to the sale the following costs:

22 “(1) The actual appropriated expenses for sale  
23 preparation and harvest administration incurred or  
24 to be incurred by the Federal Government from the  
25 sale and the payments to counties to be made as a  
26 result of the sale.

1           “(2) A portion of the annual timber resource  
2           planning costs, silvicultural examination costs, other  
3           resource support costs, road design and construction  
4           costs, road maintenance costs, transportation plan-  
5           ning costs, appropriated reforestation costs, timber  
6           stand improvement costs, forest genetics costs, gen-  
7           eral administrative costs (including administrative  
8           costs of the national and regional offices of the For-  
9           est Service), and facilities construction costs of the  
10          Federal Government directly or indirectly related to  
11          the timber harvest program conducted on National  
12          Forest System lands.

13          “(c) METHOD OF ALLOCATING COSTS.—The Sec-  
14          retary shall allocate the costs referred to in subsection  
15          (b)(2) to each unit of the National Forest System, and  
16          each proposed timber sale in such unit, on the basis of  
17          harvest volume.

18          “(d) TRANSITIONAL REQUIREMENTS.—To ensure the  
19          elimination of all below-cost timber sales by the date speci-  
20          fied in subsection (a), the Secretary shall progressively re-  
21          duce the number and size of below-cost timber sales on  
22          National Forest System lands as follows:

1           “(1) In fiscal years 1998 and 1999, the quan-  
2           tity of timber sold in below-cost timber sales on Na-  
3           tional Forest System lands shall not exceed 75 per-  
4           cent of the quantity of timber sold in such sales in  
5           the preceding fiscal year.

6           “(2) In fiscal year 2000, the quantity of timber  
7           sold in below-cost timber sales on National Forest  
8           System lands shall not exceed 65 percent of the  
9           quantity of timber sold in such sales in fiscal year  
10          1998.

11          “(3) In fiscal year 2001, the quantity of timber  
12          sold in below-cost timber sales on National Forest  
13          System lands shall not exceed 50 percent of the  
14          quantity of timber sold in such sales in the fiscal  
15          year 2000.

16          “(e) BELOW-COST TIMBER SALE.—For purposes of  
17          this section, the term ‘below-cost timber sale’ means a sale  
18          of timber in which the costs to be incurred by the Federal  
19          Government exceed the cash returns to the United States  
20          Treasury.”.

21          (b) FINDINGS.—Section 2 of the Forest and Range-  
22          land Renewable Resources Planning Act of 1974 (16  
23          U.S.C. 1600) is amended—

24                  (1) by striking “and” at the end of paragraph  
25                  (6);

1           (2) by striking the period at the end of para-  
2           graph (7) and inserting “; and”; and

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

5           “(8) the practice of selling timber from Na-  
6           tional Forest System lands for less than the cost to  
7           the Federal Government of growing the timber and  
8           preparing the timber for sale is not in the best inter-  
9           ests of the United States, and such below-cost sales  
10          should be eliminated in an orderly manner to achieve  
11          a more economically and environmentally sound tim-  
12          ber program for the National Forest System.”.

13 **SEC. 243. TIMBERLAND SUITABILITY.**

14          Subsection (k) of section 6 of the Forest and Range-  
15          land Renewable Resources Planning Act of 1974 (16  
16          U.S.C. 1604) is amended to read as follows:

17          “(k) DETERMINATION OF SUITABILITY OF LANDS  
18          FOR TIMBER PRODUCTION.—

19                 “(1) DETERMINATION REQUIRED.—In revising  
20          land management plans developed pursuant to this  
21          section, the Secretary shall identify lands within the

1 management area that are not suited for timber pro-  
2 duction based on physical, economic, or other rel-  
3 evant factors. The Secretary shall review the identi-  
4 fications made under this paragraph during each re-  
5 vision of the forest plan.

6 “(2) EVIDENCE OF ECONOMIC  
7 UNSUITABILITY.—The Secretary shall identify lands  
8 as economically unsuitable for timber production  
9 under paragraph (1) if—

10 “(A) the expected cash returns to the  
11 United States Treasury that would result from  
12 the sale of standing timber on the lands do not  
13 exceed the expected costs that would be in-  
14 curred by the Federal Government in prepara-  
15 tion or as a result of such sales; or

16 “(B) the expected cash returns to the  
17 United States Treasury that would result from  
18 the sale of subsequent timber stands on the  
19 lands do not exceed the expected costs that  
20 would be incurred by the Federal Government  
21 in preparation or as a result of such sales.

22 “(3) COSTS TO BE CONSIDERED.—For purposes  
23 of estimating under paragraph (2) the costs to be in-  
24 curred by the Federal Government from timber sales  
25 conducted on the lands being reviewed, the Secretary

1 shall assign to sales on such lands the following  
2 costs:

3 “(A) The appropriated expenses for sale  
4 preparation and harvest administration that  
5 would be incurred by the Federal Government  
6 from such sales and the payments to counties  
7 that would be made as a result of such sales.

8 “(B) A portion of the annual timber re-  
9 source planning costs, silvicultural examination  
10 costs, other resource support costs, road design  
11 and construction costs, road maintenance costs,  
12 transportation planning costs, appropriated re-  
13 forestation costs, timber stand improvement  
14 costs, forest genetics costs, general administra-  
15 tive costs (including administrative costs of the  
16 national and regional offices of the Forest Serv-  
17 ice), and facilities construction costs of the Fed-  
18 eral Government directly or indirectly related to  
19 the timber harvest program conducted on Na-  
20 tional Forest System lands.

21 “(4) METHOD OF ALLOCATING COSTS.—The  
22 Secretary shall allocate the costs referred to in para-  
23 graph (3)(B) to each unit of the National Forest  
24 System on the basis of harvest volume.

1           “(5) PROHIBITION ON TIMBER HARVESTS ON  
2           UNSUITABLE LANDS.—In the case of lands identified  
3           under paragraph (1) as unsuitable for timber pro-  
4           duction, no timber harvesting shall occur on such  
5           lands for a period of 10 years or the life of the plan,  
6           whichever is greater.

7           “(6) DEFINITIONS.—For purposes of this sub-  
8           section:

9                   “(A) The term ‘standing timber’ means an  
10           existing stand of timber that has not been har-  
11           vested.

12                   “(B) The term ‘subsequent timber stand’  
13           means a regenerated stand of timber produced  
14           on land from which standing timber has been  
15           harvested.”.

