Moran (VA)	Rodriguez	Souder
Murtha	Roemer	Spence
Myrick	Rohrabacher	Spratt
Nadler	Ros-Lehtinen	Stabenow
Neal	Rothman	Stark
Nethercutt	Roukema	Stearns
Neumann	Roybal-Allard	Stenholm
Ney	Royce	Stokes
Northup	Rush	Strickland
Norwood	Ryun	Stump
Nussle	Salmon	Sununu
Obey	Sanchez	Talent
Ortiz	Sanders	Tanner
Owens	Sandlin	Tauscher
Oxley	Sanford	Taylor (NC)
Packard	Sawyer	Thomas
Pallone	Scarborough	Thornberry
Pappas	Schumer	Thune
Parker	Scott	Thurman
Pascrell	Sensenbrenner	Tierney
Pastor	Serrano	Torres
Paul	Sessions	Traficant
Paxon	Shadegg	Turner
Pease	Shaw	Upton
Peterson (MN)	Shays	Vento
Peterson (PA)	Sherman	Walsh
Petri	Shimkus	Wamp
Pitts	Shuster	Watkins
Pombo	Sisisky	Watt (NC)
Pomeroy	Skaggs	Watts (OK)
Portman	Skeen	Weldon (FL)
Price (NC)	Skelton	Weldon (PA)
Quinn	Smith (NJ)	Wexler
Radanovich	Smith (OR)	Weygand
Rahall	Smith (TX)	White
Rangel	Smith, Adam	Wilson
Redmond	Smith, Linda	Wise
Regula	Snowbarger	Wolf
Riley	Snyder	Woolsey
Rivers	Solomon	Wynn

NAYS—50

Aderholt	Gutknecht	Moran (KS)
Becerra	Hefley	Oberstar
Bonior	Hilliard	Pickett
Borski	Hinchey	Poshard
Brady (PA)	Hoekstra	Ramstad
Brown (CA)	Hulshof	Rogan
Clay	Johnson, E. B.	Sabo
Clyburn	Jones	Schaffer, Bob
DeFazio	Klink	Slaughter
English	Kucinich	Stupak
Ensign	LaFalce	Thompson
Fattah	Lewis (GA)	Velazquez
Filner	Lipinski	Waters
Fox	LoBiondo	Weller
Gibbons	Maloney (CT)	Whitfield
Green	McDermott	Wicker
Gutierrez	McNulty	

ANSWERED ''PRESENT''—2

Reyes	Smith (MI)

NOT VOTING—48

Barton	Fowler	Pickering
Bateman	Furse	Porter
Bentsen	Gephardt	Pryce (OH)
Berman	Gonzalez	Riggs
Bilbray	Goss	Rogers
Brown (FL)	Harman	Saxton
Burton	Kaptur	Schaefer, Dan
Callahan	Kasich	Tauzin
Clement	Kennelly	Taylor (MS)
Coburn	Martinez	Tiahrt
Cox	McCrery	Towns
Crane	McDade	Visclosky
Crapo	Morella	Waxman
Diaz-Balart	Olver	Yates
Doyle	Payne	Young (AK)
Fazio	Pelosi	Young (FL)

□ 0928

So the Journal was approved.

The result of the vote was announced as above recorded.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore (Mr. THORNBERRY). Will the gentleman from New York (Mr. SOLOMON) come forward and lead the House in the Pledge of Allegiance.

Mr. SOLOMON led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain one-minutes after legislative business has been completed.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 59

Mr. STOKES. Mr. Speaker, I ask unanimous consent to remove my name as a cosponsor of H.R. 59.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

TAXPAYER RELIEF ACT OF 1998

The SPEAKER pro tempore. The unfinished business is the further consideration of the bill (H.R. 4579) to provide tax relief for individuals, families, and farming and other small businesses, to provide tax incentives for education, to extend certain expiring provisions, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore. When proceedings were postponed on Friday, September 25, 1998, 30 minutes of debate remained on the bill.

Pursuant to the order of the House of that day, the gentleman from Texas (Mr. ARCHER) and the gentleman from New York (Mr. RANGEL), each have 15 minutes of debate remaining on the bill.

The Chair recognizes the gentleman from Texas (Mr. ARCHER).

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia (Mr. BLILEY), respected chairman of the Committee on Commerce.

(Mr. BLILEY asked and was given permission to revise and extend his remarks.)

Mr. BLILEY. Mr. Speaker, I rise in support of the legislation.

Mr. Speaker, today we vote to address a simple question: Whether we are going to let our constitutents keep more of their hard earned money or whether this money will go to the Federal bureaucrats and to additional Clinton big government programs. While some of my Democratic colleagues on the other side of the aisle may struggle with this question, to me, the answer is crystal clear. Americans deserve to keep more of what they earn. Americans deserve a tax cut now.

The Taxpayer Relief Act will let Americans who go to work everyday to keep more and save more of what they earn. Under this legislation, Americans will see Congress return 80 billion dollars of the people's money to the people who earned it.

At the same time, the responsible legislation we passed yesterday upholds Congress' duty to preserve and protect Social Security by setting aside 90 percent of the budget surplus—approximately 1.4 trillion dollars—to save Social Security.

Mr. Speaker, the Taxpayer Relief Act is even-handed and responsible, providing tax relief to a broad range of Americans.

For example, middle income Americans will see relief from one of the most unfair and ill conceived taxes—the marriage penalty tax. In my home state, nearly 1.2 million Virginians will see an average of 243 dollars per person returned to them as a result of relief from the marriage penalty tax. That is 243 dollars which the government had penalized them—simply for living in wedlock—before the passage of this act.

The Taxpayer Relief Act also gives the self-employed something which everyone agrees is needed—affordable health care. Self-employed workers, including farmers, may decuct 100 percent of their health care costs under this legislation. In the end, this will be good for the strength of American business and good for the health of American families.

Upon passage of this legislation, Virginians will receive approximately 617 dollars per tax filer. $617 of their money. $617 to spend on food, $617 to save for the future, or $617 to put toward their children's education.

Mr. Speaker, this is their money. Americans deserve a tax cut and I urge my colleagues to support the Taxpayer Relief Act.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. SAM JOHNSON), one of America's great heroes, a member of the Committee on Ways and Means.

(Mr. SAM JOHNSON of Texas asked and was given permission to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, Americans are tired of being overtaxed just for being married, for staying healthy, for saving, for starting their own business or for producing food at our tables. I agree, the government has no right to take so much from hard-working people. That is why this bill is so important. It returns $80 billion to the rightful owners, the American people.

This bill gives 48 million taxpayers relief from the marriage penalty. Millions of families will not be taxed on their savings. Farmers and the self-employed will be able to deduct 100 percent of their health insurance costs. Seniors can continue to lead productive lives without being penalized and, guess what, several tax forms are going to be eliminated.

The Democrats are wrong in this instance. They say these very people that do not deserve any of the surplus that you, the American people, created. Democrats say government should keep it and spend it to create new government programs. It is time to reward the American taxpayers. The truth must be told and scare tactics need to end.

Social Security will be protected. Americans want, need and deserve tax relief. After all, it is their own money.

Let us give some of it back to them.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

I want to set an atmosphere here. Yesterday, the President of the United

States charged this Congress with being a do-nothing Congress. I would like to set the record straight because, clearly, the President was unaware that it was this Congress that changed the name of the Washington National Airport to the Ronald Reagan Airport. The President was probably unaware of the fact that this Congress has deep-sixed the Internal Revenue Code in the year 2002. The Congress also, for education, made it possible for poor folks to save $2,000 and not pay interest on it for education. And, even now, the Congress is picking up some good, sound Democratic tax cut provisions. Unfortunately, they are raiding the Social Security trust fund, but at least they are half right in the direction in which they are going.

So I just want to say that if we can find some way to pay for these tax cuts, we might be able to come together even on this floor.

Now, some Republicans have signs that they pull up from time to time, and I do not think we ought to see this sign anymore, which says that Ms. Chesser, from the Social Security Commission, said that this tax cut would not affect the Social Security fund.

Let me tell my colleagues, no Republican or Democrat is going to pull that sign up again today. Because Ms. Chesser said that she answered no, but then she concluded her remarks in a letter that she sent here, which is in the transcript which the gentleman from Texas (Mr. ARCHER) and I picked up on CNN during her testimony. So the gentleman from Texas (Mr. ARCHER) went to CNN. We went to CNN, and we got her full remarks.

And so she concludes by saying then, as now, ''The fact that the Federal Government has produced a surplus for the first time in generations provides a unique opportunity to solve Social Security's long-term shortfall. Until long-term solvency is resolved, draining away any part of the surplus would negatively impact our chance to find a bipartisan solution to Social Security's long-term outlook.''

That does not mean that you should not raid the Social Security fund because you may think that what you are doing for election time is more important than the solvency, the long-term solvency of the fund. But having said that, and recognizing that you also raised fast track, I hope that maybe we can get together and see whether we can agree on something so that the President does not allow us to go into this election mode saying that we did not do anything. We have done a lot of things. Some of them were dumb, but we still have time to work together in a bipartisan way to see whether we can give a tax cut but pay for it rather than use the Social Security trust fund.

Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. CARDIN).

(Mr. CARDIN asked and was given permission to revise and extend his remarks.)

Mr. CARDIN. Mr. Speaker, first, let me compliment the chairman of the Committee on Ways and Means for bringing out a bill that its provisions on tax relief are very good. The marriage penalty relief is a good provision. The extenders of our expiring tax provisions, that is very good to help small investors. I agree with all those provisions. I think most of the Members of this body agree with those changes.

The problem is that the budget deficit next year, excluding Social Security, will be $37 billion. We do not have a surplus.

If we pass this bill, the budget deficit will be $44 billion, adding to the deficit on budget, if we do not count Social Security. The year after, the budget deficit is projected to be $46 billion. With this bill, it will be $65 billion. The year after, it is projected to be a $45 billion deficit. And with this bill, it will be a $63 billion deficit. We are adding to the deficit of this country. We are not paying for the tax bill. We are raiding Social Security.

That is wrong. This bill will be vetoed if it is passed in its current form. It cannot become law. The votes are not here to do that. Thank goodness.

The reason is quite simple. We know that the passage of this bill will make solving the Social Security problem more difficult, plain and simple. Without Social Security, we have no surplus, pure and simple.

But there is a way that we can get these good provisions enacted into law and help the taxpayers of this country. We have the Rangel substitute that we will have an opportunity to vote for a little bit later. I hope my colleagues will keep this issue alive. Support the Rangel substitute. Let us work together and figure out a way that we can pay for these very worthwhile tax provisions so that they can become law without raiding Social Security.

Let us work together in a bipartisan way so that we can really help the taxpayers of this country and we can preserve our Social Security system. It can only work if we work together in a bipartisan way.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa (Mr. NUSSLE).

(Mr. NUSSLE asked and was given permission to revise and extend his remarks.)

Mr. NUSSLE. Mr. Speaker, I rise in support of the tax bill.

Mr. Speaker, I rise today in support of Chairman ARCHER's plan to deposit the budget surplus into a special Treasury account to save Social Security, while returning a small portion of future surpluses to the hard-working taxpayers to whom it belongs.

The current budget surplus is the result of hard work and hard decisions. As a result, this year we made a historic net down payment of $84 billion on the national debt, and now we are now in a position to begin repaying the Social Security Trust Fund from years of congressional borrowing. However, there is currently little protection to ensure that surplus funds go to Social Security and are not used for increased government spending. Passage of this bill is the first important step towards preventing further looting of the Trust Fund and shoring up the Social Security system before the baby boom generation's retirement.

Additionally, I commend the efforts in this bill to provide tax relief to those who need it most. America's farmers are experiencing economic hardships from low commodity and livestock prices due, in part, to decreased exports caused by the world financial crisis. The tax bill we are considering will provide relief for farmers in the form of permanent income averaging, increasing the net operating loss carryback period and clarifying the rules for taxing market transition payments.

America's families desperately need to keep more of what they make. They will receive this tax relief in the form of eliminating the marriage penalty tax, and allowing them to avoid taxes on a portion of interest and dividend income they receive. Small business owners need tax relief to defray the costs of their health insurance, which is also included in this bill.

The United States is currently enjoying the first balanced budget in 30 years. A feat that has not been accomplished since Neil Armstrong walked on the moon. This achievement would not have been possible without the sacrifices the American people have made over the past decade, when they have paid a higher percentage in taxes than at anytime since World War II. It is right and fitting that the Committee and the Congress return a portion of their taxes to farmers, families and small businesses. I remind our Members that Deputy Commissioner Judy Chesser from the Social Security Administration testified that this plan will not negatively impact the Social Security Trust Fund.

Mr. Speaker, I want to preserve Social Security for those in my grandmothers' generation, those in my parents' generation, those in my generation and those in my childrens' generation. I fear that if we don't take this step to protect surplus money for Social Security, Congress will do what it has done so many times before and spend the surplus money away little by little on what may seem like good policies. This legislation protects Social Security in a responsible manner, and I urge every member of this body to support it.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH), a respected member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague, the chairman of the Committee on Ways and Means from Texas, for this time.

It has been very enlightening already this morning. Already this morning, twice, we have heard the term ''raid,'' ''raiding'' the Social Security fund. How enlightening. How enlightening for my colleagues on the left to employ and embrace wholeheartedly the politics of fear.

Congratulations, Mr. Speaker, to my colleagues on the left who will do anything and everything to stand in the way of the American people and the chance for working Americans to hold on to more of their hard-earned money. That is what we are seeing here today.

But moreover, Mr. Speaker, it is very interesting. They cite arguments from the President of the United States. They cite arguments of what they would call responsible tax cuts. And we are aware, in the current climate in Washington, D.C., that definitions can change in a nanosecond. But to follow their logic, last year when they joined us on tax relief and tax cuts that were long overdue, they did so in a climate of deficit. And now here we have the hope and the policies of surplus.

And, yesterday, Mr. Speaker, we set aside $1.4 trillion to supplement Social Security, $1.4 trillion, when the left had set aside nothing over 40 years of control. And here we stand today, standing up for working families by providing relief from the marriage penalty; standing up for the self-employed by giving them deductibility of their health insurance costs; standing up for seniors by relaxing some of the limits on their ability to earn money past the age of retirement.

The answer is clear, Mr. Speaker: Stand with the majority for tax relief. That is the truth.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Massachusetts (Mr. NEAL).

(Mr. NEAL of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. NEAL of Massachusetts. Mr. Speaker, let me try to clear up what was just stated by the gentleman from Arizona. This is as clear and concise an argument as I have witnessed in the House of Representatives during the 10 years that I have been here. We are being told by the Republican majority that the best way to save Social Security is to take 10 percent of it for tax cuts.

□ 0945

That as I stated yesterday was not only a misguided vote, it was Orwellian philosophy, that the best way to save Social Security is to take 10 percent of it out six weeks before the national elections and provide a tax cut that nobody in Washington believes is ever going to happen. And we are accused of demagoguing the issue.

There are many seductive proposals in this tax bill, most of them Democratic proposals that we would gladly vote for. You talk about a turn of events, the Democrats standing up for fiscal responsibility and saying, ''Save Social Security first.''

My friend from Arizona said that this is about politics. Now, who among us in America today would measure that argument when we are offering here in this proposal tax cuts six weeks before an election?

We had from January to discuss these things. But on the eve of the national election, we are going to talk about $80 billion worth of tax cuts, we are not going to talk about saving Social Security first, and the argument the Democratic minority makes today is simply this: Do not touch the Social Security trust fund until we decide that we have permanently fixed this issue for the American people.

Mr. Roosevelt offered a contract with the American people in 1935. We stand with it today. We are witnessing here the slow erosion of the Social Security surplus for the purpose of providing tax cuts to the American people who, by the way, the wealthiest among us are not asking for these tax cuts. They want fiscal stability. George Bush in 1991 and Bill Clinton in 1993 with minimal or no hope from the other side gave us the fiscal picture that we have today. It is one of responsibility. Leave the Social Security trust fund alone and let us have a substantive debate about its future.

Mr. Speaker, I include the following for the RECORD:

NATIONAL COUNCIL FOR ADOPTION,
Washington, DC, Sept. 25, 1998.

Hon. NEWT GINGRICH,
Speaker, House of Representatives,
Washington, DC.

DEAR SPEAKER GINGRICH: I am writing in support of the provisions of H.R. 4579 and H.R. 4611, which would help adoptive families by providing them with adoption tax credits, credits many of them need to help them adopt. With more than 110,000 children in the foster care system alone waiting for adoption in the United States, every effort to assist in qualifying families must be pursued with utmost urgency.

These provisions in these bills would provide a temporary solution to the problem caused by the minimum tax liability as it affects tax credits that benefit families. They would provide stop-gap help for families qualifying to use the adoption tax credit. While H.R. 4579 would provide both immediate and long-term remedies for the minimum tax liability problem, its fate is uncertain given a threatened Presidential veto of that bill.

Should a veto threat prevent passage of H.R. 4579, we urge you to attach the provisions in H.R. 4611 to a scaled down bill of tax extenders.

We strongly support any action that would at this time make the adoption tax credit work as effectively as possible, for as many children and families as possible, as soon as possible.

We deeply appreciate the hard work you have done in the past on behalf of a variety of adoption issues, including your support for the adoption tax credit.

Sincerely,

WILLIAM PIERCE, Ph.D.,
President.

NATIONAL COUNCIL FOR ADOPTION,
Washington, DC, September 25, 1998.

Representative CHARLES RANGEL (D–NY),
Ranking Member, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. RANGEL: I am writing in support of the provisions of H.R. 4579 and H.R. 4611, which would help adoptive families by providing them with adoption tax credits, credits many of them need to help them adopt. With more than 110,000 children in the foster care system alone waiting for adoption in the United States, every effort to assist in qualifying families must be pursued with utmost urgency.

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We strongly support any action that would at this time make the adoption tax credit work as effectively as possible, for as many children and families as possible, as soon as possible.

We deeply appreciate the hard work you and the Committee have done in the past on behalf of a variety of adoption issues, including your support for the adoption tax credit.

Please have your staff contact me, or Matt Parrott, to let us know how we can help you make your interest in tax assistance for adoptive families a reality this Congress.

Sincerely,

WILLIAM PIERCE, PH.D.,
President.

NATIONAL COUNCIL FOR ADOPTION,
Washington, DC, September 25, 1998.

Representative BILL ARCHER, (R–TX),
Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR CHAIRMAN ARCHER: I am writing in support of the provisions of H.R. 4579 and H.R. 4611, which would help adoptive families by providing them with adoption tax credits, credits many of them need to help them adopt. With more than 110,000 children in the foster care system alone waiting for adoption in the United States, every effort to assist in qualifying families must be pursued with utmost urgency.

The provisions in these bills would provide a temporary solution to the problem caused by the minimum tax liability as it affects tax credits that benefit families. They would provide stop-gap help for families qualifying to use the adoption tax credit. While H.R. 4579 would provide both immediate and long-term remedies for the minimum tax liability problem, its fate is uncertain given a threatened Presidential veto of that bill.

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We deeply appreciate the hard work you and your Committee have done in the past on behalf of a variety of adoption issues, including your support for the adoption tax credit.

Please have your staff contact me, or Matt Parrott, to let us know how we can help you make your interest in tax assistance for adoptive families a reality this Congress.

Sincerely,

WILLIAM PIERCE, Ph. D.,
President.

Mr. NEAL of Massachusetts. Mr. Speaker, we are now debating the second part of the ''90/10 Plan''. Earlier in a misguided vote the House decided to lock up 90 percent and not 100 percent of the projected surplus to save Social Security. Now, we are considering the 10 percent part of the plan.

I have to admit that the 10 percent part of the plan is quite attractive. It is a package of modest tax cuts which are mostly targeted to the middle class and it include many tax cuts that Democrats have offered in the past and it includes a provision that I have worked on this past year.

We should not be spending the Social Security trust fund surplus. We have to deal in budget realities, even though it is very politically enticing to vote for a tax cut right before the elections. However, I believe we were elected to make hard choices.

The hard choice before us today is voting against very likable tax cuts in order to protect Social Security. There is not surplus right now except for the surplus in the Social Security trust fund. Without Social Security's temporary surplus, there would be a $137 billion deficit over the next five years so we should not be spending $80 billion that we do not have today.

The Democratic substitute is responsible. It still provides tax relief, but not until effective until the Social Security trust fund is solvent for 75 years.

The bill before us today includes a provision which I think is extremely important and should be in addressed before Congress adjourns. Recently, I introduced H.R. 4611 which provides a temporary waiver for taxable year 1998 of the minimum tax rules that deny many families the nonrefundable personal credits, pending enactment of permanent legislation to address this inequity.

Also, I have introduced H.R. 4489 which provides a permanent solution to address this inequity by allowing nonrefundable personal credits to offset both the individual's regular income tax liability and the minimum tax liability and repeal the rule that reduces the additional child credit for families with three or more children by the amount of minimum tax liability.

I am pleased that the ''Taxpayer Relief Act of 1998'' includes a permanent solution and a temporary solution. However, this bill will receive a Presidential veto if even it makes it that far. This is an issue that we need to address before we adjorun.

Under current law, the total allowable amount of nonrefundable personal credits may not exceed the amount by which the individual's regular income tax liability exceed the individual's tentative minimum tax. This results in all taxpayers who claim the child credit with incomes above $45,000 for joint filers and $33,750 for single filers to make at least a rudimentary minimum tax calculation.

Without addressing this problem, many taxpayers will have to fill out the minimum tax form. Not only is the minimum tax complicated, it can penalize middle-income taxpayers who claim some of the new tax credits such as the child tax credit and the Hope Scholarship credit.

The Department of Treasury estimates that in 1998, the alternative minimum tax will deny 800,000 taxpayers who are entitled to both the child tax credit and the education tax credits, the full benefits of these credits. Without enactment of legislation to address this issue, taxpayers who are planning to claim the child credit should be warned that the computation of their taxes will be difficult, time consuming, and unnecessarily complex. Without simplifying the child tax credit, the child tax credit form will be required on next year's form is a nightmare.

The complexity of the forms is the result of deliberate decisions last year by the Republican majority in Congress. Today, they decided to fix a problem that they knowingly created last year. The interaction between the minimum tax and the child tax credits was in the original chairman's mark. They did not want to spend revenue on this provision. Remember, last year's tax bill was offset, not like this year's bill which uses the projected surplus as an offset.

If we do not address the interaction of the minimum tax with nonrefundable personal credits, many families will be cheated of the full credits that were promised. We need to address this issue to prevent the average family from having to pay a tax return preparer in order to fill out the forms for the new credits.

We should address this issue and include a temporary solution in revenue neutral legislation to extend the expiring provisions and continue to work on a permanent solution. The Joint Committee on Taxation estimates that a one year solution for the taxable year 1998 would cost $474 million.

I urge my colleagues to vote against this bill today. It is time for us to get back to our real work.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume. Once again to try to bring the element of truth into this debate, we clearly are not touching any of the money in the Social Security trust fund. We clearly are not touching any payroll taxes, not one penny. As much as I respect the gentleman from Massachusetts personally, he knows that is not true. The record should be set straight. We can use all kinds of political rhetoric to try to serve ourselves one way or another, but we should try to stick to those enunciations which are supportable by fact.

Mr. Speaker, I yield 2 minutes to the respected gentleman from Oregon (Mr. SMITH), the chairman of the Committee on Agriculture.

Mr. SMITH of Oregon. Mr. Speaker, I thank the gentleman for yielding this time. We have been discussing farm policy in this body for many years. We have been discussing philosophy of agriculture. This year we witnessed a horrible downturn in agriculture due to weather and some to revenue reduction. We have disaster programs designed to help momentarily agriculture. But nothing, nothing that we have done in farm policy or in disaster programs can even touch what the gentleman from Texas (Mr. ARCHER) and the Committee on Ways and Means has done for agriculture for the long term. They cannot even touch it. Here is what agriculture has been dreaming about for these many, many years.

Listen to this. Income averaging which is essential when you have hills and valleys in income as agriculture does. Reach-back provisions for five years so that if we were making money five years ago, we can average that against losses today which we are certainly experiencing. Expense allowance to $25,000 for agriculture and small business. Exemption raised to $1 million for death taxes.

What does that mean to agriculture? It means today that as a result of this, two-thirds of the families in America on farms and ranches will be able to retain them and turn them over to their children without the government taking them away through death taxes. Capital gains relief. Full deductibility of health insurance. These are dreams of agricultural people for years.

This is the strongest package for agriculture bar none that this body has ever passed. Let us pass it today.

Mr. Speaker, I rise today in wholehearted support of H.R. 4579, the Taxpayer Relief Act of 1998. I commend Chairman ARCHER and the Ways and Means Committee for bringing a tax measure to the House floor that American agriculture can readily endorse.

Providing a full tax deduction for health insurance to the self-employed is a lifeline to American farm families. This will ensure that farm families have the health protection they need at an affordable price.

Income averaging is another essential tool that will stabilize an otherwise volatile income stream of many of our farmers and ranchers. As we are seeing now, farm livelihoods are vulnerable to weather disasters and economic uncertainty, and this provision will assist them in dealing with those uncertainties.

The estate tax provision contained in the bill will mean that two-thirds of the Nation's farmers and ranchers who now face constant pressures to keep their assets within the current threshold exemption can rest easy knowing the economic legacy they have built will not be taken away from their children.

As small businessmen, farmers and ranchers also will benefit from the business expensing provision in the bill. Using this provision, farmers may replace expensive farm equipment and gain an upfront tax savings that is superior to the benefits afforded through a depreciation schedule.

For too long, Mr. Speaker, the Congress has discussed the pros and cons of federal farm policy—the policy effects of commodity programs, while we have left tax matters to another day, Today, Chairman ARCHER has changed all that. I believe we have a solid, and, in my view, unchallengeable tax package for American farmers and ranchers.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. HOYER).

Mr. HOYER. Mr. Speaker, I thank the gentleman for yielding time. I rise today to oppose the Republican tax cut package and to support the alternative to be offered by the gentleman from New York (Mr. RANGEL). The discussion today is not a debate about tax cuts. It is a debate about the future of Social Security. The tax cuts in both packages are identical. However, the Republican tax cuts would be paid for by a Social Security surplus. That is irrefutable, notwithstanding what the chairman just said. A surplus that I tell my friends on the other side of the aisle we have not yet even realized. Without playing politics with America's fiscal future, the tax cuts in the Democratic alternative would not become effective until the Social Security trustees certify that the trust funds are solvent for the next 75 years.