16 **SEC. 244. REDUCTION IN MAXIMUM AMOUNT OF PAYMENTS**  
17                   **UNDER AGRICULTURAL ASSISTANCE PRO-**  
18                   **GRAMS TO REFLECT RECEIPT OF FEDERAL**  
19                   **IRRIGATION WATER.**

20           (a) PRICE SUPPORT PROGRAMS.—Title X of the  
21           Food Security Act of 1985 is amended—

22                   (1) by redesignating sections 1001D (7 U.S.C.  
23           1308–4) and 1001E (7 U.S.C. 1308–5) as sections  
24           1001E and 1001F, respectively; and

1           (2) by inserting after section 1001C (7 U.S.C.  
2           1308–3) the following new section:

3   **“SEC. 1001D. REDUCTION OF PAYMENT LIMITATIONS TO**  
4                   **REFLECT RECEIPT OF FEDERAL IRRIGATION**  
5                   **WATER.**

6           “(a) REDUCTION OF PAYMENT LIMITATIONS RE-  
7   REQUIRED.—If a person subject to section 1001 receives  
8   Federal irrigation water for agricultural purposes from the  
9   operation of a Federal reclamation project, the payment  
10   limitations specified in paragraphs (1) and (2) of such sec-  
11   tion and applicable to such person shall be reduced for  
12   the year in which such person receives irrigation water.  
13   The amount of the reduction shall be equal to the total  
14   value during that year of the subsidy portion of the con-  
15   tract with such person for the delivery of the irrigation  
16   water.

17           “(b) DETERMINATION OF SUBSIDY PORTION OF  
18   WATER CONTRACT.—The subsidy portion of an irrigation  
19   water delivery contract is equal to the amount by which  
20   full cost for the delivery of the irrigation water exceeds  
21   the actual contract price for the delivery of the water.

22           “(c) DEFINITIONS.—For purposes of this section, the  
23   terms ‘contract’, ‘full cost’, ‘irrigation water’, and ‘project’  
24   have the meanings given such terms in section 202 of the  
25   Reclamation Reform Act of 1982 (43 U.S.C. 390bb).”.

1 (b) NONINSURED CROP DISASTER ASSISTANCE.—  
2 Section 196(i) of the Federal Agriculture Improvement  
3 and Reform Act of 1996 (7 U.S.C. 7333(i)) is amended—

4 (1) by redesignating paragraph (5) as para-  
5 graph (6); and

6 (2) by inserting after paragraph (4) the follow-  
7 ing new paragraph:

8 “(5) EFFECT OF RECEIPT OF IRRIGATION  
9 WATER.—

10 “(A) REDUCTION OF PAYMENT LIMITA-  
11 TION.—If a person who receives payments  
12 under this section also receives, during the  
13 same year, Federal irrigation water for agricul-  
14 tural purposes from the operation of a Federal  
15 reclamation project, the payment limitation  
16 specified in paragraph (2) for such person shall  
17 be reduced for that year. The amount of the re-  
18 duction shall be equal to the total value during  
19 that year of the subsidy portion of the contract  
20 with such person for the delivery of the irriga-  
21 tion water.

22 “(B) DETERMINATION OF SUBSIDY POR-  
23 TION OF WATER CONTRACT.—The subsidy por-  
24 tion of an irrigation water delivery contract is  
25 equal to the amount by which full cost for the

1 delivery of the irrigation water exceeds the ac-  
2 tual contract price for the delivery of the water.

3 “(C) DEFINITIONS.—For purposes of this  
4 paragraph, the terms ‘contract’, ‘full cost’, ‘irri-  
5 gation water’, and ‘project’ have the meanings  
6 given such terms in section 202 of the Reclama-  
7 tion Reform Act of 1982 (43 U.S.C. 390bb).”.

8 (c) CONFORMING AMENDMENTS.—Section  
9 1001(5)(A) of the Food Security Act of 1985 (7 U.S.C.  
10 1308(5)(A)) is amended by striking “through 1001C” and  
11 inserting “through 1001D”.

12 **SEC. 245. ELIMINATION OF OFF BUDGET EXPENDITURES.**

13 (a) KNUTSON-VANDENBERG FUND.—Section 3 of  
14 the Act of June 9, 1930 (commonly known as the  
15 Knutson-Vandenberg Act; 16 U.S.C. 576b), is amended  
16 by striking “and shall constitute a special fund, which is  
17 hereby appropriated and made available until expended,”  
18 in the second sentence and inserting “and are authorized  
19 to be appropriated”.

20 (b) DEPOSITS FROM BRUSH DISPOSAL.—The para-  
21 graph relating to deposits from brush disposal under the  
22 heading “FOREST SERVICE” in the Act of August 11, 1916  
23 (39 Stat. 462; 16 U.S.C. 490), is amended by striking

1 “and constitute a special fund, which is hereby appro-  
2 priated and shall remain available until expended” and in-  
3 serting “and are authorized to be appropriated for the  
4 purpose of disposing of such brush and other debris”.

5 (c) NATIONAL FORESTS ROADS AND TRAILS.—Sec-  
6 tion 7 of Public Law 88–657 (commonly known as the  
7 Forest Roads and Trails Act; 16 U.S.C. 538) is amended  
8 by striking “may be placed in a fund to be available” and  
9 inserting “are authorized to be appropriated”.

10 (d) TIMBER SALVAGE SALE FUND.—Section 303(d)  
11 of Public Law 96–451 (16 U.S.C. 1606a) is amended by  
12 striking “The Secretary of Agriculture” and inserting “In  
13 such amounts as are provided in advance in appropriations  
14 Acts, the Secretary of Agriculture”.

15 **SEC. 246. DEPOSIT OF TAYLOR GRAZING ACT RECEIPTS IN**  
16 **TREASURY.**

17 Section 10 of the Act of June 28, 1934 (commonly  
18 known as the Taylor Grazing Act; 43 U.S.C. 315i), is  
19 amended by striking all after “miscellaneous receipts” and  
20 inserting a period.

21 **SEC. 247. REPEAL OF LIVESTOCK FEED ASSISTANCE PRO-**  
22 **GRAM.**

23 The Emergency Livestock Feed Assistance Act of  
24 1988 (title VI of the Agricultural Act of 1949; 7 U.S.C.  
25 1471–1471j) is repealed.

1 **SEC. 248. OIL AND GAS RENTALS.**

2 The Mineral Leasing Act (30 U.S.C. 181 et seq.) is  
3 amended as follows:

4 (1) In section 14 by striking out “a rental of  
5 \$1 per acre” and inserting “a rental established by  
6 the Secretary of the Interior” and by adding the fol-  
7 lowing at the end thereof: “The Secretary shall es-  
8 tablish fair market value rental fees under this sec-  
9 tion based upon the rental fees which would be  
10 charged in arm’s length transactions for comparable  
11 leases of oil and gas resources on non-Federal  
12 land.”.

13 (2) In section 17(d) by striking out “rental of  
14 not less than \$1.50 per acre per year for the first  
15 through fifth years of the lease and not less than \$2  
16 per acre per year for each year thereafter” and in-  
17 serting “rental established by the Secretary of the  
18 Interior” and by adding the following at the end  
19 thereof: “The Secretary shall establish fair market  
20 value rental fees under this section based upon the  
21 rental fees which would be charged in arms length  
22 transactions for comparable leases of oil and gas re-  
23 sources on non-Federal land.”.

24 (3) In section 21(a) by striking out “rental,  
25 payable at the beginning of each year, at the rate of  
26 50 cents per acre per annum, for the lands included

1 in the lease,” and inserting “rental established by  
2 the Secretary of the Interior” and by adding the fol-  
3 lowing at the end thereof: “The Secretary shall es-  
4 tablish fair market value rental fees under this sec-  
5 tion based upon the rental fees which would be  
6 charged in arms length transactions for comparable  
7 leases on non-Federal land.”.