It would be irresponsible, Mr. Speaker, of me to support a bill without considering how the tax cuts are financed. The Republican bill does in fact raid the Social Security trust fund which provides funds often referred to as the ''budget surplus.'' I believe our first

duty must be to solve the long-term solvency problems of Social Security while remaining committed to fiscal responsibility.

While I find it quite interesting that the tax bill that Republicans put forward embraces mostly Democratic ideas for tax cuts for middle America, the poison bill in this bill is the way in which it is financed.

I would remind my colleagues, in fact, just a year ago, Democrats supported a $100 billion tax cut similar to the one the Republican leadership has brought to the floor today. But there was a significant difference. Our bill was fully offset with real spending cuts that did not dismantle or put at risk the future of Social Security, a future in which as the 1998 report of the Social Security trustees found that none of the Social Security trust funds will have sufficient income to be able to pay benefits over the next 75 years. Today it is the main source of income for two-thirds of the seniors in this country. Seventy-six million baby boomers will begin retiring in 2010. By 2025, most baby boomers will be 65 or older. We cannot put our desire for politically-driven, irresponsibly-financed tax cuts before our overwhelming need and responsibility to ensure that Social Security is viable into the next century. To do that, the Democratic alternative creates a lock box. It takes 100 percent of the Social Security surplus and ensures that it will be used only for Social Security purposes. This creates a real protection for the Social Security surplus and the overall integrity of the system.

I would remind my colleagues that just a few weeks ago, the chairman of the Committee on the Budget, the gentleman from Ohio (Mr. KASICH) suggested a 700 to $800 billion tax cut. I remind my friends, that would be 50 percent of the Social Security surplus. Where do we go next year?

Save Social Security. Oppose this bill. Support the Democratic alternative.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Kentucky (Mr. BUNNING), the chairman of the Subcommittee on Social Security.

(Mr. BUNNING asked and was given permission to revise and extend his remarks.)

Mr. BUNNING. I thank the gentleman for yielding me this time. Mr. Speaker, I rise in strong support of the Taxpayer Relief Act and targeted tax relief for the middle-class families of this country.

Fifty-five percent of this tax cut goes to hard-working American families making less than $75,000, the folks who need it most.

Marriage penalty relief for 48 million taxpayers, an average of $243 per couple.

One hundred percent deductibility of health insurance costs for self-employed people, over 100,000 just in my State, for small farmers, small business owners that pay for their premiums that are not paid for presently.

$24 billion in relief for farmers and small business as the chairman of the Committee on Agriculture just before me so well described. Tax relief for farmers who have carried the loss forward for five years. AMT relief and income-averaging, permanent income-averaging for farmers, five years. And we cut the death tax even further.

Mr. Speaker, we must remember that the budget surpluses do not belong to the government. It belongs to the American people. It is their tax dollars that make up the surplus. We should let them keep more of their own money, because they know how to spend it better than the government does.

Yesterday we protected Social Security by devoting 90 percent of the surplus to it. Never before had that been done in the history of this great republic. We should do the right thing and give some of the money back to the people that pay it. I urge support for the bill.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan (Mr. CAMP).

(Mr. CAMP asked and was given permission to revise and extend his remarks.)

Mr. CAMP. Mr. Speaker, I rise in support of the Taxpayer Relief Act.

Mr. Speaker, one thing is absolutely sure in this debate—taxes are too high. We're facing the highest peacetime tax burden in our Nation's history—21 percent of G.D.P. If taxes today were at the same level as 1950, the average American household today would be twice as rich. American families pay 38 percent of their income in taxes, up from 26 percent back in 1955—the Federal Government is taking too much from the American taxpayer.

So the bill before us today cuts taxes—and it does so in a responsible, restrained and fair manner. Our tax relief is focused squarely on middle and lower income taxpayers—exactly those who need it the most. Husbands and wives—farmers and ranchers—small business owners and senior citizens. Democrats said it couldn't be done.

For 30 years, they controlled Congress and never balanced the budget! Instead they used the Social Security trust funds on programs like midnight basketball and other pork-barrel spending.

Now the G.O.P. comes in, and not only balances the budget and preserves Social Security, but also provides sweeping tax relief. When was the last time the Democrats balanced the budget? And more importantly, when was the last time they paid $1.4 trillion back to Social Security—instead of spending the trust funds?

This debate is about Social Security, and we make a significant payment to our Nation's seniors. We also allow the American taxpayer to reap the rewards of their hard work in the form of reduced taxes.

Who is complaining about our tax relief bill? Mr. Speaker, it's the same people who buried us under a mountain of debt and saddled our children with the burden of paying it off. Some on the other side believe we need to keep that surplus in Washington—but it's your money. And hard-working Americans deserve a break.

Our opponents say that it's not enough to wall off $1.4 trillion dollars to save Social Security and both save Social Security and reduce taxes. But I believe we can. I urge support for the Taxpayer Relief Act.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. HERGER), another respected member of the Committee on Ways and Means.

Mr. HERGER. Mr. Speaker, today we have a choice. We can stand with those who think that Washington knows best or we can stand with our Nation's husbands and wives who are punished by the marriage penalty, with our farmers and ranchers who are hard hit by the death tax, with our Nation's small businesses which today cannot fully deduct the cost of their health insurance, and with our Nation's seniors who see their Social Security benefits reduced just for earning outside income. In short, we can stand with those who defend today's record high tax burden or we can stand with the hard-working middle class.

Mr. Speaker, to vote ''no'' on this bill is to deny 48 million married taxpayers relief from the marriage penalty. I remind my colleagues that when a couple stands at the altar and says ''I do,'' they are not agreeing to higher taxes.

To vote ''no'' on this bill is to deny farmers and ranchers much-needed relief from the death tax, to vote ''no'' on this bill is to deny our small businesses the opportunity to deduct 100 percent of the cost of their health insurance, and to vote ''no'' on this bill is to deny seniors a chance to earn a little more outside income without facing the loss of their Social Security benefits.

Today we can vote to do all of this while, at the same time, setting aside 90 percent of our surplus until we save Social Security. I would urge all of my colleagues on both sides of the aisle, do not turn your backs on the middle class. Support this crucially important legislation.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN) from the Committee on Ways and Means.

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I quote:

> The solution is simple: formally wall off Social Security from the rest of the budget to prevent continued thievery from the trust fund.

I know the majority is sensitive to references to stealing from Social Security, but the above quote is not from Democrats but from a leading official at the conservative Cato Institute. Surely the Republicans are proposing the diversion of Social Security moneys. Unlike in past years when the overall deficit was so huge, we are now at a point where we can undertake the difficult but vital task of assuring the long-term soundness of Social Security. This means putting Social Security first, and then a tax cut. Being a 90 percenter, diverting 10 percent of Social Security funds, is wrong.

This bill also erodes the fiscal discipline that we fought so hard for in

1990 and 1993. In 1997, we passed a tax cut. I voted for it and would do so again. We paid for it with program cuts deep enough that they caused many to vote against the bill. Today the majority turns its back on that hard-won fiscal discipline. They pay for this cut from the budget surplus, Social Security's surplus, waiving the budget rules.

This Nation has benefited from fiscal discipline. We who voted for it in 1990 and 1993 were right. So the better course is to save Social Security first and then act on a tax cut for American families. The majority puts the cart before the horse, trampling both on Social Security and on fiscal discipline.

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We should do neither. Pass the democratic substitute.

Mr. ARCHER. Mr. Speaker, I yield three minutes to the gentleman from California (Mr. THOMAS), who is such an articulate member of the Committee on Ways and Means.

Mr. THOMAS. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I am sure some people are a little bit confused about this debate, and I will try to explain why. It is kind of like in physics, where what we are discovering simply cannot be explained in the language that physicists now have.

For example, you talk about matter, but because of the way the world works, they have to talk about antimatter, and it just does not seem to make sense, matter, antimatter.

We just had the gentleman from Michigan in the well being forced to quote a conservative in support of what they were talking about. It is because the Democrats in their rhetoric just cannot deal with the world that the majority of Republicans have created, and that is a budget surplus.

The Democrats are now arguing that it makes no sense whatsoever to adjust the Tax Code in any way until the Social Security trust fund is sound. For how long? Seventy-five years. How long was the trust fund sound every year they were in the majority, and they made tax adjustments? The answer is simple: Never.

They are having difficulty dealing with a world in which the budget structure provides a surplus in which we can lay aside $1.4 trillion this year, more next year, more the year after, to save Social Security and provide people with a reasonable tax cut.

The other problem they are having is criticizing our tax cut. Usually it is ''tax cuts for the rich.'' The gentleman from Maryland was in the well having to smile at the kind of tax cut Republicans are providing.

People between zero and $75,000 income, that is couples, a man and a wife, say each one earns $35,000, I would not exactly call those folks rich, get 55 percent of our proposal. They are a majority of those who file taxes, but they are only about 34 percent of the revenue collected. Interestingly enough, about 34 percent of the revenue collected comes from individuals who make more than $200,000. They are getting 4 percent.

So if you back away from all the particulars in this bill, which is certainly a bill for the various particular groups, sometimes we get too close to the painting and all we can see are brush strokes. Take a couple of steps back and, by and large, look what we are doing.

We are moving 1 million people from having to file income taxes at all. We are moving more than 10 million people from having to fill out all of the deductions and the itemizations necessary to maximize your ability to pay fewer dollars. More than 10 million people can now move to the 1040–EZ form, one page, because we have simplified. This is not only relief to middle income, it is simplification of the Tax Code.

Listen to the rhetoric. They cannot deal with the new world. Just vote yes on the chairman's proposal.

Mr. ARCHER. Mr. Speaker, I yield two minutes to the gentleman from Florida (Mr. SHAW), the chairman of the Subcommittee on Human Resources of the Committee on Ways and Means.

Mr. SHAW. Mr. Speaker, I thank the chairman for yielding me time.

Mr. Speaker, sitting here listening to some of the rhetoric coming from the other side, accusing the Republicans for raiding—raiding—the Social Security trust fund, reminds me of a lot of the rhetoric that is going on in Washington today when we talk about whether the President lied to the American people.

I would ask anybody that is watching this debate today to take with a grain of salt and be very cautious about any Member who gets up and says that any other Member on either side of the aisle is guilty of raiding the Social Security trust fund. It just simply is not true. It is a bald-face lie.

The question is coming down as to whether or not the Social Security trust fund should be legislatively adjusted before the American people are given any tax relief whatsoever. That is the debate, and that is where there is an honest difference of opinion.

The President, when he stood right before us in this very hall and said ''We are going to save Social Security, save Social Security first,'' and then went on with all his big plans for spending the surplus, he got a standing ovation from both sides of the aisle. We are still waiting for his plan to save Social Security.

We are going to have to bite the bullet and make some tough political decisions on both sides of the aisle in order to accomplish what all of us want, and that is to leave Social Security in a solvent position for 75 years and even beyond that. And that is important, and that is a responsibility of this body and something we should work on together. But let us not start out by lying to the American people. It just simply is not true.

We are trying to make some adjustments and put some fairness in the tax law itself. The same Republicans that reformed welfare, that reformed the Internal Revenue Service, are going to lead the way in reforming Social Security. It is going to be tough, and we invite the Democrats to join us in this effort.

Mr. RANGEL. I yield myself such time as I may consume to respond to my friend from Florida.

Mr. Speaker, it is one thing to be robbing from the old folks; it is another thing to have to bring in the President of the United States' embarrassing political position. Now, the President has said he is sorry, and I hope before this debate is over, that some Republicans will say they are sorry for what they are doing to the Social Security trust fund.

Mr. SHAW. Mr. Speaker, will the gentleman yield?

Mr. RANGEL. I would like to yield as to why the gentleman had to bring the President of the United States into the debate.

Mr. SHAW. Mr. Speaker, I simply was talking about the question of lying to the American people is very much on the minds of the American people.

Mr. RANGEL. Mr. Speaker, reclaiming my time, I said why did the gentleman bring the President of the United States into this debate?

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Members should avoid personal references to the President of the United States.

Mr. RANGEL. Mr. Speaker, the gentleman should apologize for what he has said.

Mr. SHAW. Mr. Speaker, will the gentleman yield?

Mr. RANGEL. I yield to the gentleman from Florida.

Mr. SHAW. Mr. Speaker, I do not want anybody in this body to misunderstand me. I am not making any accusation as to whether the President lied or not. I am simply saying that the American people are demanding truth from their politicians, so let us get some truth in this debate.

Mr. RANGEL. Mr. Speaker, reclaiming my time, I am simply saying that the American people demand fairness, and they will make the judgment in November.

Mr. Speaker, I yield the balance of my time to the gentleman from Maine (Mr. ALLEN).

The SPEAKER pro tempore. The gentleman from Maine is recognized for 15 seconds.

(Mr. ALLEN asked and was given permission to revise and extend his remarks.)

Mr. ALLEN. I thank the gentleman for yielding me time.

Mr. Speaker, I rise in opposition to the Republican tax bill. We should leave Social Security alone.

I rise today very disappointed with the Republican majority. Their tax bill is both fiscally

irresponsible and socially bankrupt. It calls for $80 billion in tax cuts over the next five years by raiding projected Social Security surpluses. Surpluses that Congress designed to secure retirement benefits for current and future retirees. The long-term solvency of Social Security depends on sound policy choices and fiscal discipline. With an aging population and the onset of the baby-boom generation entering retirement years, tampering with Social Security is dangerous and irresponsible.

I strongly support extending tax credits, such as work opportunity and research and development, and accelerating the self-employed health insurance deduction to 100%. I have cosponsored bills to do just that but with the belief that offsets would be real and fair. While I support these provisions and others in the Republican tax bill, the bill is clearly in violation of the pay-as-you-go budget rule this House championed for budget discipline.

PAYGO has worked. We have offset spending and revenue proposals with real spending cuts or revenue increases. We have also shielded Social Security from budget gimmickry. We have promised not to use Social Security surpluses to mask the Federal deficit. Just as we balanced the Federal budget the Republican majority has turned its back on fiscal responsibility.

Adoption of this tax bill will unravel the budget discipline by which we have operating in the last few years. With the adoption of President Clinton's deficit reduction and economic growth package in 1993, we have put our fiscal house in order. For the first time in thirty years we have balanced the Federal budget. We have made hard choices, and we have respected the PAYGO rule that proposals be budget neutral. Offsetting a tax bill with projected Social Security surpluses is irresponsible and wrong.

I urge my colleagues to reject the Republican tax bill.

Mr. FAZIO of California. Mr. Speaker, I rise in opposition to H.R. 4579. Any major proposal that comes to the floor 40 days before an election deserves close scrutiny. And a major tax proposal which comes to the floor a few days before adjournment should leave Americans slightly suspicious.

Even so, I would like to be able to say that I support this bill. In fact, I do support most of the tax cut proposals that are contained in this bill.

The problem is the way the Republicans want to pay for it—on the backs of future Social Security recipients.

American workers have invested in Social Security so that it will be there in the future when they need it most. It would be irresponsible to cut into our children's future for election year pandering.

The Republican plan includes Democratic tax proposals like reducing the marriage penalty tax by allowing joint filers to double the standard deduction for single filers, allowing the full deductibility of healthcare costs for the self-employed, and renewing such business tax credits as the work opportunity tax credit and the research and experimentation tax credits. So they're on the right track.

However, Republicans forget that unless the budget is balanced—balanced without including the Social Security Trust Fund—any tax cut must be paid for by cutting entitlements or increasing other taxes. So where are these cuts coming from?

While I am all in favor of giving the American people a tax cut, it is essential to look at what price we are actually paying for these tax cuts. A tax cut now will force us to delve into the projected budget surplus—to spend money now that we assume we will have in the future.

The Congressional Budget Office (CBO) has projected that the budget will run a huge annual surplus for the next twenty years. But—and this is important—in the initial years the surplus is generated primarily from the Social Security Trust Fund. For example, next year, the CBO projects we will have an $80 billion dollar surplus. Great! That would easily pay for the tax cuts. However, a closer examination of that surplus shows that the Social Security Trust Fund's surplus of $117 billion will be covering a projected $37 billion deficit in the general fund.

I also want to emphasize that the budget projections are only that—projections. They are based on assumptions about the future of the country's economy. While we should be optimistic about the budget outlook, we must also keep in mind the current economic turmoil in the rest of the world. If we have another recession comparable to the mild one in 1990–91, it could easily decrease the projected general fund balance by $100 billion in one year. The budget is extremely sensitive to the rise and fall of the economy. Some restraint must be shown.

The Social Security Trust Fund is expected to be bankrupt by 2030 because of the high number of baby boomers retiring. Every plan to protect against this would need every penny of the budget surplus—that of the general budget and that of the Social Security Trust Fund. Social Security is our nation's largest anti-poverty program. Half our nation's elderly, about eighteen million, including half of the 66,522 Social Security recipients in my district, would live in poverty if this program did not exist. Thirty percent of the elderly depend on Social Security for one-half or more of their income. Since its beginning in 1940, this is a program that has proven its worth.

I refuse to support tax cuts until we can pay for them with budget cuts or real surpluses without Social Security receipts. We have done this in the past. In fact I voted with a majority in this House, just last year, for the Taxpayer Relief Act, that provided the American people with tax cuts within the confines of the budget rules.

That is why I support the alternative proposed by the Democrats. Our alternative would provide the exact same tax cuts with a major difference. The Democratic proposal includes a trigger mechanism to hold off a tax cut until the future of Social Security is ensured. Through our proposal, Social Security would be able to cope with the increasing number of Social Security recipients and be solvent beyond 2032.

We don't even have a budget for the next fiscal year—which begins this Thursday, the 1st of October—and Republicans want a tax cut. They are more worried about pre-election maneuvering and being re-elected than insuring that the government doesn't shut down, let alone the long-term solvency of Social Security.

Without passage of the Democratic substitute, all this bill amounts to is an unconscionable raid on this country's retirement account. I would love nothing more than to be able to give America a tax cut. I am not against tax cuts. I agree with portions of the Republican proposal, because many of the provisions have already been proposed by Democrats. However, if we are going to be able to afford these tax cuts we must do so responsibly, we must provide for the future, we must save Social Security first—and vote down this bill.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in opposition to H.R. 4579, not because I oppose the bill's package of tax cuts, but because I oppose the majority party's plans to pay these tax cuts with the surplus in the Social Security trust fund.

The majority party says it will use only 10 percent of the projected federal budget surplus to pay for H.R. 2579's tax cuts, but the majority fails to note that the surplus will be overwhelmingly Social Security-based surplus.

To be more precise, if the large yet temporary surplus in the Social Security trust fund is excluded, there will be a Federal deficit of $137 billion over the 1999–2003 budget period and only a $31 billion Federal surplus over the 1999–2008 budget period. Accordingly, the majority's plan to set aside 10 percent of an almost exclusively Social Security-based federal budget surplus represents a raid on Social Security.

The Democratic alternative provides for the very same tax cuts as H.R. 4579. However, unlike H.R. 4579, the Democratic alternative provides that the tax cuts take effect after a plan to secure Social Security long-term solvency has been agreed to.

I urge my colleagues to oppose H.R. 4579, and to vote for the Democratic alternative.

Mr. BEREUTER. Mr. Speaker, this Member rises today to express his support for H.R. 4579, which allows taxpayers nationwide to benefit from a Federal income tax cut. This bill is one of the most important measures that the House of Representatives has considered this year. It is highly desirable that the House pass this bill now to return a small additional amount of the economic benefits of the American people who earned them through a tax cut. Specifically, H.R. 4579 provides over $80 billion in tax relief provisions primarily targeted to married couples, farmers and ranchers, senior citizens, and small business owners.

There has been enough exaggerated and false rhetoric by the opponents of H.R. 4579. It is important to note that the surplus is due to higher-than-projected Federal income tax receipts which resulted from the sweat equity and hard work of American taxpayers. This tax surplus is not the property of the Federal Government; this surplus rightfully belongs to the American taxpayer. The American taxpayers are entitled to this return—a $80 billion tax cut.

House Resolution 4579, when passed in conjunction with H.R. 4578 (the Save Social Security Act) will provide an effective fiscally sound dual approach. We took the first step of this dual approach yesterday, when this House passed H.R. 4578. Today we consider the second step of this dual approach—H.R. 4579, which allocates that 10 percent of the surplus will be used for tax cuts over the next five.

The legislation we are considering today (H.R. 4579) is so important because it provides comprehensive tax relief to so many middle-income and lower- middle-income American taxpayers. Specifically, the bill provides critical tax relief for the following six

classes of individuals; 1. Married couples; 2. Farmers and Ranchers; 3. Senior Citizens; 4. Parents; 5. Small Business Owners; 6. Savers and Investors; and, 7. Inheritors subject to Estate taxes.

1. MARRIED COUPLES

H.R. 4579 will allow married couples who file jointly to claim a standard deduction that is double the amount of the standard deduction for a single taxpayer in each taxable year beginning after December 31, 1998. This provision will correct the current tax system which penalizes a couple for being married. This provision will provide tax penalty relief for approximately 48 million taxpayers.

2. FARMERS AND RANCHERS

This Member is certainly concerned about the future of farming in the United States and Nebraska; therefore, this Member believes that all options or proposals should receive serious consideration and none rejected out of hand. Although the U.S. economy is generally healthy, it is clear that the agricultural sector is hurting. This Member believes that farmers and their families should be able to enjoy and adequate standard of living; therefore, this Member has taken a pro-active approach to helping ensure that farmers received a fair price for their crops. One such approach to improve the viability of agriculture is provided in H.R. 4579 which has three provisions which directly benefit farmers and ranchers. These provisions will have a positive effect on this Member's constituency in the great State of Nebraska which has a strong agrarian element. Because of the low grain and livestock prices, which result in part from the Asian financial crisis and the subsequent decline in demand, farmers and ranchers are in need of agricultural tax relief as provided in the measure before us today.

H.R. 4579 will accomplish the following things for farmers and ranchers:

A. The income averaging for farm and ranch income which was set to expire in the Year 2000, will become permanent.

B. The net operating loss carryback period for farmers and ranchers will be increased to 5 years from the general 2-year carryback period; and

C. Farmers will not have to pay income taxes on the 1999 farm program payments until the year in which those payments are received.

3. SENIOR CITIZENS

The Social Security earnings limit is increased for those individuals between full retirement age (currently age 65) and age 70 from $17,000 in fiscal year 1999 to $39,750 in fiscal year 2008.

4. PARENTS

Under H.R. 4579, parents will now be able to keep more of their hard-earned dollars by protecting important tax credits, including credits for children, the elderly, adoption, dependent care, and education, from being reduced by the alternative minimum tax (AMT), which limits the amount of tax credits that taxpayers may take.

5. SMALL BUSINESS OWNERS

A. The Health Insurance income tax deduction for the self-employed will be increased to 100 percent on January 1, 1999, instead of a phase-in of the 100 percent deduction under current law by January 1, 2007. This deduction for the self-employed includes farmers and ranchers.

B. A small business expensing deduction, in the amount of $25,000, will be immediately allowed.

6. SAVERS AND INVESTORS

Taxpayers will be able to exclude the first $200 in interest and dividends they receive with filing an individual return.

7. INHERITORS SUBJECT TO ESTATE TAXES

The current phase-in of the $1 million estate tax exemption will be accelerated to January 1, 1999, instead of January 1, 2006. The number of taxable estates under this accelerated phase-in provision will be reduced by approximately 50 percent. This estate tax change will especially have a propitious effect on farmers and ranchers.

In closing, the intrinsic value of H.R. 4578 and H.R. 4579 is that both bills benefit a broad consensus of American taxpayers and at the same time take a step forward in ensuring Social Security for future beneficiaries. This Member encourages an ''aye'' vote for H.R. 4579.

Mrs. LOWEY. Mr. Speaker, I rise in opposition to this bill and I want to make one thing very clear at the outset: I support the tax cuts in this bill. Many of these tax cuts are measures that Democrats have championed and that I fully support. But unless they are paid for without draining Social Security reserves, the only responsible thing to do is just say no.

I want every American to be perfectly clear what this debate is all about: it's a choice between politically motivated, election year tax cuts and protecting Social Security. It's about spending now and paying later—and jeopardizing the retirement security of millions of Americans.

No matter how you slice it, the fundamental fact remains: these tax cuts are being paid for by raiding Social Security.

All of the surpluses CBO projects over the next 5 years—and 98 percent of the surpluses CBO projects over the next decade—are trust funds that are needed to build up Social Security reserves. In fact, excluding the Social Security trust fund, the total budget surplus over the next decade will only be $31 billion, and that assumes that we won't have a downturn in the economy.

As Alan Greenspan stated this week, ''the surplus may well be less than anticipated.'' According to CBO, if a recession began next year that was similar to the 1990–1991 recession, the $53 billion projected surplus in 2001 would become a $53 billion deficit.

Let's be honest. This tax bill is election year politicking at its worst. If you don't believe me, listen to the experts.

Earlier this week, Chairman Greenspan stated before the Senate Banking Committee that spending the Social Security surplus ''would be the worst outcome'' and that this tax bill ''would not be growth productive.''

The Republican Chairman of the Senate Budget Committee, Senator DOMENICI, has stated that ''all the surplus belongs to the Social Security trust fund . . . I'm telling you there is no surplus.''

Economist Herbert Stein, chairman of President Nixon's Council of Economic Advisors, stated earlier this year that those who want to ''reduce our prospective surpluses should admit that in doing so they are impairing the incomes of our children and grandchildren.''

Quite simply, this bill will make it harder to ensure Social Security's solvency when Baby Boomers began to retire in the next century. It violates the budget rules and abandons the fiscal discipline that has enabled us to eliminate the deficit and enjoy a booming economy.

My colleagues, we cannot afford to impose a massive I.O.U. on the American people's retirement system. Defeat this measure and support the Democratic substitute.

Mr. POMEROY. Mr. Speaker, I rise in opposition to H.R. 4579, a fiscally irresponsible bill that would spend Social Security trust funds on an election-year tax cut. I urge my colleagues to reject the bill and to support the alternative offered by the Ranking Minority Member Mr. RANGEL to defer the tax bill until Congress and the President have agreed on legislation to protect the long-term future of Social Security.

Earlier this year, when the country embarked on a two-year effort to reform Social Security, we appeared to have bipartisan agreement on reserving the entire federal budget surplus until Congress enacted a comprehensive plan to assure Social Security's future. This commitment made sense since, after all, the entire budget surplus came from surpluses building up within the Social Security system.