8 (4) In section 31(e)(2) by striking “rate of not  
9 less than \$10 per acre per year, or the inclusion in  
10 a reinstated lease issued pursuant to the provisions  
11 of section 17(c) of this Act of a requirement that fu-  
12 ture rentals shall be at a rate not less than \$5 per  
13 acre per year” and inserting “fair market value rate  
14 (but not less than \$10 per acre per year)”.

15 (5) In section 31(f)(3) by striking out “of not  
16 less than \$5 per acre per year” and inserting “es-  
17 tablished by the Secretary at fair market value  
18 based upon the rental fees which would be charged  
19 in arms length transactions for comparable leases on  
20 non-Federal land”.

21 **SEC. 249. COMMUNICATION PERMITS.**

22 (a) IN GENERAL.—No permit, lease, or authorization  
23 for the use of any area of the public lands or National  
24 Forests for communication uses, including but not limited  
25 to radio and television broadcast, mobile radio, cellular

1 telephone, or microwave relay facilities, shall remain in  
2 force and effect after October 1, 1997, unless, by such  
3 date, and by October 1 of each year thereafter, the holder  
4 of such permit, lease, or authorization pays to the Sec-  
5 retary of the Interior or the Secretary of Agriculture, as  
6 appropriate, an amount equal to the fair market value,  
7 as determined by such Secretary, of the right to use and  
8 occupy such area for such communication uses.

9 (b) DEFINITION.—For the purposes of this section,  
10 the term “public lands” shall have the same meaning as  
11 defined in section 103(e) of the Federal Land Policy Man-  
12 agement Act of 1976 (43 U.S.C. 1702(e)).

## 13 **Subtitle D—National Park** 14 **Concessions**

### 15 **SEC. 251. FINDINGS AND POLICY.**

16 (a) FINDINGS.—In furtherance of the Act of August  
17 25, 1916 (commonly known as the National Park Service  
18 Organic Act; 16 U.S.C. 1, 2–4), which directs the Sec-  
19 retary of the Interior to administer units of the National  
20 Park System in accordance with the fundamental purpose  
21 of conserving their scenery, wildlife, and natural and his-  
22 toric objects, and providing for their enjoyment in a man-  
23 ner that will leave them unimpaired for the enjoyment of

1 future generations, the Congress finds that the preserva-  
2 tion and conservation of park resources and values re-  
3 quires that such public accommodations, facilities, and  
4 services within such areas as the Secretary, in accordance  
5 with this subtitle, determines necessary and appropriate—

6           (1) should be provided only under carefully con-  
7 trolled safeguards against unregulated and indis-  
8 criminate use so that visitation will not unduly im-  
9 pair park resources and values; and

10           (2) should be limited to locations and designs  
11 consistent to the highest practicable degree with the  
12 preservation and conservation of park resources and  
13 values.

14 (b) POLICY.—It is the policy of the Congress that—

15           (1) development on Federal lands within a park  
16 shall be limited to those facilities that the Secretary  
17 determines are necessary and appropriate for public  
18 use and enjoyment of the park in which such facili-  
19 ties and services are located;

20           (2) development within a park should be con-  
21 sistent to the highest practicable degree with the  
22 preservation and conservation of the resources and  
23 values of the park;

24           (3) park facilities and services that the Sec-  
25 retary determines suitable to be provided by parties

1 other than the National Park Service should be pro-  
2 vided by private persons, corporations, or other enti-  
3 ties, except when no private interest is qualified and  
4 willing to provide such facilities and services;

5 (4) if the Secretary determines that develop-  
6 ment should occur within a park, such development  
7 shall be designed, located, and operated in a manner  
8 that is consistent with the purposes for which such  
9 park was established;

10 (5) the right to provide such services and to de-  
11 velop or utilize facilities should be awarded to the  
12 person, corporation, or entity submitting the best  
13 proposal through a competitive selection process;  
14 and

15 (6) such facilities or services should be provided  
16 to the public at reasonable rates.

17 **SEC. 252. DEFINITIONS.**

18 As used in this subtitle:

19 (1) The term “concessioner” means a person,  
20 corporation, or other entity to whom a concession  
21 contract has been awarded.

22 (2) the term “concession contract” means a  
23 contract or permit (other than an authorization is-  
24 sued pursuant to section 255) to provide facilities or  
25 services, or both, at a park.

1           (3) The term “facilities” means improvements  
2 to real property within a park used to provide ac-  
3 commodations, facilities, or services to park visitors.

4           (4) The term “franchise fee” means the fee re-  
5 quired by a concession contract to be paid to the  
6 United States in consideration for the privileges af-  
7 farded by such contract to the holder of the con-  
8 tract, which may be expressed as a percentage of  
9 revenues derived by the contract holder from activi-  
10 ties authorized by the contract, and which shall be  
11 in addition to fees required to be paid to the United  
12 States for the use of federally-owned buildings or  
13 other facilities.

14           (5) The term “Park Improvement Fund”  
15 means a Park Improvement Fund established under  
16 section 260(b).

17           (6) The term “park” means a unit of the Na-  
18 tional Park System.

19           (7) The term “proposal” means the complete  
20 proposal for a concession contract offered by a po-  
21 tential or existing concessioner in response to the  
22 minimum requirements for the contract established  
23 by the Secretary.

24           (8) The term “Secretary” means the Secretary  
25 of the Interior.

1 **SEC. 253. REPEAL OF NATIONAL PARK SERVICE CONCES-**  
2 **SIONS POLICY ACT OF 1965.**

3 (a) REPEAL.—Public Law 89–249 (commonly known  
4 as the National Park Service Concessions Policy Act of  
5 1965; 16 U.S.C. 20–20g) is repealed.

6 (b) EFFECT OF REPEAL.—The repeal of Public Law  
7 89–249 shall not affect the validity of any contract entered  
8 into under such Act before the date of the enactment of  
9 this subtitle. However, the provisions of this subtitle shall  
10 apply to any such contract except to the extent such provi-  
11 sions are inconsistent with the express terms and condi-  
12 tions of the contract.

13 (c) TRANSITION.—Nothing in this subtitle that is in-  
14 consistent with a prospectus issued before January 27,  
15 1995, shall apply to the contract with respect to which  
16 such prospectus was issued. The Secretary may award a  
17 concession contract prior to the promulgation of new regu-  
18 lations to implement this subtitle if the Secretary deter-  
19 mines that protection of public health and safety warrants  
20 such action and the contract is consistent with this sub-  
21 title.

22 (d) CONFORMING AMENDMENT.—The fourth sen-  
23 tence of section 3 of the Act of August 25, 1916 (com-  
24 monly known as the National Park Service Organic Act;  
25 16 U.S.C. 3), is amended by striking “He may also grant”

1 and all that follows through “no natural” and inserting  
2 “No natural”.