If there is any lingering doubt on this front, I direct my colleagues to the August 1998 report of the Congressional Budget Office (CBO). According to CBO, every dollar of the projected surplus for the next five years comes from Social Security. In fact, without Social Security, the federal budget is in deficit by $137 billion. Despite this clear evidence as to where our present surplus comes from, the congressional majority today backs away from its bipartisan commitment to Social Security reform and moves to spend the surplus before Congress has met its responsibility to secure Social Security's future.

This is simply irresponsible. Social Security faces a financing shortfall over the long-term, and it is our solemn responsibility to address this shortfall and secure the future of this program that has done so much to protect America's families, mine included. By spending the Social Security surplus, the congressional majority digs the financing hole deeper and makes the work of securing Social Security even more difficult. Plain and simple, this takes us in the wrong direction. Mr. Chairman, our first step in making Social Security sound for the long haul must not be a step backward. Unfortunately, that is precisely the step the congressional majority takes today.

I support targeted tax cuts for working families, farmers, and senior citizens, and in fact I voted for such tax cuts last year. The difference is that the tax cuts enacted last year to help young people go to college, to help working families raise their children, and to help all Americans save for retirement were fully off-set by spending cuts. Tax cuts off-set by spending reductions or paid for out of general revenues is fiscally responsible and protects Social Security.

While I object to the use of Social Security to pay for tax cuts, I strongly support many of the tax changes proposed in this bill. I introduced legislation to provide full deductibility of health insurance premiums for the self-employed on the first day of this Congress and my bill has more bipartisan cosponsors than any other self-employed deduction bill. I am a cosponsor of legislation to allow farmers to average their income and I am pleased the provision was included in the tax bill last year. I

strongly support estate tax relief for family farmers that was also addressed in last year's tax bill. I have cosponsored legislation to reduce the marriage penalty, and I support increasing the earnings limit for Social Security recipients.

For members who support the tax provisions in this bill but who want to protect the long-term future of Social Security, I encourage your support for the Rangel alternative. Let us reserve the surplus until Congress and the President have agreed on legislation to protect Social Security and then enact well-earned tax cuts for the American people.

Ms. HARMAN. Mr. Speaker, I take a back seat to no one on the need to balance the budget and to do so in a balanced way.

I made the tough votes for the Clinton budget in 1993, for the Penny-Kasich spending reduction package, for a deficit reduction lock box, and for other responsible procedural and substantive budget reforms that resulted in today's first-in-a-generation budget surplus.

Moreover, with the support of the Blue Dogs, I led the effort to embrace the Boskin Commission recommendations to adjust the Consumer Price Index to more accurately reflect inflation—a move that would have assumed the removal of the Social Security Trust Fund from the budget calculations in 10 years and, as importantly, ensured the solvency of the Trust Fund for another two decades.

But, balancing the budget and protecting Social Security are not just accounting exercises. Both are priorities, neither exclusive of the other. They require balanced choices about what to cut and what to invest.

Tax reductions are also investments, depending on their cost and targeting. I am voting for today's tax cut bill because I believe its cost is reasonable and its impact appropriately targeted to benefit my constituents. The bill's investments in health care, school construction, affordable housing, and my State's farming families, and the elimination of the harshness of the marriage penalty on middle income Americans are important and will create jobs that generate revenue, including revenue into the Social Security Trust Fund.

I am one hundred percent in favor of saving Social Security, and my votes over three Congresses demonstrate this. And, while I will vote for the alternative before the House offered by my friend from New York, the distinguished ranking member of the Ways and Means Committee, in fact it does little to advance the cause for saving Social Security. It leaves the difficult fashioning of a rescue plan to future Congresses and, knowing the politics such an effort entails, conditions much-needed tax relief on contingencies which may never come about.

A better plan would have included the proposal put forward last year by the Blue Dogs. In our budget plan, tax cuts were conditioned on future surpluses calculated without counting Social Security Trust Fund.

Today, however, we are presented with a different set of imperfect choices and I won't blindly support any tax cut, just as I won't support just any plan that purports to ''save'' Social Security. In both cases, I will only support proposals reflecting careful choices and balanced priorities within the context of a balanced budget. The modest tax relief bill before us is such a bill.

Mr. CASTLE. Mr. Speaker, I rise today to express my opposition to H.R. 4579, the ''Taxpayer Relief Act of 1998.'' I support many of the tax cut proposals in this legislation, but I believe it is premature and not wise fiscal policy to pass a tax cut of this size that counts on unrealized future budget surpluses rather than traditional spending reductions to pay for its cost. Instead, we should try to craft a more manageable bill that does not jeopardize the great strides we have made in restoring good fiscal policies in Washington.

It has only been a year since we passed the Balanced Budget Act of 1997, which set us on course to balancing the federal budget and also contained a major tax cut that was fully paid for by savings in other programs. We are reaching our goal of a balanced budget this year, but that is no reason to turn on the spending and tax cut faucets. Yes, Americans would like to have another tax cut, but I think my constituents in Delaware and most Americans place a higher priority on reducing the national debt and enacting a long-term plan to preserve Social Security. Maintaining our focus on fiscal discipline is the best way we can meet these goals.

This year's unified budget surplus of $63 billion, the first since 1969, is the product of strong Republican leadership on fiscal matters, and a healthy economy. We have placed limits on government spending and the 1997 tax cuts were fully paid for. That is, for every dollar of tax cuts, we reduced spending by a like amount. If we abandon our fiscal restraint now, we could quickly lose this year's surplus or any anticipated surplus if the economy suddenly weakens. While that may be unlikely, the Congressional Budget Office recently released a report stating that a recession similar to the economic problems of the early 1990's could eliminate any budget surplus and result in a unified budget deficit of $50 billion in two years. The recent volatility of world financial markets and economic declines in Japan and Russia is cause for caution, and could threaten to stunt our own economic growth. A sudden recession could cloud our budget forecast immediately.

It is also important to point out that we do not yet have a true surplus in the federal budget without counting the surplus in the Social Security Trust Fund. In fact, without using Social Security tax receipts, we would have a $37 billion deficit this year, not a $63 billion surplus. While I applaud the goal of H.R. 4579 to save 90 percent of the budget surplus over the next five years for Social Security, the fact of the matter is that until we have a long-term plan in place to preserve and protect Social Security, the budget surplus should be held in reserve for Social Security and paying down the debt which complement each other and strengthen our economy. Simply put, we just do not know how much the transition costs will be to fully ensure the long-term solvency of Social Security. The only correct policy is to first and foremost preserve and protect Social Security, no pass tax cut that are not paid for.

Frankly, I am concerned that the recent good news about projected budget surpluses may be causing people in both parties to lose their commitment to fiscal restraint. The President claims to want to preserve every penny of the surplus for Social Security, while at the same time he has been increasing his requests for ''emergency'' spending for operations in Bosnia, embassy upgrades, and to pay for the government's Year 2000 computer improvements. This emergency spending could subtract $20 billion from this year's surplus of $63 billion. The Administration is far too willing to designate all new spending as an emergency, while paying lip service to protecting the surplus for Social Security. The President is not being candid with the American people, but adding a large tax cut to this emergency spending just does not make sense.

I have heard many of my colleagues argue that they are justified in passing tax cuts out of a surplus that includes the Social Security surplus because during the 40 years Democrats controlled Congress, they spent that same surplus on other government programs. Republicans argue that it is better to get the money out of Washington before Congress and the President spend it. We should certainly try to return every dollar we can to the taxpaying Americans who earned it. Last year, Republicans delivered a $95 billion tax cut and balanced the budget because we worked hard to find the offsets in a bloated Federal Budget. This same leadership and fiscal discipline is needed to continue to grow our economy, deliver larger tax cuts, and save Social Security into the next century.

I have heard many of my other colleagues argue that the unified surplus is the result of increases in revenues from income taxes, not increases in revenues from the FICA (Social Security) tax. This is true in part, but it does not follow that we have a surplus without counting the Social Security surplus. In fact, according to the Congressional Budget Office, without counting the Social Security surplus, we will have a $137 billion deficit over the next five years. Obviously, cutting $80 billion in taxes over the next five years without finding offsets does diminish the amount that will go into the Social Security Trust Fund in the future and could make a long-term solution to preserving Social Security more difficult. I do not believe the citizens of Delaware, who understand they must balance their family budgets and are counting on the Federal government to honor its commitment to restore the Social Security Trust Fund to long-term actuarial soundness, would want a tax cut before we address the future of Social Security.

Many of the tax provisions in the Taxpayer Relief Act of 1998 accelerate the tax cuts initially approved in the Taxpayer Relief Act of 1997. Delawareans are wise and responsible people. They understand that good things come to those who wait and that there must be an accounting at the end of the day. I believe they have the discipline to balance the need for tax cuts with the need to restore soundness to the Social Security Trust Fund and to maintain a balanced federal budget. I am proud to represent them and I believe we should reconsider this legislation and develop a revised bill that provides for affordable tax cuts that meet a higher standard of fiscal responsibility.

Mr. VENTO. Mr. Speaker, I rise in opposition to this election-year gimmick that jeopardizes Social Security to pay for a publicity driven tax bill on the eve of an election. To do this, Republicans have to waive the budget agreement enacted and agreed to just last year. The Republicans have to renege upon the statements made early this year when they were pledging ''me too'' in regards to saving Social Security first.

Like Sisyphus, the Clinton Administration, Congress, and the working American taxpayer

have been pushing a deficit rock up the steep budget bill. It has heen a long struggle with sacrifices and tough decisions that have been borne by many. This hard work and effort has led to positive results and hope for a brighter future. Now that we have reached the end of the struggle and the pinnacle of that deficit hill, the Republican majority is poised to push us back down into the valley of deficit spending jeopardizing any surplus and the long-term solvency of the Social Security Insurance Trust Funds.

Common sense economics, our own budget rules, economic projections in an unstable global market, the existing debt of over five trillion per day, as you go budget rules and the shift of money from Social Security Trust Funds all argue against this action. If the GOP wants to cut taxes and some of these changes are positive, it ought to earn that through positive savings policies, not projections and raiding Social Security.

This debate is about Social Security Trust Funds. The very title implies the compact that the Social Security System represents between generations of Americans and between the American people and the federal government. Trust is a word Congress should honor and the Social Security System is based upon trust—trust will be there for retirees, future and current, for the disabled and for dependents who rely upon this insurance system.

Today, the Republican majority is about to break that trust and dip into the Trust Fund. The Republicans in Congress propose to set aside 90 percent of the Social Security Trust Funds, which I guess in their view is enough. They're not 100 percent against Social Security, but are they willing to tell every future and current Social Security insurnace recipient that they should take a 10 percent cut?

I urge my colleagues to learn from our history and to reject the syren's call of unfunded tax cuts that could push us into the downward spiral of deficit spending. As Samual Taylor Coleridge wrote:

> If men could learn from history, what lessons it might teach us. But passion and party blind our eyes, and the light which experience gives is a lantern on the stern, which shines only on the waves behind us.

As we sail forward into the next century, let us do so with the history of unfunded tax cuts and deficit spending as a spotlight shining on the shoals ahead and not a lantern on the stern.

Ms. ROYBAL-ALLARD. Mr. Speaker, I rise in strong opposition to the Republican tax cut plan.

It is grossly irresponsible that the Republicans have paid for their tax cut, not with actual funds, but with a projected budget surplus that may never be realized.

According to the Congressional Budget Office, a recession within the next few years could wipe out every penny of the predicted surplus, forcing us once again into deficit spending.

And even more irresponsible is the fact that 98 percent of the projected budget surplus through 2008 comes from the Social Security trust fund—money that should be reserved for our seniors and future retirees.

Mr. Speaker, I agree that American families deserve a tax break. However, no tax cut is worth jeopardizing the future solvency of Social Security.

The Democratic Substitute saves Social Security first and then gives hard working American families a much needed tax cut.

I urge my colleagues to reject the Republcians' irresponsible plan and vote in favor of the Democratic substitute.

Mr. BLUMENAUER. Mr. Speaker, just weeks before the election, the Republican leadership has proposed an $80 billion bundle of tax breaks, and has asked the American people to pay for these breaks by dipping into future Social Security surpluses.

I have worked my entire professional life to improve the fairness of the tax system—first in Oregon and now as a member of the U.S. House of Representatives. Unfortunately, the proposal before us today represents a scattershot collection of inefficient and poorly written tax breaks. For example, the so-called ''marriage penalty reduction'' gives further tax benefits to those married couples who currently pay less in taxes than they would as single taxpayers anyway. Yet other couples, who have lower incomes and do face a significant ''marriage penalty'' will get no relief at all. In total, this bill gives the top 2 percent of all taxpayers an average tax cut $1,709 a year. The 160 million taxpayers who represent the working poor to the upper-middle income (about 60 percent of taxpayers) will only receive, on average, a $34 cut. This is unacceptable.

To make matters worse, rather than paying for the cuts as required under our budget law, the Republicans scheme targets the Social Security surplus. We know the baby-boomers' retirement is a serious threat to the federal budget and economy in the near future. We also know that we cannot assume our budget surpluses are going to last. If a recession occurs, our budget deficits would compound Social Security's long-term financing problems, putting in jeopardy our ability to provide for the millions of Americans who are counting on Social Security to be there when they retire.

Perhaps we should not be surprised with the content and timing of this scheme. After all, this proposal is being put forth by the same people who vowed to scrap the entire tax code because it was too complex—only to add 285 entirely new sections of tax code through the passage of their 1997 Act. And, is it just coincidence we are considering this package five weeks before the November elections? Rather than continue to play these political games, it is time Congress made serious efforts to protect our Social Security system and make the tax system more fair, rather than just more complex.

Mr. BARRETT of Nebraska. Mr. Speaker, building upon the success of last year's tax bill, we bring additional tax relief to farmers and ranchers.

In addition to benefitting from general provisions increasing estate tax credits, the self-employed health insurance deduction, expensing, and limiting the marriage penalty, this bill targets needed tax relief for millions of farmers and their families.

Specifically, the bill permanently extends 3-year income averaging—a popular accounting tool that is needed in today's volatile markets.

The bill also extends net operating loss carryback provisions from 2 years to 5 years, regardless of whether the producer resides in a Presidentially declared disaster area.

And, finally, the bill clarifies that advanced contract payments will not be taxable until they are received. This should help producers requesting supplemental payments this year but do not receive them until next year.

I'm pleased to add my support to this modest, yet important tax relief measure for America's farmers and ranchers.

Mr. KOLBE. Mr. Speaker, today, I am pleased to support another piece of legislation which will let our constituents, especially our middle class constituents, keep more of their hard earned paychecks and savings. The money we take as taxes belongs to those who earn it, not to Congress. It is our duty to make sure that we take only that money absolutely necessary to carry out legitimate Federal Government activities. Our citizens know better how to spend their funds than Washington bureaucrats.

This bill doesn't complete the job. It is just another down payment—another bit of a piecemeal approach, but in my view, allowing those who earn the money to keep it is worthwhile whether it be piecemeal or a part of a comprehensive plan to reform the tax code which I hope we see on this floor in the near future.

My Democrat colleagues are very disingenuous when they say we're raiding the Social Security trust fund to pay for these tax cuts. For 40 years, they raided the trust fund to pay for new spending on programs that brought power and taxes to Washington. Now that Republicans have cut spending, given tax relief, built a booming economy and accumulated our first surplus in decades while still setting aside funds to shore up that trust fund, we hear them cry that we can't have tax cuts. Since when is putting 90 percent of the surplus to save Social Security and giving 10 percent of it back to the people who pay taxes a raid on Social Security?

Mr. Speaker, I am pleased to support marriage penalty relief for 24 million couples. I am pleased to let 68 million savers keep the first $200 in interest on their savings accounts. I am pleased to let 3.3 million self employed individuals deduct their health insurance premiums just like big corporations. These steps are not nearly enough, but they are steps in the right direction. They are steps away from bigger government and more spending. I urge my colleagues to join me in supporting the Taxpayer Relief Act of 1998.

Mr. GILMAN. Mr. Speaker, I rise today in strong support of H.R. 4578, the Save Social Security Act, and I urge my colleagues to support this worthy legislation.

The intent of this legislation is to establish a new account in which surplus moneys from the Social Security trust fund will be deposited. In doing so, this will start to address the long-term solvency of the Social Security Program.

This bill designates $1.4 trillion of the surplus to shoring up Social Security. This amounts to 90 percent of the projected surplus. The remaining 10 percent will be used for providing tax relief for middle-class Americans. The $1.4 trillion being set aside for Social Security is more than sufficient to both repay borrowed trust fund surpluses from previous years, as well as meet the demands that will be placed on the system in the coming decade.

While Social Security has been an unparalleled success over the past 60 years, its future is being driven by negative demographic trends. The Baby Boomer generation is nearing retirement and subsequent generations are not large enough to subsidize the boomers' projected demands on the Social Security system.

Current projections show that the Social Security system will start paying out more in benefits than it receives in contributions by the year 2013. This incoming/outgoing ratio will gradually worsen until the program reaches insolvency in 2032.

The problems facing Social Security are not immediate. However, the longer we wait to make reforms, the more painful those reforms will be.

It is important to address this subject while our window of opportunity remains open. Furthermore, Congress needs to do this in a manner that is above politics. The subject of Social Security reform is far too important to be influenced by partisan politics.

Accordingly, Mr. Speaker, Social Security has played a vital role in our Nation's success and prosperity this century. I urge my colleagues to support this worthy legislation to ensure that it continues to do so long into the future.

Mr. DAVIS of Florida. Mr. Speaker, I rise today in opposition to H.R. 4579, this year's Taxpayer Relief Act and in support of the Democratic alternative which includes all of the tax cuts in the Republican bill but which commits Congress to saving Social Security first.

Today's debate is not about whether we support tax cuts. Most of the provisions in this bill are supported by a broad bi-partisan majority of this House. Rather, today we are debating whether this House is going to abandon the fiscal discipline which has been instrumental in balancing the budget and whether we are going to commit to reserving the projected surpluses until we have addressed the long-term solvency of Social Security.

The rule adopted yesterday flies in the face of fiscal discipline by waiving the pay-as-you-go budget rule for this tax bill. PAYGO forces Congress to identify specific offsets for new spending or tax cut initiatives. PAYGO was adopted precisely because of the tremendous temptations that exist here in Washington to dole out election-year spending or tax cuts. We need only to look back to the days before PAYGO to see what happens when these temptations go unchecked—deficit spending and a massive Federal debt.

Finally, this year, for the first time in 30 years, we have eliminated the budget deficit and have the first surplus in three decades. Now, before the ink is even dry, the Republicans are abandoning budget discipline and proposing tax cuts, just weeks before an election, paid for only with the projected budget surpluses which may or may not materialize. This is simply irresponsible.

Yes, the tax cuts included in this package are popular and meritorious. I support reducing the marriage penalty in the Tax Code, increasing the deductibility of health insurance for the self-employed, raising the Social Security earnings limit, creating additional ''renewal communities,'' raising the private activity bond cap, and many of the other provisions included in this package. There is, however, a right way and a wrong way to provide additional tax relief.

Last year, as part of the bipartisan balanced budget agreement, we enacted tax cuts the right way. When we passed $149 billion of tax cuts in the Taxpayer Relief Act of 1997, which I voted for, we identified specific offsets including a combination of spending cuts and revenue raisers allowing us to provide responsible tax relief.

This year, the Republicans have proposed tax cuts the wrong way. This $80 billion tax cut bill is not paid for and requires a special waiver from budget rules just to be brought up on the floor of the House. There are no offsets, no identified cuts, and instead Republicans propose using the projected surpluses which are comprised entirely of surpluses in the Social Security trust fund. On the other hand, the Democratic alternative, which I support, will enact each and every one of the tax cuts in this bill but will postpone enactment until after Congress has addressed the long-term solvency of Social Security.

Today, Congress should be reaffirming its commitment to fiscal discipline. Unfortunately, this bill sends a signal to the world markets that Congress is perfectly willing to waive budget process rules and revert back to the days of fiscal irresponsibility. I urge all of my colleagues to vote against this unwise bill which undermines the budget process and sets a terrible precedent for the future.

Mr. DAVIS of Florida. Mr. Speaker, I rise today in strong opposition to this rule which not only allows Congress to drain the first budget surplus in thirty years, but also, and perhaps more importantly, abandons the fiscal discipline which has been critical in achieving a balanced budget. This rule allows for the consideration of two bills addressing Social Security and tax cuts. While I will speak at greater length about the shortcomings of these two proposals, I want to focus my comments today on the procedure which I believe sets a dangerous precedent for this House.

This rule flies in the face of the fiscal discipline which has been instrumental in bringing our budget into balance. The project surpluses in the unified budget, which exist solely because of the surpluses in the Social Security trust fund, are primarily the result of budget rules and budget discipline which has forced Congress to make tough decisions.

We all know the temptations that exist to spend money up here in Washington. This year's massive transportation bill is a testament to the powers of the purse. I opposed the House version of that bill precisely because it did not identify adequate offsets for the new spending and threatened to drain a portion of the projected surplus.

We also know how tempting it is to dole out tax cuts, particularly just two months before an election. While I support many of the tax cuts included in the bill brought up under this rule, as with the transportation bill, I will not support it until offsets are identified.

To curb these temptations which, when left unchecked, led to massive deficits and a national debt of over $5 trillion, Congress enacted tough budget rules. Among these rules is the so-called Pay-As-You-Go rule or PAYGO which forces us to identify offsets for each new spending or tax cut proposal. The rule before us today waives this requirement and allows Congress to cut taxes using as an offset the projected surpluses which may or may not materialize.

Given the growing uncertainties of the global economy, now is not the time to abandon fiscal responsibility. Instead, we should be building up the budget surpluses, retiring a portion of the massive federal debt, addressing the long-term solvency of Social Security, and conforming to the budget rules which were renewed just last year as part of the Balanced Budget Act.

Today, Congress should be reaffirming its commitment to fiscal discipline. Unfortunately, this rule sends a signal to the world markets that Congress is perfectly willing to waive budget process rules and revert back to the days of fiscal irresponsibility. I urge all of my colleagues to vote against this unwise rule which undermines the budget process and sets a terrible precedent for the future.

Mr. VISCLOSKY. Mr. Speaker, I rise today to give my support to protecting 100 percent of the Social Security Trust Fund and not using any of the projected surplus for tax cuts at this time. For over sixty years, Social Security has stood as one of our Nation's greatest success stories, providing all Americans with a basic level of retirement security.

Social Security is a contract between the citizens of the U.S. and their government. The people in this country are entitled to know that in retirement they will have security, live in dignity, and be provided with health care. Today, two-thirds of retirees in this nation depend upon Social Security to provide over half of their annual income. Our constituents should know that we, as the leaders of this country, are looking out for not only their future, but the future of their children. A vital requirement for protecting that future is saving Social Security first. Our constituents should be able to trust that their contributions to the Social Security Trust Fund are being used as intended.

I am opposed to cutting Social Security in order to provide tax cuts to those with higher incomes. As lawmakers, we owe it to the country to provide for the long-term fiscal health of Social Security and other Federal retirement programs, and to ensure that these programs are available to future generations of Americans without increasing the payroll tax.

Some have suggested we should enact a series of major tax cuts in anticipation of the projected budget surplus. What these individuals neglect to point out is that almost all of the money to pay for their tax cuts would be drawn out of the Social Security Trust Fund and other Federal trust funds—trust funds that should be preserved for their intended uses. The best tax cut we can give to the American family is a truly balanced Federal budget. A balanced budget will lead to lower interest rates and strong economic growth. I am firmly committed to a balanced budget—a budget that protects Social Security for future generations.

In closing, let me say that the question of how to approach any budget surplus is one of the most important issues facing this country. I believe we should resist calls to spend the projected surplus and consider our options very carefully. Balancing the Federal budget and keeping it balanced should continue to be one of this country's top priorities, and you can be assured that I remain absolutely committed to accomplishing these goals. We owe it to our constituents, our children, and ourselves to save Social Security.

Mr. POSHARD. Mr. Speaker, I rise in opposition to H.R. 4579 today, despite the fact that it contains many provisions I have long supported. During our pursuit of a balanced budget I have advocated for accomplishing that goal, and then proceeding to consider possible tax cuts. I did vote for the Balanced Budget Act (BBA) of 1997, which included tax cuts, because it became obvious that if tax cuts

were not a part of that package we would have remained gridlocked. Now that we have leveled the books for this fiscal year, with a surplus that is yet to be determined, it is not the time to abandon the fiscal responsibility that got us to this point. I am for accelerating the estate tax relief in the BBA and other provisions to help our farmers. I am for the 100% deductibility of health insurance costs for the self-employed. I am for incentives for community renewal in our urban areas, and for addressing the infrastructure needs of our schools. I will vote for them as part of the Rangel substitute, which I have cosponsored. But I will not vote for endangering the Social Security system. H.R. 4579 is not a credible way to ensure that the money the citizens of this country are putting away for tomorrow is there when they need it. We see the letters in our offices everyday from our seniors and the family members that help care for them—protect social security. It is a principle worth defending.

Last year we stood at a critical point in this institution's history. We came together in a bipartisan way to enact legislation that advanced goals that were dear to both sides. And overall, it has been a successful effort. We are at a similar point today. Let us be careful as to how we proceed. The Rangel substitute offers tax breaks and a solvent Social Security program. These area goals on which we should all agree. I urge my colleagues to support this legislation, and oppose H.R. 4579.

Mr. CRANE. Mr. Speaker, I rise in support of the Taxpayer Relief Act of 1998.

I am particularly proud of the fact that this tax cut measure is the first in our new era of surpluses in the federal budget. I have advocated that we in Congress use the budget surplus for debt reduction and tax relief, but not for more spending. The Taxpayer Relief Act of 1998 and the accompanying Save Social Security Act do just that. While protecting the budget surplus from Washington's big spenders, we are using 10 percent of the surplus for valuable tax cuts now while reserving 90 percent to committing to the protection of Social Security for the future.

While I would have preferred more tax relief for Americans, this modest bill packs a great deal of punch. For example, the bill centers on a proposal which begins our attack on the marriage tax penalty by increasing the standard deduction for married couples. America's seniors will also see benefits as this bill raises the Social Security earnings limit. Our military personnel will benefit from a provision which makes it easier for them to sell their home when they are forced to move in the course of their service to our country.

This tax bill includes several proposals that I have advocated for years and that small businesses have been yearning for—including the ability for the self-employed to deduct 100 percent of their health insurance. The estate or death tax relief from last year's tax cut bill will be accelerated so that family-owned businesses can take advantage of this relief starting next year.

The Taxpayer Relief Act begins the process of simplifying the tax code. By providing the marriage penalty relief, an exclusion from taxes on small amounts of interest and dividend income and by adjusting the alternative minimum tax rules, millions of Americans will have a much easier time filing their taxes.

As Chairman of the Ways and Means Trade Subcommittee, I want to make particular mention of the extension of the Generalized System of Preferences or GSP made possible in this bill. GSP is a valuable program that assists developing countries with trade rather than foreign aid—a concept I heartily endorse.

In contrast to the Republican plan of utilizing the budget surplus for debt reduction, tax relief and preserving Social Security, the Democrats want to spend the budget surplus now and postpone tax cuts for an indefinite time. The Democrat plan would prevent tax relief to married couples, small businesses and America's seniors. Their cries as protectors of the Social Security trust funds should ring hollow in light of their decades of fiscal irresponsibility when they controlled the House as the majority. I urge my colleagues to reject the Democrat plan.

I commend Chairman ARCHER on his efforts in crafting this bill, look forward to providing more tax relief to Americans next year and urge my colleagues to support H.R. 4579.

Mr. PACKARD. Mr. Speaker, I rise today in support of H.R. 4579, The Taxpayer Relief Act of 1998. This legislation will allow American families to keep more of their hardearned money.

The Taxpayer Relief Act, or the ''90–10 Plan,'' will return 10 percent of the anticipated budget surplus, which is currently projected at $1.5 trillion over the next five years, to the hardworking families of America, while automatically designating the remaining 90% to protect and strengthen Social Security. American taxpayers are already grossly overtaxed, Washington does not need more of their hardearned money.

The Taxpayer Relief Act is aimed at benefiting everyone who earns a paycheck. This legislation will provide relief from the marriage penalty tax, reduces taxes on savings, simplifies tax forms and eliminates penalties for military personnel whose call of duty often requires them to sell their homes and relocate.

Mr. Speaker, the budget surplus belongs to the American taxpayer, not to Washington bureaucrats. Families have a right to keep their money, and H.R. 4579 will allow them to do just that. If we can't give Americans a tax break when we are running a $1.5 trillion surplus, then when can we? The time to cut taxes and save Social Security is now. I urge my colleagues to support H.R. 4579.

Mr. COSTELLO. Mr. Speaker, I rise today in strong opposition to HR 4579, the ''Taxpayer Relief Act''.

The tax cut bill approved by the House Ways and Means Committee violates budget rules that bar the use of the expected budget surplus to fund tax cuts. It is irresponsible fiscal policy by the Republican leadership to propose using 10 percent of the Social Security Trust Fund for tax cuts.

Mr. Speaker, it is unconscionable to provide a tax cut from the proposed surplus of which 98 percent is generated by payroll taxes from Social Security. A surplus that would not even be there without the Social Security Trust Fund! In fact, if it wasn't for Social Security, the federal budget would have an estimated deficit of $137 billion over the next 5 years.

I have cosponsored and I support legislation to eliminate the marriage tax penalty, provide 100 percent deductibility for self-employed insurance, and provide education and child care tax credits. However, this legislation is not the way to cut taxes. I want cuts to be made in a fair and equitable manner that will not adversely affect the Social Security Trust Fund.

I urge my colleagues to vote against this legislation and instead support the Democratic Substitute which includes all of the tax cuts contained in the Republican bill without using the Social Security surplus.

Mr. KNOLLENBERG. Mr. Speaker, with the federal government projected to run a budget surplus that exceeds $1.6 trillion over the next 10 years, Congress has an historic opportunity to save Social Security and provide some much-needed tax relief.

I urge my colleagues to support Chairman ARCHER's 90–10 proposal. Yesterday, we passed the Save Social Security Act which sets aside 90 percent of the budget surplus to save Social Security. Today, we will return the additional 10% to hardworking taxpayers. We can do both.

They are not mutually exclusive.

With the average family still paying more in taxes than it spends on housing, food, and clothing combined, we have an obligation to cut taxes for working American families.

The centerpiece of Chairman ARCHER's tax cut mirrors a provision I introduced last year that would increase the standard deduction for married couples so that it equals twice the amount of the standard deduction provided to single taxpayers.

Mr. Speaker, the federal government should honor the institution of marriage, not penalize it by imposing higher taxes on married couples. This is a major step forward in the effort to eliminate the marriage penalty from the tax code.

Chairman ARCHER's bill also includes tax relief for seniors and self-employed workers. And it accelerates the estate tax relief we passed last year.

Mr. Speaker, the same Republican Congress that balanced the budget, reformed welfare, saved Medicare, and provided the first tax cut since 1981 is going to save Social Security and provide the American people with the additional tax relief they deserve.

I urge my colleagues to stand up for overtaxed Americans and reject the misleading rhetoric emanating from those who want to increase the size and power of the federal government.

Vote no on the Rangel substitute. Vote yes for the base bill.

Mr. ETHERIDGE. Mr. Speaker, I rise in strong opposition to this Republican raid on Social Security.

Millions of American families in my district and across the country depend on Social Security for their economic survival in their retirement years. Without Social Security, the majority of our older citizens would fall into poverty. This bill would imperil the Social Security Trust Fund, and I urge my colleagues to vote against it.

Let me state clearly that I support tax relief. The burden of taxation on America's families and our country's businesses needs to be reduced substantially. The very first bill I introduced as a Member of this House provides relief from the inheritance tax for family farmers and small businesses, and I am tremendously proud that last year's bipartisan balanced budget included similar provisions. I also strongly support the bill's tax relief for America's families who are struggling to pay for college education, which holds the key to the

American dream. I have introduced legislation to provide tax credits to help local communities afford to build new schools to relieve overcrowding, reduce class sizes and improve education. And I support many of the specific tax cuts contained in this bill.

But fiscal responsibility demands that we pay for any revenue losses, and this bill utterly fails to meet that standard. For thirty years, Washington politicians irresponsibly mortgaged our nation's future by running up a $5.5 trillion debt. I sought this office to help put our fiscal house in order and restore the promise of the future for working American families. Last year, this Congress finally stood up for America' values by balancing the budget for the first time in a generation. This bill violates those values and puts Social Security at risk to finance an election-eve tax cut.

I urge my colleagues to exert the courage to oppose this political gimmick that threatens Social Security, our senior citizens and America's future prosperity.

Mr. RAMSTAD. Mr. Speaker, yesterday we took steps to bank 90 percent of the budget surplus to save Social Security. Today we will give back a small portion to help people who gave us the surplus in the first place—American taxpayers.

The marriage penalty tax relief will help 24 million American couples—875,000 people in my home state of Minnesota alone. Seniors will be able to earn more before the government confiscates their social security payments. Countless farmers and small busienss entrepreneurs need our help with estate taxes, health insurance costs and expensing. Farmers need the added relief of permanent income averaging, an expanded Net Operating Loss carryback period and market transition payment help.

And aside from the tax relief in real dollar terms, we provide needed tax simplification. Fewer Americans will have to itemize because of the doubled standard deduction for married taxpayers. Millions of other Americans will be able to fill out a simple EZ form because of the small interest and dividend exemption—a provision that will help 1.4 million Minnesotans keep more of their savings. And many more Amercians will be spared from paying death taxes and making the excruciating calculations required by the Alternative Minimum Tax.

This bill also provides critical assistance for school districts and state and local governments through the school construction bond provisions and the increase in the private activity bonding cap. The community renewal provisions will provide hope to desperately hurting communities.

We also extend expiring provisions crucial for American competitiveness, for charitable giving, and for moving Americans off welfare and into the workforce.

Mr. Speaker, the government is taking more taxes from Americans today than at any time in U.S. history. Families know better what to do with their own money than the federal government. It's time to let the taxpayers who need it most to keep more of what they earn.

Mr. STEARNS. Mr. Speaker, in the ''90–10 tax cut'' Mr. ARCHER uses 10% of the projected surplus to provide relief to farmers, married couples, seniors, small businesses, savings account-holders, and students, while preserving 90% of the surplus of Social Security. Ideally, I would favor funding Mr. ARCHERS's tax cuts by eliminating wasteful programs in the budget. They are money programs we could eliminate to reduce spending, such as: $3,500,000 for facilities at Delaware Water Gap National Recreation Area, $3,000,000 for the International Fertilizer Development Center (IFDC), and $250,000 for production of ammunition guides by the ATF.

However, the 90/10 plan achieves and important goal—this bill eliminates oppressive tax code sections while preventing wasteful surplus spending.

The surplus belongs to the taxpayers, not Washington. This money should be returned to Americans as Social Security funds and tax cuts.

Twenty-one million Americans are slapped with an average of $1,400 in higher taxes every year because of the marriage penalty. H.R. 4579 amends the tax code to make the schedule of standard deductions allowed for single and married taxpayers more equitable—and effectively ends the ''marriage penalty.''

The bill supports community renewal by authorizing 20 tax incentives for communities. Tax incentives such as the Work Opportunity Tax Credit and the R&E Tax Credit would be extended. Military personnel would receive tax relief—it would be easier for them to qualify for the exclusion of gain on the sale of a home under the bill. Education and infrastructure would be improved with greater participation in privately pre-paid tuition plans, relaxing the arbitrage rebate, and increasing private activity bonds caps.

Mr. Speaker, with all of these benefits going to deserving, hard-working Americans, I support H.R. 4579. Americans want and deserve a break—let's give it to them.

Mr. KLECZKA. Mr. Speaker, I rise in opposition to this irresponsible election year tax bill. An $80 billion tax cut that is not paid for with spending reductions and coming just 40 days before the election is a very transparent election year gimmick.

While I certainly do not object to prudent reductions in taxes, I am opposed to tax cuts that are paid for with the projected budget surplus. In 1991, Congress and the Administration came together in a bipartisan manner to enact a set of tough, but fair, rules in order to bring the government's finances in order. Simply put, these rules require that any reduction in taxes must be paid for by an equal reduction in spending or increase in taxes. In an overwhelmingly bipartisan vote in last year's balanced budget legislation, Congress re-affirmed those rules. I supported the rules then, and I support them now.

The bill before us today completely ignores those rules. Instead of making the tough choices by cutting wasteful spending or closing inappropriate loopholes in the tax code to pay for the tax cut, the Republican leadership has brought before us a bill that would recklessly spend a portion of the projected budget surplus on tax cuts.

But first let me remind my colleagues that the surplus does not yet exist. The surplus is simply a result of complex economic assumptions that could change without notice. According to the Congressional Budget Office, a recession similar to the one our nation endured in 1990 and 1991 would wipe out the projected surplus for years to come. A recession, combined with tax cuts that were not paid for, could very easily return our nation to a period of crippling deficits just when our government finances have been brought into order.

Moreover, the projected budget surplus is almost completely a result of the surplus in Social Security. If the surplus in Social Security was excluded from the federal budget, our government would still have a deficit of $40 billion this year and would not have a period of prolonged surpluses until 2005. This fact was recently pointed out by the non-partisan budget watchdog group, the Concord Coalition, when they said, ''Without dipping into funds earmarked for Social Security, there is no budget surplus to spend.'' By spending 10 percent of the projected surplus on tax cuts, this legislation increases the amount of revenue we will need to ensure the solvency of Social Security.

Before we rush to fritter away the projected surplus, it should be our top priority to ensure the long-term financial health of our nation's Social Security program. The alternative, which I support, would provide the very same tax cuts in the Republican bill. However, there is an important distinction in the alternative—the tax cuts would not go into effect until a long-term solution to Social Security is enacted.

That is a reasonable solution. It is my hope that Congress and the Administration will act in a bipartisan manner early next year to ensure that Social Security is able to honor its obligations for future generations. If we can do that, Americans will have the best of both worlds—a secure financial future and tax cuts.

Mr. Speaker, to enact a tax cut bill that is paid for with the projected surplus is a reckless and desperate election year gimmick by the Republican leadership. Our senior citizens know the value of Social Security—they have been through the Great Depression and they know the importance of saving for the future. The American public will see through this thinly-veiled election year sham. Let's save Social Security first!

Mr. GILMAN. Mr. Speaker, I rise today in support of H.R. 4579, the Taxpayer Relief Act of 1998.

On April 28, 1998, the President said ''Above all, let me say again, we must save every penny of any budget surplus of any size until we have strengthened Social Security * * * I will resist any proposals that would squander the budget surplus, whether on new spending programs or new tax cuts, until Social Security is strengthened for the long-term. Once more I will insist that we save Social Security first.''

Yet, the President has failed to tell the American people that he has already agreed to spend the surplus on Bosnia, and has numerous new spending programs in his budget that are unpaid. In addition, the surplus at the time of his remarks was expected to run at about $600 billion, instead of the now $1.6 trillion surplus.

I agree with those who have called on the Congress to save Social Security and that is precisely why I supported H.R. 4578, a bill setting aside $1.4 trillion of the surplus, or more than twice the amount the President proposed to save, until Social Security can be saved.

According to the Congressional Budget Office, the deficit has become a surplus because income taxes are up by $600 billion and Government spending is down by $700 billion, thanks to the 1997 balanced budget agreement, and the hard work of working American families.

Isn't it about time that hard working American families get something back for their efforts in helping to attain this current surplus. After all the surplus is a direct result of increasing tax receipts, not from Social Security as some would have us believe.

The Taxpayer Relief Act will amend the Tax Code to make the schedule of standard deductions allowed for single and married taxpayers more equitable, effectively ending the ''marriage penalty'' inherent in the current tax code; raises the earning limits for seniors who receive Social Security benefits and are between full retirement age and 70 years of age to $39,750 in 2008; makes permanent current law provisions which allow farmers to combine their annual taxable income for three years, taking the average of that sum to compute their tax liability for a current tax year; reduces the ''death tax''; and important tax reductions aimed at the lower and middle class.

The choice is simple. Allow the President and Congress to continue to spend the money of hard working Americans or give back the money that they have earned.

If Congress and the President are unable to support allowing American families to keep the money they have earned now, during a $1.6 trillion surplus, then when can families expect Washington to do the right thing.

Accordingly, I urge all of my colleagues to vote for the Taxpayer Relief Act of 1998.

The SPEAKER pro tempore. All time for general debate has expired.

AMENDMENT NO. 1 IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. RANGEL

Mr. RANGEL. Mr. Speaker, I offer Amendment No. 1 in the nature of a substitute, made in order under the rule.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment No. 1 in the nature of a substitute offered by Mr. RANGEL:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Relief Act of 1998''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title, etc.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

Sec. 101. Elimination of marriage penalty in standard deduction.
Sec. 102. Exemption of certain interest and dividend income from tax.
Sec. 103. Nonrefundable personal credits allowed against alternative minimum tax.
Sec. 104. 100 percent deduction for health insurance costs of self-employed individuals.
Sec. 105. Special rule for members of uniformed services and Foreign Service in determining exclusion of gain from sale of principal residence.
Sec. 106. $1,000,000 exemption from estate and gift taxes.

Subtitle B—Provisions Relating to Education

Sec. 111. Eligible educational institutions permitted to maintain qualified tuition programs.
Sec. 112. Modification of arbitrage rebate rules applicable to public school construction bonds.

Subtitle C—Provisions Relating to Social Security

Sec. 121. Increases in the social security earnings limit for individuals who have attained retirement age.
Sec. 122. Recomputation of benefits after normal retirement age.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

Sec. 201. Increase in expense treatment for small businesses.

Subtitle B—Provisions Relating to Farmers

Sec. 211. Income averaging for farmers made permanent.
Sec. 212. 5-year net operating loss carryback for farming losses.
Sec. 213. Production flexibility contract payments.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

Sec. 221. Increase in volume cap on private activity bonds.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

Sec. 301. Research credit.
Sec. 302. Work opportunity credit.
Sec. 303. Welfare-to-work credit.
Sec. 304. Contributions of stock to private foundations; expanded public inspection of private foundations' annual returns.
Sec. 305. Subpart F exemption for active financing income.

Subtitle B—Generalized System of Preferences

Sec. 311. Extension of Generalized System of Preferences.

TITLE IV—REVENUE OFFSET

Sec. 401. Treatment of certain deductible liquidating distributions of regulated investment companies and real estate investment trusts.

TITLE V—TECHNICAL CORRECTIONS

Sec. 501. Definitions; coordination with other titles.
Sec. 502. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.
Sec. 503. Amendments related to Taxpayer Relief Act of 1997.
Sec. 504. Amendments related to Tax Reform Act of 1984.
Sec. 505. Other amendments.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

Sec. 601. Short title.
Sec. 602. Designation of and tax incentives for renewal communities.
Sec. 603. Extension of expensing of environmental remediation costs to renewal communities.
Sec. 604. Extension of work opportunity tax credit for renewal communities
Sec. 605. Conforming and clerical amendments.
Sec. 606. Evaluation and reporting requirements.

TITLE VII—TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY

Sec. 701. Tax reductions contingent on saving social security.

TITLE I—PROVISIONS PRIMARILY AFFECTING INDIVIDUALS AND FAMILIES

Subtitle A—General Provisions

SEC. 101. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''twice the dollar amount in effect under subparagraph (C) for the taxable year'',

(2) by adding ''or'' at the end of subparagraph (B),

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.'', and

(4) by striking subparagraph (D).

(b) ADDITIONAL STANDARD DEDUCTION FOR AGED AND BLIND TO BE THE SAME FOR MARRIED AND UNMARRIED INDIVIDUALS.—

(1) Paragraphs (1) and (2) of section 63(f) are each amended by striking ''$600'' and inserting ''$750''.

(2) Subsection (f) of section 63 is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 102. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND INCOME FROM TAX.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to amounts specifically excluded from gross income) is amended by inserting after section 115 the following new section:

''SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTEREST RECEIVED BY INDIVIDUALS.

''(a) EXCLUSION FROM GROSS INCOME.—Gross income does not include dividends and interest received during the taxable year by an individual.

''(b) LIMITATIONS.—

''(1) MAXIMUM AMOUNT.—The aggregate amount excluded under subsection (a) for any taxable year shall not exceed $200 ($400 in the case of a joint return).

''(2) CERTAIN DIVIDENDS EXCLUDED.—Subsection (a) shall not apply to any dividend from a corporation which, for the taxable year of the corporation in which the distribution is made, or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 (relating to certain charitable, etc., organization) or section 521 (relating to farmers' cooperative associations).

''(c) SPECIAL RULES.—For purposes of this section—

''(1) EXCLUSION NOT TO APPLY TO CAPITAL GAIN DIVIDENDS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''For treatment of capital gain dividends, see sections 854(a) and 857(c).

''(2) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.—In the case of a nonresident alien individual, subsection (a) shall apply only—

''(A) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends and interest which are effectively connected with the conduct of a trade or business within the United States, or

''(B) in determining the tax imposed for the taxable year pursuant to section 877(b).

''(3) DIVIDENDS FROM EMPLOYEE STOCK OWNERSHIP PLANS.—Subsection (a) shall not apply to any dividend described in section 404(k).''

(b) CONFORMING AMENDMENTS.—

(1)(A) Subparagraph (A) of section 135(c)(4) is amended by inserting ''116,'' before ''137''.

(B) Subsection (d) of section 135 is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

''(4) COORDINATION WITH SECTION 116.—This section shall be applied before section 116.''

(2) Paragraph (2) of section 265(a) is amended by inserting before the period '', or to purchase or carry obligations or shares, or to make deposits, to the extent the interest thereon is excludable from gross income under section 116''.

(3) Subsection (c) of section 584 is amended by adding at the end thereof the following new flush sentence:

''The proportionate share of each participant in the amount of dividends or interest received by the common trust fund and to which section 116 applies shall be considered for purposes of such section as having been received by such participant.''

(4) Subsection (a) of section 643 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

''(7) DIVIDENDS OR INTEREST.—There shall be included the amount of any dividends or interest excluded from gross income pursuant to section 116.''

(5) Section 854(a) is amended by inserting ''section 116 (relating to partial exclusion of dividends and interest received by individuals) and'' after ''For purposes of''.

(6) Section 857(c) is amended to read as follows:

''(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

''(1) TREATMENT FOR SECTION 116.—For purposes of section 116 (relating to partial exclusion of dividends and interest received by individuals), a capital gain dividend (as defined in subsection (b)(3)(C)) received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.

''(2) TREATMENT FOR SECTION 243.—For purposes of section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.''

(7) The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 115 the following new item:

''Sec. 116. Partial exclusion of dividends and interest received by individuals.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 103. NONREFUNDABLE PERSONAL CREDITS ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Subsection (a) of section 26 is amended to read as follows:

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

''(1) the taxpayer's regular tax liability for the taxable year, and

''(2) the tax imposed for the taxable year by section 55(a).

For purposes of applying the preceding sentence, paragraph (2) shall be treated as being zero for any taxable year beginning during 1998.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(2) Section 32 is amended by striking subsection (h).

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

SEC. 104. 100 PERCENT DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.''

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

SEC. 105. SPECIAL RULE FOR MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE IN DETERMINING EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

''(A) IN GENERAL.—The running of the 5-year period described in subsection (a) shall be suspended with respect to an individual during any time that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service.

''(B) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified official extended duty' means any period of extended duty as a member of the uniformed services or a member of the Foreign Service during which the member serves at a duty station which is at least 50 miles from such property or is under Government orders to reside in Government quarters.

''(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term 'member of the Foreign Service' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980, as in effect on the date of the enactment of the Taxpayer Relief Act of 1998.

''(iv) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after the date of the enactment of this Act.

SEC. 106. $1,000,000 EXEMPTION FROM ESTATE AND GIFT TAXES.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended to read as follows:

''(c) APPLICABLE CREDIT AMOUNT.—

''(1) IN GENERAL.—For purposes of this section, the applicable credit amount is $345,800.

''(2) APPLICABLE EXCLUSION AMOUNT.—For purposes of the provisions of this title which refer to this subsection, the applicable exclusion amount is $1,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 1998.

Subtitle B—Provisions Relating to Education

SEC. 111. ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(a) IN GENERAL.—Paragraph (1) of section 529(b) (defining qualified State tuition program) is amended by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof''.

(b) TECHNICAL AMENDMENTS.—

(1) The texts of sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530, and 4973(e)(1)(B) are each amended by striking ''qualified State tuition program'' each place it appears and inserting ''qualified tuition program''.

(2) The paragraph heading for paragraph (9) of section 72(e) and the subparagraph heading for subparagraph (B) of section 530(b)(2) are each amended by striking ''STATE''.

(3) The subparagraph heading for subparagraph (C) of section 135(c)(2) is amended by striking ''QUALIFIED STATE TUITION PROGRAM'' and inserting ''QUALIFIED TUITION PROGRAMS''.

(4) Sections 529(c)(3)(D)(i) and 6693(a)(2)(C) are each amended by striking ''qualified State tuition programs'' and inserting ''qualified tuition programs''.

(5)(A) The section heading of section 529 is amended to read as follows:

''SEC. 529. QUALIFIED TUITION PROGRAMS.''.

(B) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1999.

SEC. 112. MODIFICATION OF ARBITRAGE REBATE RULES APPLICABLE TO PUBLIC SCHOOL CONSTRUCTION BONDS.

(a) IN GENERAL.—Subparagraph (C) of section 148(f)(4) is amended by adding at the end the following new clause:

''(xviii) 4-YEAR SPENDING REQUIREMENT FOR PUBLIC SCHOOL CONSTRUCTION ISSUE.—

''(I) IN GENERAL.—In the case of a public school construction issue, the spending requirements of clause (ii) shall be treated as met if at least 10 percent of the available construction proceeds of the construction issue are spent for the governmental purposes of the issue within the 1-year period beginning on the date the bonds are issued, 30 percent of such proceeds are spent for such purposes within the 2-year period beginning on such date, 50 percent of such proceeds are spent for such purposes within the 3-year period beginning on such date, and 100 percent of such proceeds are spent for such purposes within the 4-year period beginning on such date.

''(II) PUBLIC SCHOOL CONSTRUCTION ISSUE.—For purposes of this clause, the term 'public school construction issue' means any construction issue if no bond which is part of such issue is a private activity bond and all

of the available construction proceeds of such issue are to be used for the construction (as defined in clause (iv)) of public school facilities to provide education or training below the postsecondary level or for the acquisition of land that is functionally related and subordinate to such facilities.

''(III) OTHER RULES TO APPLY.—Rules similar to the rules of the preceding provisions of this subparagraph which apply to clause (ii) also apply to this clause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after December 31, 1998.

Subtitle C—Provisions Relating to Social Security

SEC. 121. INCREASES IN THE SOCIAL SECURITY EARNINGS LIMIT FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE.

(a) IN GENERAL.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is amended by striking clauses (iv) through (vii) and inserting the following new clauses:

''(iv) for each month of any taxable year ending after 1998 and before 2000, $1,416.66⅔,

''(v) for each month of any taxable year ending after 1999 and before 2001, $1,541.66⅔,

''(vi) for each month of any taxable year ending after 2000 and before 2002, $2,166.66⅔,

''(vii) for each month of any taxable year ending after 2001 and before 2003, $2,500.00,

''(viii) for each month of any taxable year ending after 2002 and before 2004, $2,608.33⅓,

''(ix) for each month of any taxable year ending after 2003 and before 2005, $2,833.33⅓,

''(x) for each month of any taxable year ending after 2004 and before 2006, $2,950.00,

''(xi) for each month of any taxable year ending after 2005 and before 2007, $3,066.66⅔,

''(xii) for each month of any taxable year ending after 2006 and before 2008, $3,195.83⅓, and

''(xiii) for each month of any taxable year ending after 2007 and before 2009, $3,312.50.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended—

(A) by striking ''after 2001 and before 2003'' and inserting ''after 2007 and before 2009''; and

(B) in subclause (II), by striking ''2000'' and inserting ''2006''.

(2) The second sentence of section 223(d)(4)(A) of such Act (42 U.S.C. 423(d)(4)(A)) is amended by inserting ''and section 121 of the Taxpayer Relief Act of 1998'' after ''1996''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after 1998.

SEC. 122. RECOMPUTATION OF BENEFITS AFTER NORMAL RETIREMENT AGE.

(a) IN GENERAL.—Section 215(f)(2)(D)(i) of the Social Security Act (42 U.S.C. 415(f)(2)(D)(i)) is amended to read as follows:

''(i) in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—

''(I) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained retirement age (as defined in section 216(l)) as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(II) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(b) CONFORMING AMENDMENTS.—

(1) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting '', and as amended by section 122(b)(2) of the Taxpayer Relief Act of 1998,'' after ''This subsection as in effect in December 1978''.