3 **SEC. 254. USE OF CONCESSION CONTRACTS TO PROVIDE**  
4 **SERVICES TO PARK VISITORS.**

5 (a) CONCESSIONS CONTRACTS.—Subject to the find-  
6 ings and policy stated in section 251 and the provisions  
7 of this section, the Secretary may award a concession con-  
8 tract that authorizes a private person, corporation, or  
9 other entity to provide services to park visitors and to uti-  
10 lize facilities if the Secretary determines that such a con-  
11 tract is the appropriate means for such authorization.

12 (b) WHEN CONTRACT AUTHORIZED.—A concession  
13 contract shall be awarded only to the extent that the Sec-  
14 retary finds that the services to be provided and the facili-  
15 ties to be utilized pursuant to the contract are necessary  
16 and appropriate for the accommodation of visitors to a  
17 park.

18 (c) APPLICABLE LAWS.—The provision of services  
19 and the utilization of facilities pursuant to a concession  
20 contract shall be consistent with all applicable require-  
21 ments of law, including laws relating generally to the ad-  
22 ministration and management of parks and with the gen-  
23 eral management plan, concessions plan, and other rel-  
24 evant plans developed by the Secretary for the relevant  
25 park.

1 **SEC. 255. OTHER AUTHORITIES TO PROVIDE SERVICES TO**  
2 **PARK VISITORS.**

3 (a) OTHER AUTHORITY TO PROVIDE SERVICES.—To  
4 the extent specified in this section, the Secretary, upon  
5 request, may authorize a private person, corporation, or  
6 other entity to provide services to park visitors otherwise  
7 than by award of a concession contract.

8 (b) CONDITIONS ON ISSUANCE.—(1) The authority  
9 provided by this section may be used only to authorize the  
10 provision to park visitors of services that the Secretary  
11 determines will have minimal impact on park resources  
12 and values and will be consistent with the purposes for  
13 which the park was established and with all applicable  
14 management plans for the park. The Secretary shall re-  
15 quire that the provision of services under such an author-  
16 ization be accomplished in a manner consistent to the  
17 highest practicable degree with the preservation and con-  
18 servation of park resources and values.

19 (2) The Secretary shall have no authority under this  
20 section to issue more authorizations than are consistent  
21 with the preservation and proper management of park re-  
22 sources and values. The Secretary shall establish such  
23 other conditions for issuance of such an authorization as  
24 the Secretary determines appropriate for the protection of  
25 visitors, provision of adequate and appropriate visitor

1 services, and protection and proper management of the re-  
2 sources and values of the National Park System.

3 (3) Any authorization issued under this section shall  
4 be limited to commercial operations with annual gross rev-  
5 enues of not more than \$25,000 resulting from the serv-  
6 ices provided within the park pursuant to such authoriza-  
7 tion.

8 (c) TERM OF AUTHORIZATION.—The term of any au-  
9 thorization issued under this section shall not exceed two  
10 years.

11 (d) FEES FOR AUTHORIZATION.—The Secretary shall  
12 require payment of a reasonable fee for issuance of an au-  
13 thorization under this section.

14 (e) USE OF FEES.—Fees collected under subsection  
15 (d) shall remain available to the Secretary without further  
16 appropriation to be used to recover the costs of managing  
17 and administering this section.

18 (f) LIMITATION ON LIABILITY.—The Secretary shall  
19 take appropriate steps to limit the liability of the United  
20 States arising from the provision of services under an au-  
21 thorization issued under this section.

22 (g) EFFECT ON CONCESSION CONTRACTS.—A per-  
23 son, corporation, or other entity seeking or obtaining an  
24 authorization under this section shall not be precluded  
25 from also submitting proposals for concession contracts.

1 **SEC. 256. COMPETITIVE SELECTION PROCESS FOR CONCES-**  
2 **SION CONTRACTS.**

3 (a) **SELECTION OF BEST PROPOSAL.**—(1) Except as  
4 provided in subsection (b), and consistent with the provi-  
5 sions of subsection (g), any concession contract entered  
6 into pursuant to this subtitle shall be awarded to the per-  
7 son submitting the best proposal, as determined by the  
8 Secretary through the competitive selection process speci-  
9 fied in this section.

10 (2) Within 180 days after the date of the enactment  
11 of this subtitle, the Secretary shall promulgate regulations  
12 establishing a process to implement this section. The regu-  
13 lations shall include provisions for establishing a method  
14 or procedure for the resolution of disputes between the  
15 Secretary and a concessioner in those instances where the  
16 Secretary has been unable to meet conditions or require-  
17 ments or provide such services, if any, as set forth in a  
18 prospectus pursuant to subparagraphs (D) and (E) of sub-  
19 section (c)(2).

20 (b) **TEMPORARY CONTRACT.**—Notwithstanding sub-  
21 section (a), the Secretary may award on a noncompetitive  
22 basis a temporary concession contract if the Secretary de-  
23 termines such an award to be necessary in order to avoid  
24 interruption of services to the public at a park. Before  
25 making such a determination, the Secretary shall take all

1 reasonable and appropriate steps to consider alternative  
2 actions to avoid such interruptions.

3 (c) PROSPECTUS.—(1) Before soliciting proposals for  
4 a concession contract at a park, the Secretary shall pre-  
5 pare a prospectus soliciting proposals, shall publish a no-  
6 tice of its availability at least once in such local or national  
7 newspapers or trade publications as the Secretary deter-  
8 mines appropriate, and shall make such prospectus avail-  
9 able upon request to all interested parties.

10 (2) The prospectus shall include at least the following  
11 information:

12 (A) The minimum requirements for such con-  
13 tract, as set forth in subsection (d).

14 (B) The terms and conditions of the existing  
15 concession contract awarded for such park, if any,  
16 including all fees and other forms of compensation  
17 provided to the United States by the concessioner.

18 (C) Other authorized facilities or services which  
19 may be included in a proposal.

20 (D) Facilities and services to be provided by the  
21 Secretary to the concessioner, if any, including pub-  
22 lic access, utilities, and buildings.

23 (E) Minimum public services to be offered with-  
24 in a park by the Secretary, including interpretive  
25 programs, campsites, and visitor centers.

1           (F) Such other information related to the con-  
2           cessions operation as is provided by the Secretary  
3           pursuant to a concession contract or is otherwise  
4           available to the Secretary, as the Secretary deter-  
5           mines is necessary to allow for the submission of  
6           competitive proposals.

7           (d) MINIMUM PROPOSAL REQUIREMENTS.—(1) No  
8           proposal shall be considered which fails to meet the mini-  
9           mum requirements included in the prospectus. Such mini-  
10          mum requirements shall include payment to the United  
11          States of a franchise fee and shall also include at least  
12          the following:

13           (A) The minimum acceptable franchise fee, fees  
14           for use of any Federal buildings or other facilities,  
15           and any other fees to be paid to the United States.

16           (B) The duration of the contract.

17           (C) Any facilities, services, or capital invest-  
18           ments required to be provided by the concessioner.

19           (D) Measures that will be required in order to  
20           ensure the protection and preservation of park re-  
21           sources and values.