(2) Subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect in December 1978 and applied in certain cases under the provisions of such Act as in effect after December 1978 is amended—

(A) by striking ''in the case of an individual who did not die'' and all that follows and inserting ''in the case of an individual who did not die in the year with respect to which the recomputation is made, for monthly benefits beginning with benefits for January of—''; and

(B) by adding at the end the following:

''(i) the second year following the year with respect to which the recomputation is made, in any such case in which the individual is entitled to old-age insurance benefits, the individual has attained age 65 as of the end of the year preceding the year with respect to which the recomputation is made, and the year with respect to which the recomputation is made would not be substituted in recomputation under this subsection for a benefit computation year in which no wages or self-employment income have been credited previously to such individual, or

''(ii) the first year following the year with respect to which the recomputation is made, in any other such case; or''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to recomputations of primary insurance amounts based on wages paid and self employment income derived after 1997 and with respect to benefits payable after December 31, 1998.

TITLE II—PROVISIONS PRIMARILY AFFECTING FARMING AND OTHER BUSINESSES

Subtitle A—Increase in Expense Treatment for Small Businesses

SEC. 201. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000.''

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

Subtitle B—Provisions Relating to Farmers

SEC. 211. INCOME AVERAGING FOR FARMERS MADE PERMANENT.

Subsection (c) of section 933 of the Taxpayer Relief Act of 1997 is amended by striking '', and before January 1, 2001''.

SEC. 212. 5-YEAR NET OPERATING LOSS CARRYBACK FOR FARMING LOSSES.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to net operating loss deduction) is amended by adding at the end the following new subparagraph:

''(G) FARMING LOSSES.—In the case of a taxpayer which has a farming loss (as defined in subsection (i)) for a taxable year, such farming loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''

(b) FARMING LOSS.—Section 172 is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

''(i) RULES RELATING TO FARMING LOSSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'farming loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (B)(2).—For purposes of applying subsection (b)(2), a farming loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(G). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.''

(c) COORDINATION WITH FARM DISASTER LOSSES.—Clause (ii) of section 172(b)(1)(F) is amended by adding at the end the following flush sentence:

''Such term shall not include any farming loss (as defined in subsection (i)).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1997.

SEC. 213. PRODUCTION FLEXIBILITY CONTRACT PAYMENTS.

The option under section 112(d)(3) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7212(d)(3)) shall be disregarded in determining the taxable year for which the payment for fiscal year 1999 under a production flexibility contract under subtitle B of title I of such Act is properly includible in gross income for purposes of the Internal Revenue Code of 1986.

Subtitle C—Increase in Volume Cap on Private Activity Bonds

SEC. 221. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Subsection (d) of section 146 (relating to volume cap) is amended by striking paragraph (2), by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and by striking paragraph (1) and inserting the following new paragraph:

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

''(A) an amount equal to $75 multiplied by the State population, or

''(B) $225,000,000.

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

(b) CONFORMING AMENDMENT.—Sections 25(f)(3) and 42(h)(3)(E)(iii) are each amended by striking ''section 146(d)(3)(C)'' and inserting ''section 146(d)(2)(C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1998.

TITLE III—EXTENSION AND MODIFICATION OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Tax Provisions

SEC. 301. RESEARCH CREDIT.

(a) TEMPORARY EXTENSION.—

(1) IN GENERAL.—Paragraph (1) of section 41(h) (relating to termination) is amended—

(A) by striking ''June 30, 1998'' and inserting ''December 31, 1999'',

(B) by striking ''24-month'' and inserting ''42-month'', and

(C) by striking ''24 months'' and inserting ''42 months''.

(2) TECHNICAL AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking ''June 30, 1998'' and inserting ''December 31, 1999''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1998.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(A) by striking ''1.65 percent'' and inserting ''2.65 percent'',

(B) by striking ''2.2 percent'' and inserting ''3.2 percent'', and

(C) by striking ''2.75 percent'' and inserting ''3.75 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1998.

SEC. 302. WORK OPPORTUNITY CREDIT.

(a) TEMPORARY EXTENSION.—Subparagraph (B) of section 51(c)(4) (relating to termination) is amended by striking ''June 30, 1998'' and inserting ''December 31, 1999''.

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

SEC. 303. WELFARE-TO-WORK CREDIT.

Subsection (f) of section 51A (relating to termination) is amended by striking ''April 30, 1999'' and inserting ''December 31, 1999''.

SEC. 304. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDATIONS; EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS.

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

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

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

(b) EXPANDED PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL RETURNS, ETC.—

(1) IN GENERAL.—Section 6104 (relating to publicity of information required from certain exempt organizations and certain trusts) is amended by striking subsections (d) and (e) and inserting after subsection (c) the following new subsection:

''(d) PUBLIC INSPECTION OF CERTAIN ANNUAL RETURNS AND APPLICATIONS FOR EXEMPTION.—

''(1) IN GENERAL.—In the case of an organization described in subsection (c) or (d) of section 501 and exempt from taxation under section 501(a)—

''(A) a copy of—

''(i) the annual return filed under section 6033 (relating to returns by exempt organizations) by such organization, and

''(ii) if the organization filed an application for recognition of exemption under section 501, the exempt status application materials of such organization,

shall be made available by such organization for inspection during regular business hours by any individual at the principal office of such organization and, if such organization regularly maintains 1 or more regional or district offices having 3 or more employees, at each such regional or district office, and

''(B) upon request of an individual made at such principal office or such a regional or district office, a copy of such annual return and exempt status application materials shall be provided to such individual without charge other than a reasonable fee for any reproduction and mailing costs.

The request described in subparagraph (B) must be made in person or in writing. If such request is made in person, such copy shall be provided immediately and, if made in writing, shall be provided within 30 days.

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

''(3) EXCEPTIONS FROM DISCLOSURE REQUIREMENT.—

''(A) NONDISCLOSURE OF CONTRIBUTORS, ETC.—Paragraph (1) shall not require the disclosure of the name or address of any contributor to the organization. In the case of an organization described in section 501(d), subparagraph (A) shall not require the disclosure of the copies referred to in section 6031(b) with respect to such organization.

''(B) NONDISCLOSURE OF CERTAIN OTHER INFORMATION.—Paragraph (1) shall not require the disclosure of any information if the Secretary withheld such information from public inspection under subsection (a)(1)(D).

''(4) LIMITATION ON PROVIDING COPIES.—Paragraph (1)(B) shall not apply to any request if, in accordance with regulations promulgated by the Secretary, the organization has made the requested documents widely available, or the Secretary determines, upon application by an organization, that such request is part of a harassment campaign and that compliance with such request is not in the public interest.

''(5) EXEMPT STATUS APPLICATION MATERIALS.—For purposes of paragraph (1), the term 'exempt status applicable materials' means the application for recognition of exemption under section 501 and any papers submitted in support of such application and any letter or other document issued by the Internal Revenue Service with respect to such application.''

(2) CONFORMING AMENDMENTS.—

(A) Subsection (c) of section 6033 is amended by adding ''and'' at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(B) Subparagraph (C) of section 6652(c)(1) is amended by striking ''subsection (d) or (e)(1) of section 6104 (relating to public inspection of annual returns)'' and inserting ''section 6104(d) with respect to any annual return''.

(C) Subparagraph (D) of section 6652(c)(1) is amended by striking ''section 6104(e)(2) (relating to public inspection of applications for exemption)'' and inserting ''section 6104(d) with respect to any exempt status application materials (as defined in such section)''.

(D) Section 6685 is amended by striking ''or (e)''.

(E) Section 7207 is amended by striking ''or (e)''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to requests made after the later of December 31, 1998, or the 60th day after the Secretary of the Treasury first issues the regulations referred to such section 6104(d)(4) of the Internal Revenue Code of 1986, as amended by this section.

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

SEC. 305. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

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

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

''(1) IN GENERAL.—For purposes of subsection (c)(1), foreign personal holding company income shall not include qualified banking or financing income of an eligible controlled foreign corporation.

''(2) ELIGIBLE CONTROLLED FOREIGN CORPORATION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'eligible controlled foreign corporation' means a controlled foreign corporation which—

''(i) is predominantly engaged in the active conduct of a banking, financing, or similar business, and

''(ii) conducts substantial activity with respect to such business.

''(B) PREDOMINANTLY ENGAGED.—A controlled foreign corporation shall be treated as predominantly engaged in the active conduct of a banking, financing, or similar business if—

''(i) more than 70 percent of the gross income of the controlled foreign corporation is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons,

''(ii) it is engaged in the active conduct of a banking business and is an institution licensed to do business as a bank in the United States (or is any other corporation not so licensed which is specified by the Secretary in regulations), or

''(iii) it is engaged in the active conduct of a securities business and is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934 or is registered as a Government securities broker or dealer under section 15C(a) of such Act (or is any other corporation not so registered which is specified by the Secretary in regulations).

''(3) QUALIFIED BANKING OR FINANCING INCOME.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified banking or financing income' means income of an eligible controlled foreign corporation which—

''(i) is derived in the active conduct of a banking, financing, or similar business by—

''(I) such eligible controlled foreign corporation, or

''(II) a qualified business unit of such eligible controlled foreign corporation,

''(ii) is derived from 1 or more transactions—

''(I) with customers located in a country other than the United States, and

''(II) substantially all of the activities in connection with which are conducted directly by the corporation or unit in its home country, and

''(iii) is treated as earned by such corporation or unit in its home country for purposes of such country's tax laws.

''(B) LIMITATION ON NONBANKING AND NONSECURITIES BUSINESSES.—No income of an eligible controlled foreign corporation not described in clause (ii) or (iii) of paragraph (2)(B) (or of a qualified business unit of such corporation) shall be treated as qualified banking or financing income unless more than 30 percent of such corporation's or unit's gross income is derived directly from the active and regular conduct of a lending or finance business from transactions with customers which are not related persons and which are located within such corporation's or unit's home country.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENT FOR CROSS BORDER INCOME.—The term 'qualified banking or financing income' shall not include income derived from 1 or more transactions with customers located in a country other than the home country of the eligible controlled foreign corporation or a qualified business unit of such corporation unless such corporation or unit conducts substantial activity with respect to a banking, financing, or similar business in its home country.

''(D) DETERMINATIONS MADE SEPARATELY.—For purposes of this paragraph, the qualified banking or financing income of an eligible controlled foreign corporation and each

qualified business unit of such corporation shall be determined separately for such corporation and each such unit by taking into account—

''(i) in the case of the eligible controlled foreign corporation, only items of income, deduction, gain, or loss and activities of such corporation not properly allocable or attributable to any qualified business unit of such corporation, and

''(ii) in the case of a qualified business unit, only items of income, deduction, gain, or loss and activities properly allocable or attributable to such unit.

''(4) LENDING OR FINANCE BUSINESS.—For purposes of this subsection, the term 'lending or finance business' means the business of—

''(A) making loans,

''(B) purchasing or discounting accounts receivable, notes, or installment obligations,

''(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of leases and leased assets),

''(D) issuing letters of credit or providing guarantees,

''(E) providing charge and credit card services, or

''(F) rendering services or making facilities available in connection with activities described in subparagraphs (A) through (E) carried on by—

''(i) the corporation (or qualified business unit) rendering services or making facilities available, or

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

''(5) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) CUSTOMER.—The term 'customer' means, with respect to any controlled foreign corporation or qualified business unit, any person which has a customer relationship with such corporation or unit and which is acting in its capacity as such.

''(B) HOME COUNTRY.—Except as provided in regulations—

''(i) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to any controlled foreign corporation, the country under the laws of which the corporation was created or organized.

''(ii) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to any qualified business unit, the country in which such unit maintains its principal office.

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

''(D) QUALIFIED BUSINESS UNIT.—The term 'qualified business unit' has the meaning given such term by section 989(a).

''(E) RELATED PERSON.—The term 'related person' has the meaning given such term by subsection (d)(3).

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

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and subsection (c)(2)(C)(ii)—

''(A) there shall be disregarded any item of income, gain, loss, or deduction with respect to any transaction or series of transactions one of the principal purposes of which is qualifying income or gain for the exclusion under this section, including any transaction or series of transactions a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of such exclusion through the application of this subsection,

''(B) there shall be disregarded any item of income, gain, loss, or deduction of an entity which is not engaged in regular and continuous transactions with customers which are not related persons,

''(C) there shall be disregarded any item of income, gain, loss, or deduction with respect to any transaction or series of transactions utilizing, or doing business with—

''(i) one or more entities in order to satisfy any home country requirement under this subsection, or

''(ii) a special purpose entity or arrangement, including a securitization, financing, or similar entity or arrangement,

if one of the principal purposes of such transaction or series of transactions is qualifying income or gain for the exclusion under this subsection, and

''(D) a related person, an officer, a director, or an employee with respect to any controlled foreign corporation (or qualified business unit) which would otherwise be treated as a customer of such corporation or unit with respect to any transaction shall not be so treated if a principal purpose of such transaction is to satisfy any requirement of this subsection.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, subsection (c)(1)(B)(i), subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2).

''(9) APPLICATION.—This subsection, subsection (c)(2)(C)(ii), and the last sentence of subsection (e)(2) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.''

(b) INCOME DERIVED FROM INSURANCE BUSINESS.—

(1) INCOME ATTRIBUTABLE TO ISSUANCE OR REINSURANCE.—

(A) IN GENERAL.—Section 953(a) (defining insurance income) is amended to read as follows:

''(a) INSURANCE INCOME.—

''(1) IN GENERAL.—For purposes of section 952(a)(1), the term 'insurance income' means any income which—

''(A) is attributable to the issuing (or reinsuring) of an insurance or annuity contract, and

''(B) would (subject to the modifications provided by subsection (b)) be taxed under subchapter L of this chapter if such income were the income of a domestic insurance company.

''(2) EXCEPTION.—Such term shall not include any exempt insurance income (as defined in subsection (e)).''

(B) EXEMPT INSURANCE INCOME.—Section 953 (relating to insurance income) is amended by adding at the end the following new subsection:

''(e) EXEMPT INSURANCE INCOME.—For purposes of this section—

''(1) EXEMPT INSURANCE INCOME DEFINED.—

''(A) IN GENERAL.—The term 'exempt insurance income' means income derived by a qualifying insurance company which—

''(i) is attributable to the issuing (or reinsuring) of an exempt contract by such company or a qualifying insurance company branch of such company, and

''(ii) is treated as earned by such company or branch in its home country for purposes of such country's tax laws.

''(B) EXCEPTION FOR CERTAIN ARRANGEMENTS.—Such term shall not include income attributable to the issuing (or reinsuring) of an exempt contract as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of issuing (or reinsuring) a contract which is not an exempt contract.

''(C) DETERMINATIONS MADE SEPARATELY.—For purposes of this subsection and section 954(i), the exempt insurance income and exempt contracts of a qualifying insurance company or any qualifying insurance company branch of such company shall be determined separately for such company and each such branch by taking into account—

''(i) in the case of the qualifying insurance company, only items of income, deduction, gain, or loss, and activities of such company not properly allocable or attributable to any qualifying insurance company branch of such company, and

''(ii) in the case of a qualifying insurance company branch, only items of income, deduction, gain, or loss and activities properly allocable or attributable to such unit.

''(2) EXEMPT CONTRACT.—

''(A) IN GENERAL.—The term 'exempt contract' means an insurance or annuity contract issued or reinsured by a qualifying insurance company or qualifying insurance company branch in connection with property in, liability arising out of activity in, or the lives or health of residents of, a country other than the United States.

''(B) MINIMUM HOME COUNTRY INCOME REQUIRED.—

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

''(I) which cover applicable home country risks, and

''(II) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)).

''(ii) APPLICABLE HOME COUNTRY RISKS.—The term 'applicable home country risks' means risks in connection with property in, liability arising out of activity in, or the lives or health of residents of, the home country of the qualifying insurance company or qualifying insurance company branch, as the case may be, issuing or reinsuring the contract covering the risks.

''(C) SUBSTANTIAL ACTIVITY REQUIREMENTS FOR CROSS BORDER RISKS.—A contract issued by a qualifying insurance company or qualifying insurance company branch which covers risks other than applicable home country risks (as defined in subparagraph (B)(ii)) shall not be treated as an exempt contract unless such company or branch, as the case may be—

''(i) conducts substantial activity with respect to an insurance business in its home country, and

''(ii) performs in its home country substantially all of the activities necessary to give rise to the income generated by such contract.

''(3) QUALIFYING INSURANCE COMPANY.—The term 'qualifying insurance company' means any controlled foreign corporation which—

''(A) is subject to regulation as an insurance (or reinsurance) company by its home country, and is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country,

''(B) derives more than 50 percent of its aggregate net written premiums from the issuance or reinsurance by such controlled

foreign corporation and each of its qualifying insurance company branches of contracts—

''(i) covering applicable home country risks (as defined in paragraph (2)) of such corporation or branch, as the case may be, and

''(ii) with respect to which no policyholder, insured, annuitant, or beneficiary is a related person (as defined in section 954(d)(3)),

except that in the case of a branch, such premiums shall only be taken into account to the extent such premiums are treated as earned by such branch in its home country for purposes of such country's tax laws, and

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

''(4) QUALIFYING INSURANCE COMPANY BRANCH.—The term 'qualifying insurance company branch' means a qualified business unit (within the meaning of section 989(a)) of a controlled foreign corporation if—

''(A) such unit is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 954(d)(3)) in such home country, and

''(B) such controlled foreign corporation is a qualifying insurance company, determined under paragraph (3) as if such unit were a qualifying insurance company branch.

''(5) LIFE INSURANCE OR ANNUITY CONTRACT.—For purposes of this section and section 954, the determination of whether a contract issued by a controlled foreign corporation or a qualified business unit (within the meaning of section 989(a)) is a life insurance contract or an annuity contract shall be made without regard to sections 72(s), 101(f), 817(h), and 7702 if—

''(A) such contract is regulated as a life insurance or annuity contract by the corporation's or unit's home country, and

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

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

''(A) CONTROLLED FOREIGN CORPORATION.—The term 'home country' means, with respect to a controlled foreign corporation, the country in which such corporation is created or organized.

''(B) QUALIFIED BUSINESS UNIT.—The term 'home country' means, with respect to a qualified business unit (as defined in section 989(a)), the country in which the principal office of such unit is located and in which such unit is licensed, authorized, or regulated by the applicable insurance regulatory body to sell insurance, reinsurance, or annuity contracts to persons other than related persons (as defined in section 954(d)(3)) in such country.

''(7) ANTI-ABUSE RULES.—For purposes of applying this subsection and section 954(i)—

''(A) the rules of section 954(h)(7) (other than subparagraph (B) thereof) shall apply,

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

''(C) there shall be disregarded any change in the method of computing reserves a principal purpose of which is the acceleration or deferral of any item in order to claim the benefits of this subsection or section 954(i),

''(D) a contract of insurance or reinsurance shall not be treated as an exempt contract (and premiums from such contract shall not be taken into account for purposes of paragraph (2)(B) or (3)) if—

''(i) any policyholder, insured, annuitant, or beneficiary is a resident of the United States and such contract was marketed to such resident and was written to cover a risk outside the United States, or

''(ii) the contract covers risks located within and without the United States and the qualifying insurance company or qualifying insurance company branch does not maintain such contemporaneous records, and file such reports, with respect to such contract as the Secretary may require,

''(E) the Secretary may prescribe rules for the allocation of contracts (and income from contracts) among 2 or more qualifying insurance company branches of a qualifying insurance company in order to clearly reflect the income of such branches, and

''(F) premiums from a contract shall not be taken into account for purposes of paragraph (2)(B) or (3) if such contract reinsures a contract issued or reinsured by a related person (as defined in section 954(d)(3)).

For purposes of subparagraph (D), the determination of where risks are located shall be made under the principles of section 953.

''(8) COORDINATION WITH SUBSECTION (c).—In determining insurance income for purposes of subsection (c), exempt insurance income shall not include income derived from exempt contracts which cover risks other than applicable home country risks.

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and section 954(i).

''(10) APPLICATION.—This subsection and section 954(i) shall apply only to the first taxable year of a foreign corporation beginning after December 31, 1998, and before January 1, 2000, and to taxable years of United States shareholders with or within which such taxable year of such foreign corporation ends.

''(11) CROSS REFERENCE.—

''For income exempt from foreign personal holding company income, see section 954(i).''

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

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

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

''(2) QUALIFIED INSURANCE INCOME.—The term 'qualified insurance income' means income of a qualifying insurance company which is—

''(A) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from the investments made by a qualifying insurance company or a qualifying insurance company branch of its reserves allocable to exempt contracts or of 80 percent of its unearned premiums from exempt contracts (as both are determined in the manner prescribed under paragraph (4)), or

''(B) received from a person other than a related person (within the meaning of subsection (d)(3)) and derived from investments made by a qualifying insurance company or a qualifying insurance company branch of an amount of its assets allocable to exempt contracts equal to—

''(i) in the case of property, casualty, or health insurance contracts, one-third of its premiums earned on such insurance contracts during the taxable year (as defined in section 832(b)(4)), and

''(ii) in the case of life insurance or annuity contracts, 10 percent of the reserves described in subparagraph (A) for such contracts.

''(3) PRINCIPLES FOR DETERMINING INSURANCE INCOME.—Except as provided by the Secretary, for purposes of subparagraphs (A) and (B) of paragraph (2)—

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

''(B) income not allocable under subparagraph (A) shall be allocated ratably among contracts not described in subparagraph (A).

''(4) METHODS FOR DETERMINING UNEARNED PREMIUMS AND RESERVES.—For purposes of paragraph (2)(A)—

''(A) PROPERTY AND CASUALTY CONTRACTS.—The unearned premiums and reserves of a qualifying insurance company or a qualifying insurance company branch with respect to property, casualty, or health insurance contracts shall be determined using the same methods and interest rates which would be used if such company or branch were subject to tax under subchapter L, except that—

''(i) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate, and

''(ii) such company or branch shall use the appropriate foreign loss payment pattern.

''(B) LIFE INSURANCE AND ANNUITY CONTRACTS.—The amount of the reserve of a qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

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

''(ii) the reserve determined under paragraph (5).

''(C) LIMITATION ON RESERVES.—In no event shall the reserve determined under this paragraph for any contract as of any time exceed the amount which would be taken into account with respect to such contract as of such time in determining foreign statement reserves (less any catastrophe, deficiency, equalization, or similar reserves).

''(5) AMOUNT OF RESERVE.—The amount of the reserve determined under this paragraph with respect to any contract shall be determined in the same manner as it would be determined if the qualifying insurance company or qualifying insurance company branch were subject to tax under subchapter L, except that in applying such subchapter—

''(A) the interest rate determined for the functional currency of the company or branch, and which, except as provided by the Secretary, is calculated in the same manner as the Federal mid-term rate under section 1274(d), shall be substituted for the applicable Federal interest rate,

''(B) the highest assumed interest rate permitted to be used in determining foreign statement reserves shall be substituted for the prevailing State assumed interest rate, and

''(C) tables for mortality and morbidity which reasonably reflect the current mortality and morbidity risks in the company's or branch's home country shall be substituted for the mortality and morbidity tables otherwise used for such subchapter.

The Secretary may provide that the interest rate and mortality and morbidity tables of a qualifying insurance company may be used for 1 or more of its qualifying insurance company branches when appropriate.

''(6) DEFINITIONS.—For purposes of this subsection, any term used in this subsection which is also used in section 953(e) shall have the meaning given such term by section 953.''

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

''(3) Reserves for any insurance or annuity contract shall be determined in the same manner as under section 954(i).''

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

''(C) EXCEPTION FOR DEALERS.—Except as provided by regulations, in the case of a regular dealer in property which is property described in paragraph (1)(B), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding company income—

''(i) any item of income, gain, deduction, or loss (other than any item described in subparagraph (A), (E), or (G) of paragraph (1)) from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer, and

''(ii) if such dealer is a dealer in securities (within the meaning of section 475), any interest or dividend or equivalent amount described in subparagraph (E) or (G) of paragraph (1) from any transaction (including any hedging transaction or transaction described in section 956(c)(2)(J)) entered into in the ordinary course of such dealer's trade or business as such a dealer in securities, but only if the income from the transaction is attributable to activities of the dealer in the country under the laws of which the dealer is created or organized (or in the case of a qualified business unit described in section 989(a), is attributable to activities of the unit in the country in which the unit both maintains its principal office and conducts substantial business activity).''

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

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

(e) EXEMPTION FOR GAIN.—Section 954(c)(1)(B)(i) (relating to net gains from certain property transactions) is amended by inserting ''other than property which gives rise to income not treated as foreign personal holding company income by reason of subsection (h) or (i) for the taxable year'' before the comma at the end.

Subtitle B—Generalized System of Preferences

SEC. 311. EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES.

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

(b) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—

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

(A) of an article to which duty-free treatment under title V of the Trade Act of 1974 would have applied if such title had been in effect during the period beginning on July 1, 1998, and ending on the day before the date of the enactment of this Act, and

(B) that was made after June 30, 1998, and before the date of the enactment of this Act,

shall be liquidated or reliquidated as free of duty, and the Secretary of the Treasury shall refund any duty paid with respect to such entry. As used in this subsection, the term ''entry'' includes a withdrawal from warehouse for consumption.

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

(A) to locate the entry; or

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

TITLE IV—REVENUE OFFSET

SEC. 401. TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.

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

''(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—If a corporation receives a distribution from a regulated investment company or a real estate investment trust which is considered under subsection (b) as being in complete liquidation of such company or trust, then, notwithstanding any other provision of this chapter, such corporation shall recognize and treat as a dividend from such company or trust an amount equal to the deduction for dividends paid allowable to such company or trust by reason of such distribution.''.

(b) CONFORMING AMENDMENTS.—

(1) The material preceding paragraph (1) of section 332(b) is amended by striking ''subsection (a)'' and inserting ''this section''.

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

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

TITLE V—TECHNICAL CORRECTIONS

SEC. 501. DEFINITIONS; COORDINATION WITH OTHER TITLES.

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

(1) 1986 CODE.—The term ''1986 Code'' means the Internal Revenue Code of 1986.

(2) 1998 ACT.—The term ''1998 Act'' means the Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105–206).

(3) 1997 ACT.—The term ''1997 Act'' means the Taxpayer Relief Act of 1997 (Public Law 105–34).

(b) COORDINATION WITH OTHER TITLES.—For purposes of applying the amendments made by any title of this Act other than this title, the provisions of this title shall be treated as having been enacted immediately before the provisions of such other titles.

SEC. 502. AMENDMENTS RELATED TO INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.

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

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

''Subparagraph (C) shall not apply to any qualified revocable trust (as defined in section 645(b)(1)) with respect to liability for tax for any taxable year ending after the date of the decedent's death and before the applicable date (as defined in section 645(b)(2)).''.

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

(1) Section 7421(a) of the 1986 Code is amended by striking ''6015(d)'' and inserting ''6015(e)''.

(2) Subparagraph (A) of section 6015(e)(3) is amended by striking ''of this section'' and inserting ''of subsection (b) or (f)''.

(d) AMENDMENT RELATED TO SECTION 3301 OF 1998 ACT.—Paragraph (2) of section 3301(c) of the 1998 Act is amended by striking ''The amendments'' and inserting ''Subject to any applicable statute of limitation not having expired with regard to either a tax underpayment or a tax overpayment, the amendments''.

(e) AMENDMENT RELATED TO SECTION 3401 OF 1998 ACT.—Section 3401(c) of the 1998 Act is amended—

(1) in paragraph (1), by striking ''7443(b)'' and inserting ''7443A(b)''; and

(2) in paragraph (2), by striking ''7443(c)'' and inserting ''7443A(c)''.

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

(g) AMENDMENT RELATED TO SECTION 3708 OF 1998 ACT.—Subparagraph (A) of section 6103(p)(3) of the 1986 Code is amended by inserting ''(f)(5),'' after ''(c), (e),''.

(h) AMENDMENT RELATED TO SECTION 5001 OF 1998 ACT.—

(1) Subparagraph (B) of section 1(h)(13) of the 1986 Code is amended by striking ''paragraph (7)(A)'' and inserting ''paragraph (7)(A)(i)''.

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

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

(ii) amounts properly taken into account by such company or trust by reason of holding (directly or indirectly) an interest in another such company or trust to the extent that such subparagraphs did not apply to such other company or trust with respect to such amounts.

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

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

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

(I) the subparagraphs referred to in subparagraph (A) shall not apply to gains and losses recognized directly by such partnership for purposes of determining such company's distributive share of such gains and losses, and

(II) such company's distributive share of such gains and losses (as so determined) shall be treated as recognized directly by such company.

The preceding sentence shall apply only if the qualified partnership provides the company with written documentation of such distributive share as so determined.

(ii) For purposes of clause (i), the term ''qualified partnership'' means, with respect to a regulated investment company, any partnership if—

(I) the partnership is an investment company registered under the Investment Company Act of 1940,

(II) the regulated investment company is permitted to invest in such partnership by reason of section 12(d)(1)(E) of such Act or an exemptive order of the Securities and Exchange Commission under such section, and

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

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

(I) the value of the interests of the regulated investment company in such partnership is 35 percent or more of the value of such company's total assets, or

(II) the value of the interests of the regulated investment company in such partnership and all other qualified partnerships is 90 percent or more of the value of such company's total assets.

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

SEC. 503. AMENDMENTS RELATED TO TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 202 OF 1997 ACT.—Paragraph (2) of section 163(h) of the 1986 Code is amended by striking ''and'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by adding at the end the following new subparagraph:

''(F) any interest allowable as a deduction under section 221 (relating to interest on educational loans).''

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

(c) AMENDMENT RELATED TO SECTION 506 OF 1997 ACT.—

(1) Section 2001(f)(2) of the 1986 Code is amended by adding at the end the following:

''For purposes of subparagraph (A), the value of an item shall be treated as shown on a return if the item is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature of such item.''.

(2) Paragraph (9) of section 6501(c) of the 1986 Code is amended by striking the last sentence.

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

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

''(1) IN GENERAL.—Amounts in the Vaccine Injury Compensation Trust Fund shall be available, as provided in appropriation Acts, only for—

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

''(i) which is administered after September 30, 1988, and

''(ii) which is a taxable vaccine (as defined in section 4132(a)(1)) at the time compensation is paid under such subtitle 2, or

''(B) the payment of all expenses of administration (but not in excess of $9,500,000 for any fiscal year) incurred by the Federal Government in administering such subtitle.''.

(2) Section 9510(b) of the 1986 Code is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON TRANSFERS TO VACCINE INJURY COMPENSATION TRUST FUND.—No amount may be appropriated to the Vaccine Injury Compensation Trust Fund on and after the date of any expenditure from the Trust Fund which is not permitted by this section. The determination of whether an expenditure is so permitted shall be made without regard to—

''(A) any provision of law which is not contained or referenced in this title or in a revenue Act, and

''(B) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this paragraph.''.

(e) AMENDMENTS RELATED TO SECTION 915 OF 1997 ACT.—

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

(A) in subsection (b), by inserting ''or 1998'' after ''1997'', and

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

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

(2) Paragraph (2) of section 6404(h) of the 1986 Code is amended by inserting ''Robert T. Stafford'' before ''Disaster''.

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

(1) Paragraph (2) of section 351(c) of the 1986 Code, as amended by section 6010(c) of the 1998 Act, is amended by inserting '', or the fact that the corporation whose stock was distributed issues additional stock,'' after ''dispose of part or all of the distributed stock''.

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

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

''(iv) COORDINATION WITH PARAGRAPH (2).—For purposes of applying paragraph (2), an eligible loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.''

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

''If the amount described in subparagraph (A) with respect to any policy or contract does not reasonably approximate its actual value, the amount taken into account under subparagraph (A) shall be the greater of the amount of the insurance company liability or the insurance company reserve with respect to such policy or contract (as determined for purposes of the annual statement approved by the National Association of Insurance Commissioners) or shall be such other amount as is determined by the Secretary.''

(i) AMENDMENT RELATED TO SECTION 1205 OF 1997 ACT.—Paragraph (2) of section 6311(d) of the 1986 Code is amended by striking ''under such contracts'' in the last sentence and inserting ''under any such contract for the use of credit or debit cards for the payment of taxes imposed by subtitle A''.

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

SEC. 504. AMENDMENTS RELATED TO TAX REFORM ACT OF 1984.

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

''(C) any deduction for casualty or theft losses allowable under paragraph (2) or (3) of section 165(c) shall be treated as attributable to the trade or business; and''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 67(b) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

(2) Paragraph (3) of section 68(c) of the 1986 Code is amended by striking ''for losses described in subsection (c)(3) or (d) of section 165'' and inserting ''for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)''.

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

''(1) LOSSES.—The deduction allowed by section 165 for casualty or theft losses described in paragraph (2) or (3) of section 165(c), but only if the loss is of property located within the United States.''

(c) EFFECTIVE DATES.—

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

(2) The amendment made by subsection (b)(1) shall apply to taxable years beginning after December 31, 1986.

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

SEC. 505. OTHER AMENDMENTS.

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

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

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

(2) Paragraph (4) of section 6103(p) of the 1986 Code is amended by striking ''(j)(1) or (2)'' in the material preceding subparagraph (A) and in subparagraph (F) and inserting ''(j)(1), (2), or (5)''.

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

(b) AMENDMENT RELATED TO SECTION 9004 OF TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY.—

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

''(2) notwithstanding section 9602(b), obligations held by such Fund after September 30, 1998, shall be obligations of the United States which are not interest-bearing.''

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

(c) CLERICAL AMENDMENTS.—

(1) Clause (i) of section 51(d)(6)(B) of the 1986 Code is amended by striking ''rehabilitation plan'' and inserting ''plan for employment''. The reference to plan for employment in such clause shall be treated as including a reference to the rehabilitation plans referred to in such clause as in effect

before the amendment made by the preceding sentence.

(2) Subparagraphs (C) and (D) of section 6693(a)(2) of the 1986 Code are each amended by striking ''Section'' and inserting ''section''.

TITLE VI—AMERICAN COMMUNITY RENEWAL ACT OF 1998

SEC. 601. SHORT TITLE.

This title may be cited as the ''American Community Renewal Act of 1998''.

SEC. 602. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

''Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

''PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

''SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'), and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration, and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 20 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 4 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

''(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) 10 shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section), and

''(ii) of such 10, 2 shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A),

''(ii) the parameters relating to the size and population characteristics of a renewal community, and

''(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

''(i) the local governments and the States in which the nominated area is located have the authority—

''(I) to nominate such area for designation as a renewal community,

''(II) to make the State and local commitments described in subsection (d), and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2006,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

''(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

''(A) the area is within the jurisdiction of one or more local governments,

''(B) the boundary of the area is continuous, and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

''(II) 1,000 in any other case, or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress,

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate,

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent, and

''(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph

(2) and is designed to reduce the various burdens borne by employers or employees in such area, and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

''(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community—

''(A) licensing requirements for occupations that do not ordinarily require a professional degree,

''(B) zoning restrictions on home-based businesses which do not create a public nuisance,

''(C) permit requirements for street vendors who do not create a public nuisance,

''(D) zoning or other restrictions that impede the formation of schools or child care centers, and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community, and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

''(3) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State,

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development, and

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock,

''(B) any qualified community partnership interest, and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 1999, and before January 1, 2007, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

''(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any interest in a partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 1999, and before January 1, 2007,

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007,

''(ii) the original use of such property in the renewal community commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2007, and

''(ii) any land on which such property is located.

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

''PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

''Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

''SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit, and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRA'S.—No deduction shall be allowed under this section to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash, and

''(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year, and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations, and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by the sum of—

''(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration program to provide matching amounts in renewal communities), and

''(B) 10 percent of the portion of such amount which is includible in gross income and is not described in subparagraph (A).

For purposes of this subsection, distributions which are includable in gross income shall be treated as attributable to amounts contributed under section 1400I to the extent thereof. For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) TERMINATION.—No deduction shall be allowed under this section for any amount paid to a family development account for any taxable year beginning after December 31, 2006.

''SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this section, the term 'FDA matching demonstration area' means any renewal community—

''(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1)(A), and

''(B) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

''(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under subparagraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

''(3) LIMITATIONS ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating a renewal community under paragraph (1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E), and

''(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(4) DESIGNATION BASED ON DEGREE OF POVERTY, ETC.—The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

''(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS.—

''(1) IN GENERAL.—Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))—

''(A) who is a resident throughout the taxable year of an FDA matching demonstration area, and

''(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year,

an amount equal to the sum of the amounts deposited into all of the family development accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

''(2) LIMITATIONS.—

''(A) ANNUAL LIMIT.—The Secretary shall not deposit more than $1000 under paragraph (1) with respect to any individual for any taxable year.

''(B) AGGREGATE LIMIT.—The Secretary shall not deposit more than $2000 under paragraph (1) with respect to any individual for all taxable years.

''(3) EXCLUSION FROM INCOME.—Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

''(d) NOTICE OF PROGRAM.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

''(e) TERMINATION.—No amount may be deposited under this section for any taxable year beginning after December 31, 2006.

''SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

''(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2006.

''PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization credit.

''Sec. 1400L. Increase in expensing under section 179.

''SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

''(a) GENERAL RULE.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'applicable percentage' means—

''(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

''(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

''(2) CREDIT PERIOD.—

''(A) IN GENERAL.—The term 'credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

''(B) APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

''(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 1999,

''(B) a commercial revitalization credit amount is allocated to the building under subsection (e), and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 and which is—

''(I) nonresidential real property, or

''(II) an addition or improvement to property described in subclause (I), and

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) STRAIGHT LINE DEPRECIATION MUST BE USED.—Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight

line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

''(ii) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(iii) OTHER CREDITS.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—

''(1) IN GENERAL.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(2) PROGRESS EXPENDITURE PAYMENTS.—Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

''(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount as determined under the rules of section 42(b)(2)(C)) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION CREDIT CEILING.—The State commercial revitalization credit ceiling applicable to any State—

''(i) for each calendar year after 1999 and before 2007 is $2,000,000 for each renewal community in the State, and

''(ii) zero for each calendar year thereafter.

''(C) COMMERCIAL REVITALIZATION CREDIT AGENCY.—For purposes of this section, the term 'commercial revitalization credit agency' means any agency authorized by a State to carry out this section.

''(f) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION CREDIT AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part, and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions,

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

''(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

''(iii) the active involvement of residents and nonprofit groups within the renewal community, and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2006.

''SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000, or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year, and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

''(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1999, and before January 1, 2007, and

''(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''

SEC. 603. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E).''

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2006, in the case of a renewal community, as defined in section 1400E).''

SEC. 604. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year, and

''(II) 30 percent of the qualified second-year wages for such year,

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000',

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect, and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period,

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period, and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).''

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

SEC. 605. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted

gross income defined) is amended by inserting after paragraph (17) the following new paragraph:

''(18) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1)(A).''

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of a family development account, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7), or a contribution under section 1400I), over

''(B) the amount allowable as a deduction under section 1400H for such contributions, and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1),

''(B) the distributions out of the account for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3), and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400I).

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.'', and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219'', and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—

(1) Section 46 (relating to investment credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following new paragraph:

''(4) the commercial revitalization credit provided under section 1400K.''

(2) Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following new clause:

''(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures.''

(5) Paragraph (2) of section 50(a) is amended by inserting ''or 1400K(d)(2)'' after ''section 47(d)'' each place it appears.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting ''or qualified revitalization building (respectively)'' after ''qualified rehabilitated building''.

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: ''A similar rule shall apply for purposes of section 1400K.''

(8) Paragraph (2) of section 50(b) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ''; and'', and by adding at the end the following new subparagraph:

''(E) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis which is attributable to qualified revitalization expenditures (as defined in section 1400K).''

(9) The last sentence of section 50(b)(3) is amended to read as follows: ''If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes of determining the amount of the rehabilitation credit or the commercial revitalization credit.''

(10) Subparagraph (C) of section 50(b)(4) is amended—

(A) by inserting ''or commercial revitalization'' after ''rehabilitated'' in the text and heading, and

(B) by inserting ''or commercial revitalization'' after ''rehabilitation''.

(11) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by striking ''CREDIT'' in the heading and inserting ''AND COMMERCIAL REVITALIZATION CREDITS''.

(h) CLERICAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''

SEC. 606. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

TITLE VII—TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY

SEC. 701. TAX REDUCTIONS CONTINGENT ON SAVING SOCIAL SECURITY.

(a) REQUIREMENT FOR BALANCED BUDGET AND SOCIAL SECURITY SOLVENCY.—Notwithstanding any other provision of this Act, no provision of this Act (or amendment made thereby) shall take effect before the first January 1 after the date of the enactment of this Act that follows a calendar year for which there is a social security solvency certification.

(b) EXEMPTION OF FUNDED PROVISIONS .—The following provisions shall take effect without regard to subsection (a):

(1) Subtitle C of title I (relating to increase in social security earnings limit and recomputation of benefits).

(2) Section 213 (relating to production flexibility contract payments).

(3) Title III (relating to extension and modification of certain expiring provisions).

(4) Title IV (relating to revenue offset).

(5) Title V (relating to technical corrections).

(c) SOCIAL SECURITY SOLVENCY CERTIFICATION.—For purposes of subsection (a), there is a social security solvency certification for a calendar year if, during such year, the Board of Trustees of the Social Security Trust Funds certifies that the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are in actuarial balance for the 75-year period utilized in the most recent annual report of such Board of Trustees pursuant to section 201(c)(2) of the Social Security Act (42 U.S.C. 401(c)(2)).

The SPEAKER pro tempore. Pursuant to House Resolution 552, the gentleman from New York (Mr. RANGEL) and a member opposed each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. RANGEL).

Mr. RANGEL. I yield one minute to the gentleman from Wisconsin (Mr. KIND).

(Mr. KIND asked and was given permission to revise and extend his remarks.)

Mr. KIND. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I rise in strong opposition to the Republican proposed tax cut bill and in support of the substitute offered by the gentleman from New York (Mr. RANGEL).

This is a wrong tax cut bill at the wrong time for the wrong reason. Is there any wonder that the people in this country are so cynical when we

are trying to rush through a tax cut bill just a few short weeks before the November elections?

But the main problem is not the provisions of the tax cut, it is how we would pay the tax cut. There is no surplus unless we are willing to raid the Social Security trust fund.

But perhaps the most compelling argument to oppose this is what the chairman of the Federal Reserve Board, Chairman Greenspan, has been saying. Is anyone who is pushing for this tax cut bill listening to one of the most credible voices on fiscal and monetary policy in this country today? He says do not rely on any of these so-called surpluses, because they may never materialize given the international economic crisis and the Y2K problem and the impact that it might have on our economy.

Instead, we in this body should be trying to pass fiscally responsible, sound decisions that are going to encourage the Federal Reserve to lower long-term interest rates so we have investment in capital and increased worker productivity. That is why I urge my colleagues to oppose the tax cut bill and support the Rangel substitute.

The SPEAKER pro tempore. Does the gentleman from Texas (Mr. ARCHER) seek to control the time in opposition to the amendment?

Mr. ARCHER. Mr. Speaker, I do.

The SPEAKER pro tempore. The gentleman from Texas (Mr. ARCHER) is recognized for 30 minutes.

Mr. ARCHER. Mr. Speaker, I yield two minutes to the gentleman from Illinois (Mr. WELLER), a respected member of the Committee on Ways and Means.

Mr. WELLER. Mr. Speaker, I thank the chairman for yielding me time.

Mr. Speaker, as I just begin my remarks in opposition to the Rangel substitute and in support of an effort to save Social Security and eliminate the marriage tax penalty, I might just use the Democrats, my friends on the other side of the aisle's own rhetoric. If you think about it, everything they have been claiming, they have admitted they have been raiding is the Social Security trust fund for 28 years. In fact, I believe a Democratic President, President Johnson, I think started that process in 1969.

Now, thanks to a Republican Congress, for the first time since 1969, we have a $1.6 trillion budget surplus, money that we can use to save Social Security and eliminate the marriage tax penalty.

The gentleman from New York (Mr. RANGEL) in his substitute basically says ''Let's save Social Security and let's give a tax cut to Wall Street, but let's forget about Main Street.''

It is interesting that the Rangel substitute chooses Wall Street and stiffs Main Street. Republicans, we want to save Social Security, and we also want to eliminate the marriage tax penalty, and our legislation will help 28 million married couples.

It is interesting that my friends on the other side of the aisle continue to claim the ''raiding Social Security'' line. Let us look at the facts once again.

When a representative of the Social Security Administration was asked last week whether or not the tax cuts in our package impact the Social Security trust fund, Judith Chesser, Deputy Commissioner of the Social Security Administration gave us a simple answer, and that answer was no.

Mr. Speaker, our effort eliminates the marriage tax penalty. It helps 28 million married working couples. In fact, the tax relief we provide in our package provides $243 in extra take-home pay for 28 million married working couples. In Joliet, Illinois, $240 is a car payment.

Our effort is helpful to the people of Illinois, saving Social Security, setting aside $1.4 trillion of surplus funds for Social Security and also working to eliminate the marriage tax penalty helps people back home in Illinois. But this legislation that we will be voting on after we defeat the Rangel substitute will not only help eliminate the married tax penalty for 28 million American couples, it helps farmers in Illinois, small business in Illinois, and it helps parents who want to send their children to college in Illinois.

Vote ''no'' on the Rangel substitute and ''yes'' on H.R. 4579.

Mr. RANGEL. Mr. Speaker, I yield two minutes to the gentleman from Tennessee (Mr. TANNER), a member of the committee.

Mr. TANNER. Mr. Speaker, I like this tax bill. I think it is good public policy. But for the first time in 29 years we now are in a position where we can say to the American people that there is more money coming into this town than leaving. This is just a projection. Beyond that, what I hate to see us do is there has been a lot of political bloodshed to get to this point of financial integrity once again in this town in terms of our budget.

Now, no one can dispute that this is a unified budget, and if one took the payroll taxes, the Social Security taxes that come in here out of the unified budget or out of the budget, we would not have a surplus. That is a fact. That is not a political argument.

□ 1015

We still are running an operational deficit. I do not know how many people paid the price in 1993. I know President Bush paid a miserable price in his career for doing the right thing in 1990 to get us to the point where we are not running a $290 billion deficit every year.

I am not for any new spending programs, and I am not going to be for this tax cut today. We cannot pay for it. Last year, we had a balanced budget. We paid for the tax bill last year. This one is not paid for; and, for that reason, I think it is financially irresponsible to do this what we are about to do today.

I would urge my colleagues not to support this matter today.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume simply to respond to how the Democrats have done a 180-degree shift since last year. Unless we counted Social Security surpluses in their terminology now, we had no balanced budget last year. When they get up and they say there was a balanced budget, they are assuming, then, by their logic, in this year that they were using surpluses out of Social Security. Every one of them that voted for the tax bill last year by their logic this year voted to spend the Social Security surplus. Every one of them.

In fact, the projections last year when they voted were not nearly as good for the general fund as they are this year. They did not pay for it by their argument this year. They have just changed their view of the budget for political reasons going into this election.

Mr. Speaker, I yield 2 minutes to the gentleman from Missouri (Mr. HULSHOF).

(Mr. HULSHOF asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Speaker, I am from the show-me State. When my friends on the other side said there is no way that the Republican majority can balance the budget and provide tax relief, we showed them we could do it.

Now we are telling them that we can save Social Security and provide a modest tax relief to the American people. We will show them if they give us the opportunity.

There are a lot of good things in this bill. Married couples should not have to pay more in taxes simply because they say ''I do''. They are not saying I do want to pay more in tax. We provide relief. Farmers and ranchers need additional risk management tools. Small businesses should not have to pay the punitive death tax. All of these issues are addressed.

But what I want to focus on is a provision that a freshman Member on the other side, the gentleman from Ohio (Mr. KUCINICH), and I had the opportunity to sponsor called the Savings Advancement and Enhancement Act, the SAVE Act.

The provision is very simple. It would provide an exclusion of up to $400 in interest and dividends from your taxes, $200 for individual filers. When you think about it, we are making a fundamental moral judgment. It is wrong to punish small savers and investors. We should be encouraging their thrift, not punishing their thrift.

If this tax relief measure is included, 68 million people will be provided some relief. In fact, not only is it a good moral judgment about allowing small investors to exclude this interest income, but it is a tax simplification measure.

As the gentleman from California talked about, 10 million taxpayers will

not have to file the 1040 form. They can go to the 1040EZ and electronically file. In fact, if you look on line 8 and 9 is where we have to put the fact that we have taxable interest or dividend income. Seven million Americans can leave page 124 in their tax books, Schedule B. They will not have to fill out this Schedule B.

So we have not only good tax policy, but simplification. I urge the defeat of the gentleman's substitute and vote in favor of the chairman's bill.

Mr. RANGEL. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, after last year's tax bill, I would have thought that nobody on the other side of the aisle would ever talk about simplification again. I thought that I heard the end of all of this pulling up the tax code by the roots since you so effectively deep-sixed it for the year 2002.

But if the chairman of the distinguished Committee on Ways and Means would check last year's tax bills, one thing we did do was pay for it. It did not come out of the surplus. It came out of tax cuts.

Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina (Mr. HEFNER).

(Mr. HEFNER asked and was given permission to revise and extend his remarks.)

Mr. HEFNER. Mr. Speaker, I will try to be as honest as I can in my statement. I would urge people to refrain from calling people liars and what have you. And referring to people in their sincerity in standing before the whole world and saying I have sinned seems to me to be a pretty good repentance; and maybe if God can forgive somebody, we can. Maybe someday in our heart we can see to do that.

I want to make a couple of points here. When Ronald Reagan was President, his first budget that was sent to this floor by David Stockman called for the elimination of $125 for the minimum Social Security for the oldest, sickest senior citizens in this country, to eliminate it.

Republicans have never been for Social Security. This is a Democratic program. Ronald Reagan took us to Camp David, and it was the Democrats fault that these deficits escalated during the Reagan administration. Why do I say that? Because there was a group of people that were called boll weevils that voted for this budget, and they escalated tremendously. They doubled during the Reagan administration.

In 1993, I wish I had more time here. In 1993, let me tell you what some of the Republicans said about Bill Clinton's package in 1993. The gentleman from Illinois (Mr. CRANE) said, ''This package will do nothing but discourage economic activity. Clinton wants us to pursue a course that would lead to economic disaster.''

''The economy is going to be damaged,'' the gentleman from New York (Mr. KING) said.

This measure is not the solution for our Nation's fiscal or economic growth problems. It will probably abort the economic stabilization in this country.

The gentleman said that we Republicans have managed to have this balanced budget. Without what we did in 1993, we would not even be close to a balanced budget.

The gentleman from Ohio (Mr. KASICH) said if we vote for the 1993 Clinton package, we are going to have a $1 trillion 90 billion increase in the Federal budget. What actually happened, the deficit has declined ever since 1993. I tell the gentleman from Texas (Mr. ARCHER) that is facts, and I would be happy to produce them.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Georgia (Mr. COLLINS), another respected member of the Committee on Ways and Means Committee.

Mr. COLLINS. Mr. Speaker, we have heard accusations from the other side of the aisle that this bill would endanger the Social Security system. That is false. This again is another clear attempt to scare our seniors.

Our seniors should know that, with or without the enactment of this bill or this substitute, the Social Security trustees have reported to the Committee on Ways and Means that their retirement check is sound for another 33 years. That means, if you are 65 today, your check is sound until you are 98. If you are 80, it is sound until you are 113. If you are 90, your check is sound until you are 123. And Godspeed to you to live to collect each and every one of those checks.

My age is 54. My check is sound until I am 87. Social Security is my old-age pension. It is different for many Members of this body. I declined the congressional pension. Social Security is my old-age pension.

What this legislation does is ensure that generations behind those collecting Social Security checks today get to keep more of the money that they earn today for their family.

Let me remind the opponents of this bill who use the Social Security scare tactic. There is no surplus in the ledgers of small business who create most of the U.S. jobs. There is no surplus for middle-income married couples working to provide for their family. There is no surplus for seniors who go back to work to supplement their Social Security check. There is no surplus for farmers struggling against low prices and natural disasters.

This legislation provides these Americans who have paid the money into the so-called surplus a small piece of the benefit that comes with a balanced budget and a strong economy.

Mr. Speaker, I strongly urge the Members of this body to support this bill, to give tax relief to middle-income working Americans and families.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from California (Ms. SANCHEZ).