22          (2) The Secretary may reject any proposal, notwith-  
23          standing the amount of franchise fee offered, if the Sec-  
24          retary determines that the person, corporation, or entity  
25          making such proposal is not qualified, is likely to provide

1 unsatisfactory service, or that the proposal is not suffi-  
2 ciently responsive to the objectives of protecting and pre-  
3 serving park resources and of providing necessary and ap-  
4 propriate facilities or services to the public at reasonable  
5 rates.

6 (3) If all proposals submitted to the Secretary either  
7 fail to meet the minimum requirements or are rejected by  
8 the Secretary, the Secretary shall establish new minimum  
9 contract requirements and re-initiate the competitive se-  
10 lection process pursuant to this section.

11 (e) PRINCIPAL FACTORS IN SELECTION PROCESS.—

12 (1) In selecting the best proposal, the Secretary shall con-  
13 sider the following principal factors:

14 (A) The responsiveness of the proposal to the  
15 objectives of protecting and preserving park re-  
16 sources and of providing necessary and appropriate  
17 facilities and services to the public at reasonable  
18 rates.

19 (B) The experience, expertise, and related back-  
20 ground of the person, corporation, or other entity  
21 submitting the proposal, including whether the per-  
22 son, corporation, or entity has a record of outstand-  
23 ing performance in providing the same or similar fa-  
24 cilities or services.

1           (C) The financial capability of the person, cor-  
2           poration, or entity submitting the proposal.

3           (D) The proposed franchise fee. However, the  
4           importance of securing revenue to the United States  
5           is subordinate to the objectives of protecting and  
6           preserving park resources, including cultural re-  
7           sources, and of providing necessary and appropriate  
8           facilities or services to the public at reasonable rates.

9           (2) The Secretary may also consider such secondary  
10          factors as the Secretary considers appropriate.

11          (3) In developing regulations to implement this sub-  
12          title, the Secretary shall consider the extent to which plans  
13          for employment of Indians (including Native Alaskans)  
14          and involvement of businesses owned by Indians, Indian  
15          tribes, or Native Alaskans in the operation of concession  
16          contracts should be identified as a factor in the selection  
17          of a best offer under this section.

18          (f) CONGRESSIONAL NOTIFICATION.—(1) If a pro-  
19          posed concession contract has anticipated annual gross re-  
20          ceipts in excess of \$1,000,000 (indexed to 1993 constant  
21          dollars) or a duration in excess of ten years, the Secretary  
22          shall submit the proposed contract to the Committee on  
23          Energy and Natural Resources of the Senate and the  
24          Committee on Resources of the House of Representatives.

1           (2) The Secretary shall not award any such proposed  
2 contract until at least 60 days after the date on which  
3 the proposed contract is submitted to Congress under  
4 paragraph (1).

5 **SEC. 257. PREFERENTIAL RIGHT OF RENEWAL OF CONCESSION CONTRACTS.**  
6

7           (a) GENERAL RULE OF NO PREFERENTIAL RIGHT  
8 OF RENEWAL.—Except as provided in subsection (b), the  
9 Secretary shall not grant a preferential right to a conces-  
10 sioner to renew a concession contract executed under this  
11 subtitle.

12           (b) EXCEPTIONS.—The Secretary shall grant a pref-  
13 erential right of renewal with respect to a concession con-  
14 tract covered by subsection (c) or (d), subject to the re-  
15 quirements of such subsections. A concessioner who exer-  
16 cises a preferential right of renewal in accordance with  
17 this paragraph shall be entitled to award of the new con-  
18 cession contract with respect to which such right is exer-  
19 cised.

20           (2) As used in this section, the term “preferential  
21 right of renewal” means that the Secretary shall allow a  
22 concessioner satisfying the requirements of paragraph (1)  
23 the opportunity to match the terms and conditions of any  
24 competing proposal which the Secretary determines to be  
25 the best offer.

1 (c) OUTFITTING AND GUIDE CONTRACTS.—(1) Ex-  
2 cept as provided in subsection (d), the provisions of sub-  
3 section (b) shall apply only—

4 (A) to a concession contract—

5 (i) that solely authorizes a concessioner to  
6 provide outfitting, guide, river running, or other  
7 substantially similar services within a park; and

8 (ii) which does not grant such concessioner  
9 any interest in any structure, fixture, or im-  
10 provement pursuant to section 263;

11 (B) where the concessioner has been awarded  
12 an annual rating of “excellent” in at least 50 per-  
13 cent of the annual ratings during the term of the  
14 contract;

15 (C) where the concessioner has not received any  
16 annual unsatisfactory ratings during the term of the  
17 contract; and

18 (D) where the Secretary determines that the  
19 concessioner has submitted a responsive proposal for  
20 a new contract which satisfies the minimum require-  
21 ments established by the Secretary.

22 (2) In granting a preferential right of renewal pursu-  
23 ant to subsection (b), the Secretary shall not require a  
24 concessioner to match any portion of a proposed franchise  
25 fee which exceeds by more than 10 percent the minimum

1 fee established by the Secretary in the prospectus for the  
2 contract.

3       (3)(A) With respect to a concession contract (or ex-  
4 tension thereof) covered by this subsection, which is in ef-  
5 fect on the date of the enactment of this subtitle, this  
6 paragraph shall apply if the holder of such contract, under  
7 the laws and policies in effect on the day before the date  
8 of enactment of this subtitle, would have been entitled to  
9 a preferential right of renewal upon the expiration of such  
10 contract.

11       (B) Upon the expiration of a concession contract (or  
12 extension thereof) covered by this paragraph, the Sec-  
13 retary, with respect to the award of a new concession con-  
14 tract to provide the same or substantially similar services  
15 as those authorized by the previous contract or extension,  
16 shall allow the holder of such contract or extension the  
17 right to exercise a preferential right of renewal to the  
18 same extent as would have been the case under the laws  
19 and policies in effect on the day before the date of enact-  
20 ment of this subtitle.

21       (4)(A) In promulgating regulations to implement this  
22 subsection, the Secretary shall include a rating category  
23 of “excellent”, and shall establish clear and achievable  
24 standards necessary for the award of such rating, includ-  
25 ing criteria relating to—

1 (i) protection of the park's resources and val-  
2 ues;

3 (ii) furtherance of the educational, recreational,  
4 and other purposes for which the Secretary manages  
5 the park; and

6 (iii) the adequacy of services provided to park  
7 visitors.

8 (B) The Secretary shall take appropriate steps to en-  
9 able all holders of concession contracts covered by this  
10 subsection, and all parties seeking to obtain such con-  
11 tracts, to be aware of the criteria established pursuant to  
12 this paragraph.

13 (d) CONTRACTS WITH ANNUAL GROSS RECEIPTS  
14 UNDER \$500,000.—(1) The provisions of subsection (b)  
15 shall also apply to a concession contract—

16 (A) that the Secretary estimates will result in  
17 annual gross receipts of less than \$500,000;

18 (B) where the Secretary has determined that  
19 the concessioner has operated satisfactorily during  
20 the term of the contract (including any extensions  
21 thereof); and

22 (C) that the concessioner has submitted a re-  
23 sponsive proposal for a new concession contract  
24 which satisfies the minimum requirements estab-  
25 lished by the Secretary.