Ms. SANCHEZ. Mr. Speaker, I rise in opposition to the Taxpayer Relief Act of 1998 even though I support many of the goals in the bill. I support increasing tax deductions for married couples and the self-employed and extending the research tax credit. I support creating more renewal of communities.

But I believe this bill makes a grave mistake by drawing from the projected budget surplus to pay for these tax cuts.

The solvency of the Social Security Trust Fund has not been assured. This Congress has not even debated a plan to save Social Security's worth for future generations of Americans.

We really do not have a budget surplus to spend because Republicans are dipping into funds earmarked for Social Security. This worries me because I held two Social Security forums in my district this year, and my constituents are concerned that Social Security is going bankrupt and we are not doing anything about it. This bill weakens Social Security, and that is wrong.

Furthermore, I cannot support the bill because it is a bad deal for our schools. We need to be helping to build more schools in America. This bill does not address that. I had hoped that my amendment to the bill would help that. Do not give our schools empty promises. Put Social Security first.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. PORTMAN), another respected member of the Committee on Ways and Means.

Mr. PORTMAN. Mr. Speaker, I thank the chairman for yielding my this time.

Mr. Speaker, I want to commend the chairman for putting together a great tax package. This is not only a tax package that offers a sound package of tax relief for working families in America, but it also takes unprecedented steps to preserve Social Security. We have never done this before. We are setting aside adequate funds to preserve Social Security in the future.

Earlier this year, Mr. Speaker, right up there at that podium, the President of the United States said that we should save every dime of the so-called budget surplus, which was less than half that it has turned out to be for this fiscal year.

Since that time, the pledge has been broken. The President himself, as we heard earlier today, has agreed to spend already this year $2.9 billion to support our efforts in Bosnia. Collectively, as I add it up, our friends on the other side of the aisle and the President suggests spending another $13 billion of the surplus for spending.

By the way, where is the President's proposal to save Social Security? Talk is cheap. I do not think this is a question of preserving Social Security or providing tax relief. The real question is, this year are we going to use the expected budget surplus only for more spending or are we going to give some needed tax relief, a break to the very people whose hard work and ingenuity has gotten us into this position of having a budget surplus?

If we put our minds to it, if we are sincere, we can do both. We can put together a Social Security plan over the next couple of years that works. This plan allows us to do that. Again, it is unprecedented. We are putting aside the surplus to do that.

We have heard a lot of good things about the tax plan today. Even Democrats have taken to the well saying it is a great plan. I think it is a great plan because it helps families, senior citizens, job-creating small businesses, farmers and ranchers.

But I want to give my friend, the gentleman from New York (Mr. RANGEL), some more confidence. It is even better than that. It provides unbelievable simplification of the tax code. A million people will not have to file anymore under this. Six million people will be able to stop itemizing under this proposal. Ten million people can go from filing a 1040 or a 1040A to the much simpler 1040EZ. Seven million Americans will not have to file a Schedule B for interest and income. This is not only responsible tax relief, it is responsible tax simplification.

Mr. RANGEL. Mr. Speaker, can you tell me how the time is allocated now, please?

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from New York (Mr. RANGEL) has 23½ minutes remaining. The gentleman from Texas (Mr. Archer) has 21 minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Michigan (Ms. STABENOW).

□ 1030

Ms. STABENOW. Mr. Speaker, I was pleased to come to this House and support a balanced budget this last year for the first time in 30 years, pleased to support tax cuts for middle class families totaling $95 billion. But now we have a window of opportunity to take the next step in fiscal responsibility. I believe it is incumbent on all of us to take that step. That is to repay the social security trust fund.

We know there is no real surplus until we have totally repaid the trust fund and brought it off the budget. The seniors in my district, people of all ages in my district, understand that as long as we are using the social security trust fund to balance the budget, there is no surplus. There is no surplus.

This tax bill is one that I support. I have cosponsored a number of the provisions in it. However, I believe that the Rangel substitute is the only responsible approach to fiscal responsibility and to future generations. Save social security first.

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the gentlewoman from Washington (Ms. DUNN), the highly respected member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, I thank the gentleman for yielding time to me.

Today life in America is changing for the better. More hardworking men, women, and retired seniors are sharing in new prosperity. Because we have kept spending down, we have balanced the budget for the first time in a generation, and we have given Americans the first tax relief in 16 years. Interest rates are down, and families are taking home more of what they earn.

But even with a good economy, we still wonder how we are going to continue to meet the changing needs of Americans. That is why House Republicans are advancing a tax plan that focuses on building a brighter, more secure future for women and their families by ensuring that the social security trust funds are there, and by returning taxpayer dollars to Americans we can ensure a better quality of life for those struggling to make ends meet.

Specifically, we have committed to setting aside $1.4 trillion of a projected budget surplus to protect and strengthen social security. Nothing is more important to women in retirement than ensuring that they have income security, and with that, peace of mind. We will keep that commitment.

With the remainder of the surplus, we are holding true to our promise to cut taxes every year that Republicans control Congress. The Taxpayer Relief Act of 1998 makes important strides in providing the financial relief that women and families need to stay strong.

It will ensure that there is no longer a financial disincentive for marriage. By doubling the standard deduction for married couples, a woman who files jointly with her husband no longer will feel an additional pinch from the government that the current marriage penalty costs. Forty eight million Americans will benefit from this relief, Mr. Speaker, over 1 million alone in my home State of Washington.

In addition, a woman small business owner will no longer worry about being a financial burden on her sons and daughters when she passes on. The death tax relief provided in this bill will allow her children to keep that small business that has helped them plan and live the American dream.

With women creating small businesses at twice the rate of men these days, health insurance costs are extremely important, and a great burden. Providing 100 percent deductibility of health insurance costs for women who are self-employed gives them the help they need to protect their family from illness and injury, something about which all mothers worry.

Americans have always believed that if we work hard and take responsibility for ourselves and help others where we can, we will reap the benefits of our efforts and fulfill our own American dream. It makes sense. It is the American dream. It is in this bill. I urge its support.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. STENHOLM). No one has worked harder to save the social security system than the gentleman from Texas.

(Mr. STENHOLM asked and was given permission to revise and extend his remarks and include extraneous matter.)

Mr. STENHOLM. Mr. Speaker, listening to the debate again this morning, I am reminded of the words of Will Rogers, who said, ''It ain't peoples' ignorance that's bothering me so much, it is them knowing so much that ain't so is the problem.''

I would yield to anyone who would challenge anything I am going to say in my remarks. There is no surplus other than social security trust funds. Over the next 5 years, there are $520 billion of projected surplus, of which $657 of the $520 are social security trust funds. That is a fact. Does anyone wish to challenge me on that?

Hearing no response, this tax bill will increase the deficit.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. STENHOLM. I yield to the gentleman from Texas.

Mr. ARCHER. Mr. Speaker, I would ask, did the gentleman vote for the tax bill last year?

Mr. STENHOLM. That was not the question I asked.

Mr. ARCHER. Was there a surplus then?

Mr. STENHOLM. Mr. Speaker, I do not yield for the purpose of muddying up the argument today.

We can go back as far as 1 year, 2 years, 3 years, and I can find mistakes I have made. I can point to mistakes the chairman has made. That is a valid point.

But I would say, we will borrow, under this proposal today, we will borrow $237 billion more over the next 5 years if the tax bill in question today is passed, $237, which is $830 for every man, woman, and child in the United States that we will borrow in order to give this tax cut.

The projected surplus that we are talking about may never materialize. That is why this is a fiscally irresponsible bill we are bringing, if Members claim to be conservative, fiscally irresponsible.

Abandoning fiscal discipline is the wrong message to send to our financial markets at this time. The recent volatility of world financial markets makes it even more critical that we reaffirm our commitment to what we agreed to do, Mr. Chairman, last year, what we agreed to do last year, which has set us on the right track to balancing the budget. Yes, I voted for it, but for the reason that we voted for it last year, and the reason I oppose doing more this year.

The Concord Coalition has warned us that the election year temptation to use social security surpluses for other purposes will lead to a dangerous breakdown in fiscal discipline.

The potential harm to our economy, and let me give this example to my agricultural colleagues, we hear a lot about what we are going to do for farmers and ranchers. This package

that is going to be voted on in a moment will give to our farmers a $271 million annual benefit, but a one-half of 1 percent increase in interest rates will cost our farmers $870 million, three times the cost, if we abandon fiscal discipline and interest rates go up. So we are muddying the message completely in this, and talking about the great benefit.

What everyone who is fiscally conservative is saying is reserve the social security trust fund for paying down the debt, and making sure we can in fact save social security for our future generations. Vote down this bill.

Mr. Speaker, there is no surplus—unless we count the Social Security surplus.

Over the next five years, 125% of the surplus comes from the Social Security trust fund. CBO projects unified budget surpluses of $520 billion, $657 billion of which will be a result of the Social Security trust fund surplus.

In other words, if you subtract the projected annual Social Security trust fund surpluses from the projected unified budget surplus, there is no surplus—a $137 billion on-budget deficit.

According to the most recent report of the Congressional Budget Office, which included the projections of a budget surplus that are being used to justify this tax bill, we still have an on-budget deficit.

''Although the total budget is expected to show a healthy surplus in 1998, CBO still anticipates an on-budget deficit. On budget revenues (which BYLAW exclude revenues earmarked for Social Security) are projected to be $41 billion less than on-budget spending.''—(CBO Economic and Budget Outlook August Update)

THE TAX BILL WILL INCREASE THE DEFICIT

To my Republican colleagues who are insisting that this tax cut does not come out of Social Security, what you are admitting is that the tax cut is paid for with borrowed money, because there is no surplus if you exclude Social Security.

I support all of the tax cuts included in this package, but, with borrowed money. Enacting a permanent tax cut that is not paid for would result in continued deficits as far as the eye can see.

Instead of taking $137 billion out of private savings to cover the deficit over the next five years, the government will have to borrow $225 billion over the next five years if we pass this tax cut. That is another $830 of debt for every man, woman and child in this country.

THE PROJECTED SURPLUS MAY NEVER MATERIALIZE

The projections of a surplus are a result of dramatic improvements in budget estimates that could deteriorate just as quickly. As recent developments both at home and abroad have made clear, continued strong economic growth—and the budget surpluses it produces—are by no means guaranteed.

According to CBO, a recession similar to the 1990–1991 recession would turn the projected surplus into a deficit. Even a modest slowdown in economic growth could wipe out much of the projected surplus.

Republican economist and former Federal Reserve Governor, warned that the surge in income taxes that has contributed to the surplus in the unified budget may not continue, arguing that ''The prudent thing to do when you enjoy a windfall from some good luck is to save it, you might need the cushion in bad times.''

Given all of the uncertainty in budget projections, the conservative thing to do is be conservative by waiting to see if these surpluses materialize.

ABANDONING FISCAL DISCIPLINE IS THE WRONG MESSAGE TO SEND TO FINANCIAL MARKETS

The recent volatility of world financial markets makes it even more critical that we reaffirm our commitment to maintaining the discipline that has produced a dramatic improvement in the federal budget and a strong economy.

In a letter sent out earlier this week, the Concord Coalition warned us that ''the election year temptation to use Social Security surpluses for other purposes will lead to a dangerous breakdown in fiscal discipline.''

The potential harm to the economy from relatting the discipline of the budget agreement at all will outweigh the benefit of any tax cut.

DON'T FORGET THE NATIONAL DEBT

The current projections of a budget surplus follow years of deficit spending that has resulted in a national debt of $5.4 trillion. Interest payments on the debt will consume $244 billion in 1998.

Federal Reserve Chairman Alan Greenspan, former CBO Director Rudy Penner and countless other economist have told us that the best course of action for the economy is for Congress to use the surplus to reduce the debt.

Reducing the national debt will help maintain a strong economy by reducing interest rates and increasing the amount of savings available for productive investment.

WE NEED TO RESERVE THE ENTIRE BUDGET SURPLUS TO DEAL WITH SOCIAL SECURITY REFORM

Funding this tax cut out of the unified budget surplus will limit our options in the Social Security reform debate by using revenues that would be necessary to fund many of the reform options that have been proposed.

Even if the current budget surplus projections hold true, it will be difficult to fund the transition costs of comprehensive Social Security reform that deals with the $9 trillion unfunded liability in the Social Security system within a balanced unified federal budget.

The current annual surpluses being run by the Social Security Trust Fund are intended to prepare for future needs of the Social Security system. Since Social Security accounts for virtually all of the projected budget surpluses, addressing the financial challenges facing Social Security is the only appropriate use of the budget surplus.

CONCLUSION

It is extremely important that we follow the path of fiscal responsibility and take advantage of this opportunity to preserve the Social Security system for future generations. The bill before us, for all its merit, would undermine fiscal discipline and jeopardize our ability to preserve Social Security.

If you care about fiscal discipline, if you care about the integrity of the Social Security system, all Members who care about the legacy we leave for future generations, vote for the motion to recommit and vote against this bill.

TAX RELIEF

H.R. 4579 provides $24.2 billion of tax relief for farmers and small business from 1999 to 2003.

Excluding Estate tax provisions, there are $6.3 billion in tax relief.

Focusing on farmer and rancher benefits, including the $25,000 expensing for small business and farmers, there are $1.4 billion in tax relief.

The annual average tax relief for farmers and ranchers is $270 million.

INTEREST RATE RELIEF

Total U.S. farm debt is $167.6 billion.

The result of a 1% interest rate reduction is $1.676 billion less in annual debt service for farmers and ranchers.

The result of a ½% interest rate reduction is $838 million less in annual debt service for farmers and ranchers, more than 3 times the tax relief.

The following chart illustrates this:

TAX RELIEF FARMERS AND RANCHERS VS INTEREST RATE RELIEF

[In millions of dollars]

	Total Cost 1999–03	Annual Avg Avg Cost	Farmer Only Est	Annual Avg Avg Cost
Health insurance deduction at 100 percent	5,111	1,022	168	34
$25,000 expensing	1,059	212	1,059	212
Income averaging	45	9	45	9
Net operating loss carryback	81	16	81	16
PFC constructive receipt				
Total	6,296	1,259	1,353	271
Total U.S. farm debt				167,600
1 percent interest rate reduction, annual				1,676
½ percent interest rate reduction, annual				838

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, as a brief response, I would say if the gentleman's logic is correct today, it was more correct last year, because the amount of the tax bill last year was bigger than the amount of the tax bill this year. It required, according to his logic, not mine, his, more borrowing than this tax bill does. But he and most of the Democrats voted for it.

We heard nothing about social security then. Social security is a manufactured argument on their part this year for political reasons. It is an election year.

Mr. STENHOLM. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. I am sorry, but I have already committed all of my time. I regret I cannot yield.

Mr. STENHOLM. I yielded to the gentleman.

Mr. ARCHER. Yes, but the gentleman continued to speak his argument, and his argument logically meant that last year we had to borrow more money for the tax bill than he says we will be borrowing this year. That is a fact.

Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. GOODLING), the chairman of the Committee on Education and the Workforce.

Mr. GOODLING. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I want to point out, and I do not think it has been said enough, that there are two very important provisions in here in relationship to education.

First of all, section 111 of the bill permits private higher education institutions to establish qualified pre-paid tuition programs. They cannot do that now. It will mean an awful lot to an awful lot of young people who would like to go to college.

Secondly, something that is very, very important, because I hear people all the time say we need construction money, we need rebuilding money, all these things for schools. In this legislation, section 112 of the bill would liberalize the permitted expenditure period of the present law construction bond exception in the case of bonds issued to finance the construction of public schools.

What does that mean? That means school districts will get to keep 1½ billions of dollars for school construction and school renovation. So I do not want to hear anymore talk about we are not doing anything for school districts, because they are doing an awful lot in this legislation to help them repair their buildings and build their buildings.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. Mr. Speaker, let me start by saying I voted against the absurd balanced budget agreement last year because it cut Medicare by $115 billion. That is how it was paid for. We are suffering from it right now.

More importantly, I rise in strong opposition to the Republican plan, which takes money from the social security trust fund in order to provide tax breaks, 6 weeks before an election. Let us be clear, the so-called surplus this year that the Republicans are taking from is made up completely from the social security surplus. Without that $100 billion social security surplus, the government this year is in deficit, not to mention a $5 trillion national debt.

It seems to me to be the essence of hypocrisy for some Republicans to go running around the country saying that we have to privatize the social security system because it is going broke, and the next day to be taking money from the very same social security system.

Mr. Speaker, if we want targeted tax breaks for the middle class, fair enough, take it from corporate welfare and the huge loopholes that exist for billionaires.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. BOEHLERT).

(Mr. BOEHLERT asked and was given permission to revise and extend his remarks.)

Mr. BOEHLERT. Mr. Speaker, I rise in opposition to the pending amendment and in support of the base bill, which provides tax relief to virtually every American while saving social security. This is the moderate's moment.

Mr. Speaker, I rise in strong support of the Taxpayer Relief Act and in opposition to the substitute offered by Mr. RANGEL.

This bill will provide targeted, responsible tax relief to middle-income families. This bill will strengthen our economy. And this bill will remedy problems with the current tax code that have been talked about for years, but have never before been addressed.

The bill would correct the marriage penalty, which perversely creates a disincentive for couples to marry. It would exempt more interest and dividends from taxation, increasing the funds available for investment. It would allow more people to deduct the cost of their health insurance, reducing the number of Americans who lack coverage. It will allow seniors on Social Security to earn more income. It will create new incentives to save for education. It will exempt more inheritances from estate taxes. It will help farmers stabilize their tax payments so the government does not exacerbate the ups and downs of farm income. It will increase the number of families who can deduct education and child care expenses. And it will extend a number of credits for business, such as the research and development tax credit, that would otherwise expire.

In short, virtually every American taxpayer will feel the benefits of this $80 billion tax cut bill both directly—in the form of lower tax bills—and indirectly—through the benefits to the overall economy.

In fact, this is such a good tax bill that there's no disagreement over its tax provisions. The Democrat's substitute contains each and every tax cut provision that we Republicans have proposed. But the Democrats claim that we can't afford these cuts and that we are endangering Social Security. This is politics pure and simple.

Just yesterday, we voted to place 90 percent of the budget surplus—90 percent!—in a separate account dedicated to Social Security. This unprecedented action will reserve more than enough to cover our debts to the Social Security—and in so doing will pay down our national debt.

Thanks to the strong economy, thanks to the Balanced Budget Act agreement, the surplus will be large enough to be used for more than one purpose without threatening Social Security. ''Save Social Security first'' is good advice—and we have followed it. ''Save Social Security only'' is bad advice; it's political advice; it assumes a false sense of impoverishment that will deprive taxpayers and the economy of a needed and affordable boost.

I urge my colleagues to support H.R. 4579 and provide responsible tax relief.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. HOUGHTON), another respected member of the Committee on Ways and Means.

(Mr. HOUGHTON asked and was given permission to revise and extend his remarks.)

Mr. HOUGHTON. Mr. Speaker, I am afraid we are so dug in here we are sort of getting to the point where we are not listening to one another. Both sides want to pull down the debt. Both sides want to take social security out of the spending pool and build it back. But the President has other ideas. The Republicans have other ideas. It is not just one sole mission.

To pull this thing down into something which is at least meaningful to me, let us assume we have a little business, and the business has not made money for 29 years. All of a sudden it starts to make money. During those 29 years, we have had to borrow money. We have had to pull down from our pension, our unfunded liability. That is not good. We want to build it up. We feel badly about it. We are able to cover our pensioners, but not the way we would like.

All of a sudden we start to make money. Not only that, we look at the future and it looks like we are going to continue to make money. So what do we do? Obviously, start to pay back our debt, but certainly we start to pull back the pension account, which in this case is the social security.

Also I think we say to our stockholders, we have not given you any dividend increases for years. Therefore, you stuck with us, your capital has been involved. You have been decent about this thing. We would like to help you a little bit.

This tax decrease amounts to .009 percent of our Federal revenues. That is not very much, $60 per person. We can do the other things, we are doing the other things, but we have to take a look at the individual shareholders of this country and pay our respects to them.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. STARK), another distinguished member of the Committee on Ways and Means.

Mr. STARK. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I must say that the gentleman from Texas (Chairman ARCHER) has crafted a good tax bill. I rise in support of the Democratic substitute, because that would pay for it.

I think the issue, and the gentleman from New York (Mr. HOUGHTON) touched on it a little bit, is that this is an issue of priorities. There are no more cuts to be made that are easy politically. So they are pushing us into basically deficit spending; reducing the surplus, if you will.

The question is, why this tax cut, then? Why not Medicare? The other day we tried to find $1,200,000,000 to fix home health care. They are unwilling to ask for a waiver. This bill breaks the budget law.

□ 1045

They had to get special permission to void the budget bill to get this bill to the floor. Otherwise, a point of order could knock it out. Why were they not willing to do that with home health care, which they promised us would be paid for, but we have not seen it paid for yet?

Why are we not fixing Medicare? Perhaps we should be having the debate that Medicare is more important than cutting the inheritance tax. Some people may not think so, but that is a worthy debate.

They are not willing to cut defense. They are not willing to cut the fat pork out of the transportation bill. Somehow, my Republican colleagues are doing it out of the surplus without identifying what they are willing to give up. They are not making a hard choice. They are making a political statement in an attempt to win back some votes from people who turned their backs on the Republicans, rightly so, years ago.

They are trying to avoid the discussion that this will harm, well, let us say it another way, will not fix Social Security. It will not fix Medicare. It will not help education.

Is it the right thing to do? It is not a bad tax bill. It is not paid for. It is bad economic policy, and it is irresponsible.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Nebraska (Mr. CHRISTENSEN), another respected member of the Committee on Ways and Means.

Mr. CHRISTENSEN. Mr. Speaker, I thank the gentleman from Texas (Mr. ARCHER) for yielding me this time.

Mr. Speaker, when I got here 4 years ago, I always heard that we could not cut taxes because there was a deficit. And now we cannot cut taxes because there is a surplus. But we have not heard the same debate on the Y2K debate, or on Bosnia. But when it comes to the people's money, we always cannot give it back to them.

Coming from Nebraska, I have had an opportunity to talk to a lot of farmers and hear what they have to say. In my own family, we have my brother and brother-in-law who are involved in farming operations. They said, ''What can you do for us this year, because we are going through an incredible crisis?''

Mr. Speaker, I said, what about 100 percent health care deduction for the self-employed? And they said, that is in the bill? And I said, absolutely. That will help.

What about allowing the profits that a business has made in the last 5 years to be able to be offset from losses this year? And they said, that is in the bill? And I said, yes. That will help. That is a small provision.

Every little bit will help in the this bill. It is not a perfect bill as far as we wanted more. We always want more for the farmers and ranchers. But it is a great start, and I thank the gentleman from Texas (Chairman ARCHER) for putting this bill together.

Mr. RANGEL. Mr. Speaker, I yield 30 seconds to the gentleman from Texas (Mr. STENHOLM) to respond to our distinguished chairman.

Mr. STENHOLM. Mr. Speaker, I want to refer to the gentleman from Texas (Chairman ARCHER), and I want to apologize for the tone in my voice a moment ago. But what I was wanting to say is if the gentleman will go back and examine the RECORD, that he will see that the Blue Dog Coalition last year argued for the opportunity to present on this floor a budget that would balance our budget without the utilization of Social Security trust funds. We were denied an opportunity even to debate that by the gentleman's side of the aisle.

So, what the gentleman inferred to me a moment ago, I believe, was in error factually. We would have liked to have done it last year; the Republicans would not let us do it.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. BENTSEN).

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I agree with the gentleman from Florida (Mr. SHAW), about trying to be truthful. I think we have to look at the facts.

Whether Members are Republican or Democrat, they cannot deny that there is no surplus at hand. For Members to come down and say we have a $1.6 trillion surplus is foolish. Everybody here knows that may happen, it may not. That is a 10-year projection.

Mr. Speaker, 10-year projections are worthless. We hope it happens, and we hope maybe it is even better, but we should not start spending that. And this 90–10 deal, that is made up. We do not know if that is true or not.

My friend, the gentleman from Texas (Chairman ARCHER), says repeatedly every week in the national press that we are going to have a tax cut every year the Republicans are in control. That is good politics and it sounds good, but it is going to blow a hole through the 90–10; particularly, if we do not get the $1.6 trillion.

The other fact which is undeniable is if we spend the surplus, whether Members believe it is coming from Social Security or someplace else, the fact is we will spend money that is owed to the Social Security trust fund to pay the bonds off, and that will come from Social Security.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, simply to respond, since Lyndon Johnson was President, we have operated under what is called a unified budget, and all of the monies that are received by the Federal Government are put into one basket. All of the spending is put into another basket, to determine whether we have a surplus or whether we have a deficit.

The debt ceiling relates to that, and the gentleman knows that. The Republicans did not contrive the unified budget. We have lived with what was contrived by President Lyndon Johnson and a Democrat Congress.

It has never been argued against, other than, yes, the gentleman from Texas (Mr. STENHOLM), my friend, and a few others have made arguments against it. Valid arguments. But it has never been denied by a majority of the Democrats in the House of Representatives or in the Senate.

I suspect that my friend from Texas in the well today voted for the tax bill last year. Did we have a surplus then? Did we have to borrow more money to pay for that tax bill? The answer clearly is ''yes.'' It does not need a response. It is clearly ''yes.''

But the argument has changed today. The budget concept has changed today on behalf of the leaders in the Democrat party. They want to have it both ways. They want to claim a balanced budget under a unified budget, and then they want to argue, oh, but we do not have a balanced budget.

Mr. Speaker, it has to be one way or the other. We have always operated on the basis of deficits relating to a unified budget. We are working with that today. That is the budgetary concept. And on that basis, we have a surplus only because of a Republican Congress.

When we took the majority, there was a projection of $3 trillion of deficit over 10 years. Now there is a projection of $1.6 trillion of surplus. But it is strange to me that my liberal Democrat friends never seem to want to be for tax relief. There is always a reason that it should not happen.

Last year it was we have to balance the budget first. But they were talking about a unified budget last year. Now they have changed their budgetary concepts and they claimed we balanced the budget, therefore we can vote for tax relief. But by their argument today, we have to borrow more money for that tax relief.

They have changed. They changed on Medicare. In 1996, they said the Republicans are going to destroy Medicare. Political year. In 1997, they voted for virtually the same bill that we had offered in 1996. They were on board, but we were not any longer destroying Medicare. We were saving Medicare. That is what we said in 1996.