1           (2) This subsection shall not apply to a concession  
2 contract covered by subsection (c).

3 **SEC. 258. FRANCHISE FEES.**

4           (a) **IN GENERAL.**—Franchise fees, however stated,  
5 shall not be less than the minimum franchise fee estab-  
6 lished by the Secretary for each contract. The minimum  
7 franchise fee shall be determined in a manner that will  
8 provide the concessioner with a reasonable opportunity to  
9 realize a profit on the operation as a whole, commensurate  
10 with the capital invested and the obligations assumed.

11           (b) **MULTIPLE CONTRACTS WITHIN A PARK.**—If  
12 multiple concession contracts are awarded to authorize  
13 concessioners to provide the same outfitting, guide, river  
14 running, or other similar services at the same approximate  
15 location within a specific park, the Secretary shall estab-  
16 lish a standardized schedule of franchise fees for all such  
17 contracts, subject to periodic review and revision by the  
18 Secretary.

19 **SEC. 259. USE OF FRANCHISE FEES.**

20           (a) **DEPOSIT IN SPECIAL ACCOUNT.**—Except as pro-  
21 vided in section 260, all receipts, including fees for use  
22 of federally owned buildings or other facilities collected  
23 pursuant to this subtitle, shall be covered into a special  
24 account established in the Treasury.

1 (b) USE OF FEES.—Amounts covered into the special  
2 account in a fiscal year shall be available for expenditure,  
3 subject to appropriation, solely as follows:

4 (1) 50 percent shall be allocated among the  
5 units of the National Park System in the same pro-  
6 portion as franchise fees collected from a specific  
7 unit bears to the total amount covered into the ac-  
8 count for each fiscal year, to be used for resource  
9 management and protection, maintenance activities,  
10 interpretation, and research.

11 (2) 50 percent shall be allocated among the  
12 units of the National Park System on the basis of  
13 need, in a manner to be determined by the Sec-  
14 retary, to be used for resource management and pro-  
15 tection, maintenance activities, interpretation, and  
16 research.

17 **SEC. 260. PARK IMPROVEMENT FUNDS.**

18 (a) PARK IMPROVEMENT FUND.—In lieu of collecting  
19 all or a portion of the franchise fees that would otherwise  
20 be collected pursuant to the concession contract, the Sec-  
21 retary may, if the Secretary determines it to be prac-  
22 ticable, require a concessioner to establish a Park Im-  
23 provement Fund in which the concessioner shall deposit  
24 the franchise fees that would otherwise be paid under the  
25 contract.

1           (b) MAINTENANCE OF FUND.—The Park Improve-  
2 ment Fund established by a concessioner shall be main-  
3 tained by the concessioner in an interest bearing account  
4 in a federally insured financial institution. The conces-  
5 sioner shall maintain the Park Improvement Fund sepa-  
6 rately from any other funds or accounts and shall not com-  
7 mingle the monies in the Park Improvement Fund with  
8 any other monies. The Secretary may establish such other  
9 terms, conditions, or requirements as the Secretary deter-  
10 mines to be necessary to ensure the financial integrity of  
11 the Park Improvement Fund.

12           (c) USE OF FUND.—(1) Monies in a Park Improve-  
13 ment Fund for a park, including interest, shall be ex-  
14 pended solely for activities and projects within the park  
15 that—

16                   (A) are consistent with the park’s general man-  
17 agement plan, concessions plan, and other applicable  
18 plans; and

19                   (B) the Secretary determines will enhance pub-  
20 lic use, safety, and enjoyment of the park.

21           (2) Authorized projects under paragraph (1) may in-  
22 clude projects that directly or indirectly support conces-  
23 sion facilities or services required by the concession con-  
24 tract. However, no expenditure from a Park Improvement  
25 Fund may have the effect of creating or increasing any

1 compensable interest of any concessioner in any such fa-  
2 cilities. A concessioner shall not be allowed to make any  
3 advances or credits to a Park Improvement Fund.

4 (d) PROHIBITION ON CONCESSIONER INTEREST IN  
5 IMPROVEMENTS.—A concessioner shall not be granted any  
6 interest in improvements made using amounts in a Park  
7 Improvement Fund, including any interest granted pursu-  
8 ant to section 263.

9 (e) PROHIBITION ON CERTAIN CAPITAL EXPENDI-  
10 TURES.—A Park Improvement Fund may not be used for  
11 any capital expenditure exceeding \$2,500,000 in any fiscal  
12 year unless the expenditure has been authorized in ad-  
13 vance by Act of Congress. The Secretary shall annually  
14 inform the Congress concerning the actual and projected  
15 use of moneys in each Park Improvement Fund.

16 (f) EFFECT ON OTHER CONCESSIONER DUTIES.—  
17 Nothing in this section shall affect the obligation of a con-  
18 cessioner to insure, maintain, and repair any structure,  
19 fixture, or improvement assigned to such concessioner and  
20 to insure that such structure, fixture, or improvement  
21 fully complies with applicable safety and health laws and  
22 regulations.

23 (g) RECORDKEEPING.—The concessioner shall main-  
24 tain proper records for all expenditures made from a Park  
25 Improvement Fund. Such records shall include invoices,

1 bank statements, canceled checks, and such other informa-  
2 tion as the Secretary may require.

3 (h) **ACTIVITY STATEMENT.**—The concessioner shall  
4 annually submit to the Secretary a statement reflecting  
5 total activity in the Park Improvement Fund for the pre-  
6 ceding financial year. The statement shall reflect monthly  
7 deposits, expenditures by project, interest earned, and  
8 such other information as the Secretary may require.

9 (i) **EFFECT OF CONTRACT TERMINATION.**—Upon the  
10 termination of a concession contract, or upon the sale or  
11 transfer of the contract, any remaining balance in the  
12 Park Improvement Fund related to the contract shall be  
13 transferred by the concessioner to the successor conces-  
14 sioner, to be used solely as set forth in this section. In  
15 the event there is no successor concessioner, the Park Im-  
16 provement Fund balance shall be deposited into the special  
17 account established in section 259.

18 **SEC. 261. DURATION OF CONCESSION CONTRACTS.**

19 (a) **MAXIMUM TERM.**—A concession contract shall be  
20 awarded for a term not to exceed 10 years. The Secretary  
21 may award a concession contract for a term not to exceed  
22 20 years if the Secretary determines that a longer term  
23 is a necessary component of the overall contract in order  
24 to reduce the costs to the United States of acquiring

1 possessory interests or to carry out the policies of this sub-  
2 title and other laws applicable to the National Park Sys-  
3 tem.

4 (b) TEMPORARY CONTRACT.—A temporary conces-  
5 sion contract awarded on a noncompetitive basis under  
6 section 256(b) shall be for a term not to exceed two years.

7 **SEC. 262. TRANSFER OF CONCESSION CONTRACTS.**

8 (a) SECRETARIAL APPROVAL REQUIRED.—No con-  
9 cession contract may be transferred, assigned, sold, or oth-  
10 erwise conveyed by a concessioner without prior written  
11 notification to, and approval of the Secretary.

12 (b) CONSIDERATION OF TRANSFER REQUEST.—The  
13 Secretary shall not unreasonably withhold approval of a  
14 transfer, assignment, sale, or conveyance of a concession  
15 contract, but shall not approve the transfer of a concession  
16 contract to any individual, corporation or other entity if,  
17 among other matters, the Secretary determines that—

18 (1) such individual, corporation or entity is, or  
19 is likely to be, unable to completely satisfy all of the  
20 requirements, terms, and conditions of the contract;

21 (2) such transfer, assignment, sale or convey-  
22 ance is not consistent with the objectives of protect-  
23 ing and preserving park resources, and of providing  
24 necessary and appropriate facilities or services to the  
25 public at reasonable rates;

1           (3) such transfer, assignment, sale, or convey-  
2           ance relates to a concession contract which does not  
3           provide to the United States consideration commensurate  
4           with the probable value of the privileges granted by the contract; or

6           (4) the terms of the transfer, assignment, sale, or conveyance  
7           directly or indirectly attribute a significant value to intangible  
8           assets or otherwise may so reduce the opportunity for a reasonable  
9           profit over the remaining term of the contract that the United States  
10          would be required to make substantial additional expenditures in order  
11          to avoid interruption of services to park visitors.

14          (c) CONGRESSIONAL NOTIFICATION.—Within 30  
15          days after receiving a request to approve a transfer, assignment,  
16          sale, or other conveyance of a concession contract with anticipated  
17          annual gross receipts in excess of \$1,000,000 (indexed to 1993  
18          constant dollars) or a duration in excess of 10 years, the Secretary  
19          shall notify the Committee on Energy and Natural Resources of the  
20          Senate and the Committee on Resources of the House of Representatives  
21          of the proposal. Approval of the proposal, if granted by the Secretary,  
22          shall not take effect until sixty days after the date of notification  
23          of both Committees.

1 **SEC. 263. PROTECTION OF CONCESSIONER INVESTMENT.**

2 (a) EXISTING STRUCTURES.—(1) A concessioner  
3 who, pursuant to a concession contract, before the date  
4 of the enactment of this subtitle acquired or constructed,  
5 or as of such date was required by such a contract to com-  
6 mence acquisition or construction of, any structure, fix-  
7 ture, or improvement upon land owned by the United  
8 States within a park, shall have a possessory interest  
9 therein to the extent provided by such contract. The value  
10 of the possessory interest shall be determined for all pur-  
11 poses on the basis of applicable laws and contracts in ef-  
12 fect on the day before the date of the enactment of this  
13 subtitle.

14 (2) The provisions of this subsection shall not apply  
15 to a concessioner whose contract, as in effect on the date  
16 of the enactment of this subtitle, does not include recogni-  
17 tion of a possessory interest.

18 (3)(A) Except as provided in paragraph (4), with re-  
19 spect to a concession contract entered into on or after the  
20 date of the enactment of this subtitle, the provisions of  
21 subsection (b) shall apply to any existing structure, fix-  
22 ture, or improvement (as defined in paragraph (1)), except  
23 that the value of the possessory interest as of the termi-  
24 nation date of the first contract expiring after the date  
25 of enactment of this subtitle shall be used as the basis

1 for depreciation, in lieu of the actual original cost of such  
2 structure, fixture, or improvement.

3 (B) Notwithstanding generally accepted accounting  
4 principles, a concessioner with a possessory interest as  
5 provided in paragraph (1) may, at the termination date  
6 of the first contract expiring after the date of the enact-  
7 ment of this subtitle, reestimate the useful life of the ap-  
8 plicable structure, fixture, or improvement, consistent with  
9 subsection (b). However, the estimated useful life of such  
10 structure, fixture, or improvement shall not thereafter be  
11 reestablished or revalued.

12 (4) If the Secretary determines during the competi-  
13 tive selection process that all proposals submitted either  
14 fail to meet the minimum requirements or are rejected (as  
15 provided in section 256), the Secretary may, solely with  
16 respect to a structure, fixture, or improvement covered  
17 under paragraph (3), suspend the depreciation provisions  
18 of subsection (b)(1) for the duration of the contract. How-  
19 ever, the Secretary may suspend such depreciation provi-  
20 sions only if the Secretary determines that the establish-  
21 ment of other new minimum contract requirements is not  
22 likely to result in the submission of satisfactory proposals  
23 and that the suspension of the depreciation provisions is  
24 likely to result in the submission of satisfactory proposals.

1           (b) NEW STRUCTURES.—(1) On or after the date of  
2 the enactment of this subtitle, a concessioner who con-  
3 structs or acquires a new, additional, or replacement  
4 structure, fixture, or improvement upon land owned by the  
5 United States within a park, pursuant to a concession con-  
6 tract, shall have an interest in such structure, fixture, or  
7 improvement equivalent to the actual original cost of ac-  
8 quiring or constructing such structure, fixture, or im-  
9 provement, less straight line depreciation over the esti-  
10 mated useful life of the asset according to generally ac-  
11 cepted accounting principles. In no event shall the esti-  
12 mated useful life of the asset exceed the depreciation pe-  
13 riod used for the asset for Federal income tax purposes.

14           (2) In the event that the contract expires or is termi-  
15 nated prior to the estimated useful life of an asset de-  
16 scribed in paragraph (1), the concessioner shall be entitled  
17 to receive from the United States or the successor conces-  
18 sioner payment equal to the value of the concessioner's  
19 interest in such structure, fixture, or improvement. A suc-  
20 cessor concessioner may not revalue the interest in such  
21 structure, fixture, or improvement, the method of depre-  
22 ciation, or the estimated useful life of the asset.

23           (3) Title to any such structure, fixture, or improve-  
24 ment shall be vested in the United States.

1 (c) INSURANCE, MAINTENANCE, AND REPAIR.—  
2 Nothing in this section shall affect the obligation of a con-  
3 cessioner to insure, maintain, and repair any structure,  
4 fixture, or improvement assigned to such concessioner and  
5 to insure that such structure, fixture, or improvement  
6 fully complies with applicable safety and health laws and  
7 regulations.

8 **SEC. 264. RATES AND CHARGES TO PUBLIC.**

9 Unless otherwise provided in the prospectus and con-  
10 tract, the reasonableness of a concessioner's rates and  
11 charges to the public shall be judged primarily by compari-  
12 son with those rates and charges for facilities and services  
13 of comparable character charged by parties in reasonable  
14 proximity to the relevant park and operating under similar  
15 conditions, with due consideration for length of season,  
16 seasonal variance, average percentage of occupancy, acces-  
17 sibility, availability and costs of labor and materials, type  
18 of patronage, and other factors deemed significant by the  
19 Secretary.

20 **SEC. 265. CONCESSIONER PERFORMANCE EVALUATION.**

21 (a) REGULATIONS.—Within 180 days after the date  
22 of the enactment of this subtitle, the Secretary, after an  
23 appropriate period for public comment, shall publish regu-  
24 lations establishing standards and criteria for evaluating  
25 the performance of concessioners operating within parks.

1           (b) PERIODIC EVALUATION.—(1) The Secretary shall  
2 periodically conduct an evaluation of each concessioner op-  
3 erating under a concession contract pursuant to this sub-  
4 title to determine whether such concessioner has per-  
5 formed satisfactorily. In evaluating a concessioner's per-  
6 formance, the Secretary shall seek and consider applicable  
7 reports and comments from appropriate Federal, State,  
8 and local regulatory agencies, and shall seek and consider  
9 the views of park visitors and concession customers. If the  
10 Secretary's performance evaluation results in an unsatis-  
11 factory rating of the concessioner's overall operation, the  
12 Secretary shall so notify the concessioner in writing, and  
13 shall provide the concessioner with a list of the minimum  
14 requirements necessary for the operation to be rated satis-  
15 factory.

16           (2) The Secretary may terminate a concession con-  
17 tract if the concessioner fails to meet the minimum oper-  
18 ational requirements identified by the Secretary within the  
19 time limitations established by the Secretary at the time  
20 notice of the unsatisfactory rating is provided to the con-  
21 cessioner.

22           (3) If the Secretary terminates a concession contract  
23 pursuant to this section, the Secretary shall solicit propos-  
24 als for a new contract consistent with the provisions of  
25 this subtitle.

1           (c) CONGRESSIONAL NOTIFICATION.—The Secretary  
2 shall notify the Committee on Energy and Natural Re-  
3 sources of the Senate and the Committee on Resources  
4 of the House of Representatives of each unsatisfactory  
5 overall annual rating and of each concession contract ter-  
6 minated pursuant to this section.

7 **SEC. 266. RECORDKEEPING REQUIREMENTS.**

8           (a) IN GENERAL.—Each concessioner shall keep such  
9 records as the Secretary may prescribe to enable the Sec-  
10 retary to determine that all terms of the concessioner's  
11 contract have been and are being faithfully performed. For  
12 the purpose of audit and examination, the Secretary, the  
13 Inspector General of the Department of the Interior, or  
14 any of the Secretary's duly authorized representatives  
15 shall have access to such records and to other books, docu-  
16 ments, and papers of the concessioner pertinent to the  
17 contract and all the terms and conditions thereof as the  
18 Secretary and the Inspector General consider necessary.

19           (b) GENERAL ACCOUNTING OFFICE REVIEW.—The  
20 Comptroller General of the United States, or any duly au-  
21 thorized representative of the Comptroller General, shall  
22 have access to and the right to examine any pertinent  
23 books, documents, papers, and records of the concessioner  
24 related to a concession contract, including those related  
25 to any Park Improvement Fund. The authority provided

1 by this subsection shall apply until the expiration of five  
2 calendar years after the close of the business year under  
3 consideration.

4 **SEC. 267. EXEMPTION FROM CERTAIN LEASE REQUIRE-**  
5 **MENTS.**

6 The provisions of section 321 of the Act of June 30,  
7 1932 (40 U.S.C. 303b), relating to the leasing of buildings  
8 and properties of the United States, shall not apply to con-  
9 cession contracts awarded by the Secretary pursuant to  
10 this subtitle.

11 **SEC. 268. NO EFFECT ON ANILCA PROVISIONS.**

12 Nothing in this subtitle shall be construed to amend,  
13 supersede, or otherwise affect any provision of the Alaska  
14 National Interest Lands Conservation Act (Public Law  
15 96-487; 16 U.S.C. 3101 et seq.).

16 **SEC. 269. IMPLEMENTATION.**

17 (a) **AUDIT REQUIREMENT.**—Beginning with fiscal  
18 year 1998, the Inspector General of the Department of  
19 the Interior shall conduct a biennial audit of the Sec-  
20 retary's implementation of this subtitle and the award and  
21 management of concession contracts under section 254  
22 and authorizations under section 255.

23 (b) **BIENNIAL REPORTS.**—Beginning on June 1,  
24 1998, and biannually thereafter the Secretary and the In-  
25 spector General of the Department of the Interior shall

1 submit a report to the Committee on Energy and Natural  
2 Resources of the Senate and the Committee on Resources  
3 of the House of Representatives on the implementation of  
4 this subtitle and the effect of such implementation on fa-  
5 cilities operated and services provided pursuant to conces-  
6 sion contracts.

7 (c) INFORMATION FROM SECRETARY.—In each re-  
8 port required by this section, the Secretary shall—

9 (1) identify any concession contracts which have  
10 been renewed, renegotiated, terminated, or trans-  
11 ferred during the two years prior to the submission  
12 of the report and identify any significant changes in  
13 the terms of the new contract;

14 (2) state the amount of franchise fees, the rates  
15 which would be charged for services, and the level of  
16 other services required to be provided by the conces-  
17 sioner in comparison to that required in any pre-  
18 vious concession contract for the same facilities or  
19 services at the same park;

20 (3) assess the degree to which facilities are  
21 being maintained, using the condition of such facili-  
22 ties on the date of enactment of this subtitle as a  
23 baseline;

1           (4) indicate whether competition has been in-  
2           creased or decreased with respect to the awarding of  
3           concession contracts;

4           (5) set forth the total amount of revenues re-  
5           ceived and financial obligations incurred or reduced  
6           by the Federal Government as a result of enactment  
7           of this subtitle for the reporting period and in com-  
8           parison with previous reporting periods and the  
9           baseline year of 1993, including the costs, if any, as-  
10          sociated with the acquisition of possessory interests;  
11          and

12          (6) include information concerning any Park  
13          Improvement Funds, including—

14                (A) the total amounts deposited into and  
15                expended from each Park Improvement Fund  
16                during the preceding two-year period; and

17                (B) the purposes for which expenditures  
18                from Park Improvement Funds during such pe-  
19                riod were used.

20          (d) INFORMATION FROM INSPECTOR GENERAL.—In  
21          each report required by this section, the Inspector General  
22          of the Department of the Interior shall include informa-  
23          tion as to the results of the audit required by subsection  
24          (a), including—

1           (1) the status of the Secretary's implementation  
2 of this subtitle;

3           (2) the extent to which such implementation  
4 has furthered the policies of this subtitle, as set  
5 forth in section 251, and has led to an increase or  
6 decrease in competition for concession contracts;

7           (3) the adequacy of recordkeeping and other re-  
8 quirements imposed on establishment and use of  
9 Park Improvement Funds; and

10           (4) any recommendations the Inspector General  
11 may find appropriate in order to further the pur-  
12 poses of this subtitle and other laws applicable to  
13 the National Park System or to assure that Park  
14 Improvement Funds are maintained and expendi-  
15 tures therefrom are used in accordance with this  
16 subtitle and sound business practices.

17 **SEC. 270. AUTHORIZATION OF APPROPRIATIONS.**

18           There is authorized to be appropriated such sums as  
19 may be necessary to carry out this subtitle.

○