Now, again, there is a reason why they do not want to give tax relief to the hard-hit American people. That reason is designed for a political year. It was not there last year, but it is here this year. So, the American people should understand that amazing things happen in an election year. We proposed this tax relief at the beginning of this year. We have been working for it

all year, and we believe it is the people's money, not Washington's money.

And, yes, we intend to see that as much of it is kept as possible in their pockets. It is their income tax dollars that have changed these projections.

Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. MICA).

Mr. MICA. Mr. Speaker, it is fitting that Congress is here working today on Saturday. In fact, tens of millions of Americans work on Saturday and throughout the week to feed their families and to pay their taxes. In fact to pay their taxes, which the Democrat majority has raised, most Americans work until May of each year to pay their tax bills.

The proposal before us is not a big tax cut. In fact, it is a rather modest tax cut, but it is targeted to change oppressive and destructive tax policy. Taxation helps determine economic and social policy.

Foremost, this measure will change Federal policy to say that married couples who live together under the law will not be penalized. Just as important as cutting the tax burden, this legislation will have a positive impact on nurturing the family structure.

For 40 years, the other side of the aisle adopted policies that helped destroy the American family unit and the work ethic in this country. During those 40 years they paid people more not to work than to work. In 4 years, we changed that policy.

During 40 years, the Democrats taxed, retaxed, and overtaxed those who went to work and those who produced. In 4 years, we changed that policy.

During those 40 years, the Democrats penalized fathers who live with their families. In 4 years, we changed that policy.

During 40 years, the Democrats adopted policies that robbed people of their pride, their dignity, and most of all, of their personal initiative. The Republicans began to change that policy.

Today, we have one more small opportunity to change and correct a misguided policy.

Mr. RANGEL. Mr. Speaker, I yield myself 30 seconds to respond to the distinguished gentleman from Texas (Chairman ARCHER).

Mr. Speaker, it is really chutzpah to say that it is the Democrats who have changed their policy. It is the Republicans that wanted to get rid of the Code. Pull it up by the roots. Have a flat tax. Have a sales tax. Now they are coming in with another tax bill that certainly does not do that.

It is the Republicans that said we had to have fiscal discipline, and they are the ones that are waiving the rules. It is the gentleman from Texas (Mr. ARMEY) that says we have to phase out Social Security over time. So, we are consistent.

Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. ENGEL).

Mr. ENGEL. Mr. Speaker, I thank the gentleman from New York for yielding me this time.

Mr. Speaker, this floor update says, ''Republicans Raid Social Security for Election Eve Tax Cut,'' and that is exactly what it is. My Republican friends want to take the Social Security trust fund and turn it into an all-purpose slush fund, and I do not think the American people want that.

Any way we cut it, we are stealing $177 billion away from Social Security. And let us note that the surplus, as has been stated here before, is only the result of the Social Security trust fund.

Mr. Speaker, I have seniors in my district come to me all the time saying that we should not raid our Social Security to pay for everything that the government wants or to pay for tax cuts. Social Security monies should be used for Social Security purposes only, and we ought to save and strengthen Social Security first.

This waives the Budget Act which says that all tax cuts must be fully paid for and offset. And the reason we do have a projected surplus, frankly, is that in 1993, the Democrats, without one Republican vote, had the courage to pass the bill.

So, let us remember, the unified budget is not as a result of President Johnson. Presidents Bush and Reagan did not change it either. This bill is irresponsible, and it ought to be defeated.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Kentucky (Mr. BAESLER).

Mr. BAESLER. Mr. Speaker, just yesterday, the Republican House leadership set the stage to spend the Social Security surplus, ignoring the dangers of raiding the trust fund and ignoring the promises that they have made both to the current and future generations.

Now, just 24 hours later, the Republican leadership is now ready to spend $150 billion of the Social Security trust fund. After all the debate over the past 2 days, three undeniable truths have emerged: There is no budget surplus, there is a surplus in the Social Security trust fund, and the Republicans are willing to spend the Social Security surplus to pay for an election year tax cut.

The Social Security trust fund is more than a Republican piggy bank. It is a trust. I urge the House not to break that trust. Do not travel the easy road to broken promises.

''Save Social Security first'' is more than a slogan. It is similar to a slogan like ''Read my lips.'' Save Social Security first. Americans deserve better than more broken promises that we are getting today.

□ 1100

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, the real question today is whether Republicans, GINGRICH-led House Republicans are once again willing to undermine Social Security. Let us look at the record.

The number two leader in the House, the Republican majority leader, the gentleman from Texas (Mr. ARMEY), said, in 1994, I would never have created Social Security. Earlier, when he was running for office, he said, You know, what we really need to do is just phase out Social Security over a period of time.

Let us look at the record. Today dozens of Republicans in this Congress are trying to privatize and change Social Security as we know it. Let us look at the record. A year ago Republicans said, trust us, senior citizens, we will never cut your Medicare. Ask hundreds of thousands of seniors who have been kicked out of home health care programs under Medicare because of their language in their budget bill. Ask them if they kept that promise.

Let us look at the record. Just a few months ago, it is stealing to take money from the highway trust fund. Today they say it is not really stealing when you take money from Social Security.

That is why seniors do not trust Republicans to protect their Social Security.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. BONIOR), our distinguished Democratic whip.

Mr. BONIOR. Mr. Speaker, this tax bill is a raid on the Social Security trust fund. It is nothing less. I would call it a sneak attack, but what is happening here is so blatant, we cannot call it a sneak attack.

This tax bill spends the retirement savings of hard-working Americans. It squanders the progress America has made in balancing its books. After years of talking about fiscal responsibility, the Republicans come here, and they are rushing to spend the surplus that does not even exist. They are taking $177 billion from Social Security, and they are handing it out in an election year giveaway.

The crazy thing is, the money that they are giving away has not even been collected yet. That is irresponsible.

A lot of people have called it irresponsible across the political spectrum. The nonpartisan Concord Coalition says, The election year temptation to use Social Security surpluses for other purposes will lead to a dangerous breakdown in fiscal discipline.

The conservative Cato Institute, which my colleagues on this side of the aisle bow to on a regular basis, they said, We ought to wall off Social Security to prevent the continued thievery, that is their word, thievery from the trust fund.

The Secretary of the Treasury, Robert Rubin, warns that abandoning fiscal discipline now could destabilize the global economy.

The Speaker got up on the floor and made this great big speech about destabilizing the global economy. Here they are, raiding $177 billion out of the trust fund, putting us back in the same fiscal mess that we got into in the early 1980s and could not get out of until we elected a President and a Congress who were

willing to do something about it in 1993.

I want to be very clear: The Democrats support a tax cut. But the American people have been very clear as well: Save Social Security first. Trading away Americans' retirement security for short-term tax cuts makes about as much sense as ripping a hole in the bottom of your canoe right before you hit the rapids.

We should not be surprised at this Republican plan to eliminate Social Security. As the majority leader, the gentleman from Texas, said when he first ran on a platform of eliminating Social Security, he called it, and I quote, a rotten trick on the American people. The Speaker apparently shares his views. In a newsletter that he put out entitled, this is a Progress and Freedom Foundation newsletter, it said, For freedom's sake, eliminate Social Security.

That is where their leadership comes from. Maybe that is why they are so willing to spend Social Security trust funds before the money even comes in.

They are dead wrong. There is no surplus to spend. We have an obligation to honor our commitment to America's families and save Social Security first.

Mr. ARCHER. Mr. Speaker, may I inquire as to what time remains?

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from Texas (Mr. ARCHER) has 7½ minutes remaining, and the gentleman from New York (Mr. RANGEL) has 8½ minutes remaining.

Mr. ARCHER. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. FORD).

Mr. FORD. Mr. Speaker, I rise in support of tax cuts but certainly not in support of this irresponsible plan that has been offered by some of my colleagues on the other side.

The money the Republicans plan to use to fund their tax bill is not their money, nor is it Democrats' money. For it was paid into the Social Security system through payroll contributions and should not be stolen away from that to fund other things, no matter how worthy they may be.

Already young people, many in my generation, doubt whether the trust fund will be there for them. By introducing a tax bill paid for by taking money away from Social Security, they are pitting old against young and sowing conflict between generations.

Democrats are interested in bringing people together across generations and social groups to work out a way to achieve long-term solvency for Social Security, for we agree with the Federal Reserve Chairman, Alan Greenspan, that the favored use for the surplus is not to spend it on domestic programs or tax cuts.

At a time in which we are facing volatility in our world financial markets, I would hope that the fiscal responsibility that Republicans purport to pervade their party would finally take hold and they would do the right thing.

Do not support the Archer tax plan. Support the Rangel substitute.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina (Mr. PRICE).

(Mr. PRICE of North Carolina asked and was given permission to revise and extend his remarks.)

Mr. PRICE of North Carolina. Mr. Speaker, I awoke this beautiful Saturday full of hope. By noon today we will be 107 hours away from the finish line I have been running toward, ever since I first came to the Congress. With the end of September, we will have achieved the first balanced budget since Lyndon Johnson was President.

Our achievement is imperfect, however. The unified budget is balanced only because of the surplus in the Social Security trust fund. And as we finish the race to this balanced budget, we begin another race with two finishes to cross: providing for the long-term solvency of Social Security and balancing the budget without including the Social Security trust fund.

The bill we are debating today, the ''Raid Social Security for an Election Eve Tax Cut Act,'' threatens these goals. The problem is not with the specific tax cuts but with using the Social Security trust fund surplus to pay for them.

These tax cuts are also contained in the Democratic substitute. I have cosponsored many of them. But they are paid for in that substitute, and they maintain the trust in the trust fund.

The Republican bill effectively repeals the cornerstone of budget balancing, the pay-as-you-go rule. It does so without even a fig leaf of a budget resolution. It is irresponsible.

The Democratic substitute gives us tax cuts, maintains budget accountability. Pass the Democratic substitute.

Mr. Speaker, I awoke this beautiful Saturday full of hope. By noon today, we will be 107 hours away from a finish line I have been running toward every day I have served in Congress. With the end of September, we will have achieved the first balanced budget since Lyndon Johnson was President.

Our achievement is imperfect. The unified budget is balanced only because of the surplus in the Social Security Trust Fund. As we finish the race to this balanced budget, we begin another race with two finishes to cross: providing the long-term solvency of the Social Security System and balancing the budget without including the Social Security surplus.

Our fiscal success is built on partisan and bipartisan achievement. The 1990 budget agreement put into place the cornerstone of our budgetary structure: the pay-as-you-go rules. If Congress or the President wants to add spending, it has to be paid for. If Congress or the President wants to cut taxes, it has to be paid for. Payment is either in spending cuts or tax increases. It was a bipartisan achievement, albeit one that our present House Republican leadership opposed.

The 1993 budget was a partisan fight, passed by one vote in both chambers. it produced declining deficits five years in a row, laid the groundwork for phenomenal economic growth, and brought us to the point last year that we could hardly imagine not finishing the job.

The 1997 budget agreement returned us to a bipartisan approach and accelerated the achievement of the goal now a little over 100 hours away.

The bill we are debating today, the Raid Social Security for an Election Eve Tax Cut Act, threatens these goals. The problem is not with the specific tax cuts but with using the Social Security Trust Fund surplus to pay for them. More than half of the tax cuts in this bill come from proposals I have cosponsored. I support relief for small savers, small businesses, family farmers, health insurance, senior citizens, the marriage penalty and extending the research and development tax credit. These tax cuts are also contained in the Democratic substitute, but there they are paid for, and they maintain the ''trust'' in the Trust Fund.

This Republican bill effectively repeals the cornerstone of budget balancing, the pay-as-you-go rule. It does so without even a fig leaf of a budget resolution, now more than five months past due. It hands our tax goodies as if they were Halloween candy, but the goody box it dips into is the Social Security Trust Fund.

As the race to the balanced budget comes out of the turn and heads to the finish, this Republican tax bill is a dangerous detour. It can take us off the track, and it could prevent us from staying the course. We need a responsible approach that pays for tax cuts, that keeps us on the track to finish the race to a balanced budget. We need an approach that keeps the budget rules in place and effective so that we can begin the race to solving the challenge of Social Security and balancing the budget without including the Social Security surplus. The only way to achieve our goal is to support the Democratic alternative. Let's not fall off the track when the finish line is so close.

Mr. ARCHER. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. HINCHEY).

Mr. HINCHEY. Mr. Speaker, we are for these tax cuts. In fact, virtually every one of these tax cuts was introduced by a Democrat. They were lifted from us in a transparently cynical gesture in an election year.

You know this bill is not going to pass. If you thought it were, then you would have a totally different piece of legislation out here.

The truth of the matter is, you have always hated Social Security, and you seek every opportunity to undermine it. That is what you are doing in this particular case by stealing money from the Social Security trust fund.

If you were in the private sector, heading a corporation, and you sought to steal money out of the pension fund of that private corporation, you would be locked up. And that is what ought to happen to you in this particular context. This is wrong. It is indecent. It runs counter to everything that this Congress has stood for, and you are doing what you are doing at the expense of present and future retirees.

You are not going to get away with it.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota (Mr. MINGE).

Mr. MINGE. Mr. Speaker, I thank the gentleman from New York for yielding time to me.

We have 2 weeks left in this legislative session. We should not be squandering our time on bills that we know are not going anywhere.

The trade bill, which I voted for last night, is not going anywhere, unfortunately. This tax cut bill is not going anywhere, on the other side of this building, on the other end of Pennsylvania Avenue.

In the meantime, the budget languishes. The appropriations bills languish. The trade initiatives that we could take languish. Funding for IMF languishes.

So what are we doing? We are using our time on a Saturday morning to add to the deficit, to handicap our ability to balance the budget, to handicap our ability to solve the Social Security financial woes, to violate the budget rules.

This reminds me of a juvenile exercise in my youth. As a 7th grader, I and my friends campaigned to be president of home room. We were told by our teacher we should have a platform. We said we wanted to cut taxes. It was just as relevant then as it is now. It was not going anywhere.

I campaigned to be president of our ''home room''. We were told by our teacher we should have a platform. We all pledged to cut taxes. As children we were echoing our parents table talk, but we were no more in touch with reality than the majority today. Indeed let's cut taxes—when we can do so without jeopardizing Social Security and our commitment to balance the budget.

Mr. ARCHER. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, although the tax cut last year, signed by the President, proclaimed by the President required more government borrowing, it did not raid or jeopardize Social Security.

Today, when we have a surplus of $60 billion instead of a deficit, last year, of $21 billion, we are clearly not in any way raiding Social Security or even touching any of the dollars that go into the Social Security trust fund. That is clear. Not one penny of Social Security money is involved in this tax relief.

Mr. Speaker, I am a conservative. Most people know that. I am conservative in most everything, but I am especially conservative when it comes to other people's money. I prepare my own taxes, I pay my own bills, and I have no personal debt.

I believe that left to their own, without government interference, red tape and excessive taxation, there is no problem the American people cannot solve. In the last 4 years the lives of the American people have improved because we are getting government off their backs. We balanced the budget, moved people from welfare to work, protected people from the IRS, and we cut taxes.

In short, we are downsizing the power of Washington and upsizing the power of individual Americans, helping them to help themselves.

But we must remember that we are only the government. We cannot solve all the problems of the people by taking tax dollars that are earned by one citizen and handing them to another citizen, and then believe that we have improved the lot of either.

For 40 years we tried that. It is called tax and spend. The time has come to admit that tax and spend has failed. It is time to reduce the size of government and let people keep their tax dollars. After all, the money belongs to them. Cutting taxes can never be ''a giveaway'' as the minority leader recently called it or ''squandering the surplus'' in the President's terminology, unless they believe that people's paychecks are government property, property for the government to give away.

□ 1115

Taxes are a takeaway. It is the government that takes. They take what workers make. It is not and never will be the other way around, at least not in America and not to Republicans.

Mr. Speaker, it is time to stop punishing those who work and earn. It is time to start helping the taxpayer so each one of them can keep more of what they earn.

It is clear from this debate that many of my Democrat friends are out of touch with overtaxed, mainstream America. It is clear that many are voting with their party leaders and against their farmers, ranchers, husbands, wives, senior citizens, local school districts and small business owners. While they claim they are for tax relief, their vote shows that their fingers remain stuck in the wallets of middle-income Americans, trying to take from one citizen to give to another. To my friends across the aisle, I really have a simple message: Let it go. Let it go. Let it go. We tried your way. For 40 years we squandered people's taxes and increased spending. Now it is our turn.

My friends, vote for your constituents, not your leadership. Show your independence. Say ''yes'' to families, to farmers and ranchers, to senior citizens, to small businesses and to the building of local schools. Vote for the taxpayer. Support our 90–10 plan. And at the same time we are committed to join with you to save Social Security.

Separately, Mr. Speaker, I would like to point out that the bill includes a temporary exception from current income inclusion under subpart F of the tax code for certain income earned abroad by dealers in securities. The committee report states: ''It is intended that the dealer exception not apply to income from transactions with persons located in the United States with respect to U.S. securities.'' The report language reflects the Committee's understanding that the exception from current inclusion for income earned by dealers in securities does not apply to activities that would otherwise be conducted in the United States.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Virginia (Mr. MORAN).

Mr. MORAN of Virginia. Mr. Speaker, the critical vote on this issue occurred yesterday with the rule, because what we did was to vote to break our own budget rules. It is those budget rules that enabled us to achieve a balanced budget, to turn a projected $300 billion deficit into a balanced budget. We did that because we did not want to be controlled by those rules as responsible as they are. We said that we are not going to pay for this tax cut by reducing spending or by taking it out of the general fund, we are going to take it from the Social Security trust fund.

But by breaking those rules, we have also broken intergenerational legacy, where every generation of Americans has inherited a better standard of living from their parents than the prior generation. Yet we are going to pass on to our children's generation $5.5 trillion of debt and an insurmountable Social Security burden, a generational deficit.

When I was born, there were 20 workers for every retiree. When I die there will be two. That is not fair. Let us not be so selfish.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Florida (Mrs. THURMAN) from the Committee on Ways and Means.

Mrs. THURMAN. Mr. Speaker, I have heard a lot about yesterday and what happened and what is going on. But as a teacher, as a mother and someone who listened to their parents, I was told, ''Learn from your mistakes.''

Mr. Speaker, I want to thank the gentleman from Texas (Mr. ARCHER) for reminding the American people that this Congress last year gave tax breaks to the country, gave it to hard-working families, gave it to the farmers, gave it to the teachers, gave it to people with children. That is what you gave us last year. All we are saying is this year, please, please remember what Mr. Greenspan said, that if we protect this surplus and help pay down the national debt, we could in fact produce lower interest rates. That is for mortgage payments, that is for car payments, that is for credit card payments. He said spending this surplus would be the worst outcome.

Please just vote ''no.''

Mr. RANGEL. Mr. Speaker, I yield the balance of my time to the gentleman from Missouri (Mr. GEPHARDT) our Democratic leader.

Mr. GEPHARDT. Mr. Speaker, the decision that we make today is a decision that every American would understand. In our lives, in our families, we all face fundamental decisions. Often

those decisions are financial decisions. We have to decide whether or not to have instant gratification and buy something that we would like to have right now, or whether to save funds in our family for retirement or for a rainy day fund or for the future so that we do the responsible thing for our families and our future. It really is the kind of decision that we are making today as a national family. We are deciding whether we want very desirable tax cuts, which the American people want and which we want, or whether we should wait on that decision until we are sure that our pension funds in Social Security are safe and secure and adequate to take care of the baby boomers which will be soon coming and wanting their pension from Social Security. I urge my colleagues to vote for the Democratic substitute that will truly save the surplus for Social Security first.

Yesterday Republicans voted against a Democratic proposal to save all of the surplus for the Social Security trust fund. They said, 90 percent is good enough. 100 percent would be better, but 90 percent is good enough. I believe that was a wrong decision.

Today they are raiding the surplus with ill-timed tax cuts. Once again they show their disregard for the long-term financial integrity of the most important program to the lives of every American. Our substitute will make sure, certain, positive, that fiscal responsibility is more than empty phrases and empty words.

We support cutting taxes. We believe the American people deserve a tax cut. But it is more important to save every penny of the surplus until we find a way to pay for those tax cuts. It is a basic principle: Pay as you go; pay as you go. It says tax cuts funded out of the surplus must wait, must simply wait until Congress shores up the Social Security system so they can pay the benefits that baby boomers have earned by paying payroll taxes into the Social Security trust fund. It says ''yes'' to tax cuts to working families but makes sure that we do not wreck Social Security in the process.

Democrats support tax cuts for working families. Speaker Gingrich and Chairman Archer have borrowed from Democratic tax relief proposals in writing this bill. We congratulate them for that. The only problem is that they forgot to include the bipartisan fiscal discipline that we wrote into the budget in their zeal to give the Republican Party a campaign issue in the November elections.

This is an election-year tax cut. Unfortunately, their message to the American voter is the election is more important to the Republican Party than saving Social Security for future generations. We refuse to support Republican efforts to spend the Social Security trust funds that working families one day will have to rely on for their retirement, as the foundation of their retirement.

The Republicans are taking $80 billion from the surplus and try to say that, ''Well, it's no big deal. It's not that much money.'' The party that refused to cast a single vote to put the Federal budget in surplus for the first time in a generation is now so impressed, in fact so giddy with election-year politics, they have decided to spend surplus money that really should stay in the Social Security trust fund. I think it is irresponsible. The surplus is just an upward line on a bar graph. It shows a unified budget in surplus but a non-Social Security budget projected in deficit for at least the next six years. The truth is we do not have a surplus if we take into account what should be in the Social Security trust fund.

I am from Missouri. We have a saying in Missouri: Show me. Show me the trust fund. And what people in America want today is to be shown that we have learned as a national family to be responsible, to do the right thing for them and their future.

This is a fundamental decision we have to make today. We are trustees of the most important program for the future of families in this country. I keep hearing Social Security is failed, that it will not be there. When I talk to my young constituents, they say, ''I'm paying this tax, but it's never going to be there.'' What cynicism we bring when we do things like this when we have a chance to regain the confidence of the people that the hard-earned money they put into this trust fund is going to be there.

Do not give in to cynicism today and irresponsibility and instant gratification and election-year politics. Do what is right for the future of this country. Let us regain the confidence of our people that we know how to be trustees of this system. Vote for the Democratic substitute, vote for a tax cut when we can afford to do it, and say we have kept faith with Social Security.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. STEARNS).

(Mr. STEARNS asked and was given permission to revise and extend his remarks.)

Mr. STEARNS. Mr. Speaker, I rise in support of the Archer bill and against the Rangel amendment. We are talking about .0086 percent of the budget. That is very little amount of money for a tax cut.

Now lets eliminate the accusations of ''raiding'' the social security trust fund. President Johnson and the Democratic Congress first unified the budget, making the Trust Fund part of the general revenue.

The Democratic alternative would delay this important tax relief. Of course, this delay does not apply to tax incentives that are favored by the Democrats—in other words, spending on Title IV, to which their trigger does not apply. We want to provide as much educational, senior citizen, farming, and marriage penalty tax relief as we can. Let's get serious . . . this tax relief is $16 billion a year or $80 billion over 5 years or .0086 of the yearly budget.

Americans deserve a break—let's defeat the Rangel Amendment.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan (Mr. KNOLLENBERG).

(Mr. KNOLLENBERG asked and was given permission to revise and extend his remarks.)

Mr. KNOLLENBERG. Mr. Speaker, I rise in full support of the Archer underlying bill and oppose the substitute.

Mr. ARCHER. Mr. Speaker, I yield the balance of my time to the gentleman from Georgia (Mr. GINGRICH), the Speaker of the House of Representatives.

Mr. GINGRICH. Mr. Speaker, I thank the gentleman from Texas for yielding me this time.

Let me say first of all that I am proud that the United States House is busy at work legislating. We are not in California at a fund-raiser. We are not in Texas at a fund-raiser. We are here in Washington working on the people's business.

Let me say to my friends, in 1994, when you finished 40 years of controlling the House, the projected deficit for the next 11 years was $3.1 trillion and in 40 years the amount of money you had set aside for Social Security was zero. Not a dollar. Three and a half short years later, we now have a projected $1.6 trillion surplus and we are setting aside over $1 trillion for Social Security. So being lectured by the people who had done nothing about who is trying to save Social Security is a historic anomaly.

You know full well that the surplus is more than enough for Social Security, because on September 15 Democrats in this House voted 176–1 to spend part of the surplus on government programs.

And you know full well that the Clinton administration has sent up $13 billion of additional government spending out of the surplus which you support.

So the fact is, liberal Democrats say, if it is government spending take it out of the surplus, but now if it is for the taxpayers, that would be dangerous.

Democrats say if it is for Bosnia, take it out of the surplus, but if it is for Baltimore and Boise, that would be dangerous.

Democrats say if it is to fix Y2K computers in the government, take it out of the surplus, but now if it is to let small business actually buy a computer, that would be dangerous.

Let us be clear what is at stake here. We believe there is a surplus because the hard-working American people are paying more in taxes than the government is spending. Our liberal friends believe the answer is to raise government spending to catch up with the taxes. We believe lower taxes so we get the money back home.

Consider what we are trying to do. We have already pledged to save Social Security. We have already set aside over $1 trillion. The Deputy Commissioner of Social Security of the Clinton

administration said, quote, as a result of the tax bill being considered, there will not be any impact on the moneys in the Social Security trust fund. That is what she said. The Clinton administration has said that this has nothing to do with Social Security. This has to do with some simple things.

Do you believe in the middle of a drought, in the middle of price problems for farmers that we ought to have tax relief for farmers?

Do you believe we ought to have income-averaging for farmers?

Do you believe we ought to raise the earning limits for senior citizens so they can work without penalty?

Do you believe we ought to reduce the marriage penalty?

Do you believe we ought to cut the death tax for small business and family farms?

Do you believe we ought to help local school boards keep their own bond money so they can build their own schools without going to Washington?

□ 1130

Do you think we ought to extend 100 percent deductibility to small business to have the same chance to buy health insurance as giant corporations?

Do you think we ought to eliminate any tax on the first $200 in interest and dividends?

That is what is at stake here. We are returning to the American people their own money, and we are doing so as the people who created the first surplus in a generation and the first projected decade of surpluses since the 1920s. We will keep our word and pass a bill next year to save Social Security. This year, let us try to keep the American economy growing, despite worldwide economic problems, by cutting taxes and returning money to the American people.

I challenge any of my liberal friends, if you vote ''no'' on returning money to the American people, then do not turn around and take money and spend it on bigger and bigger government. But you know in your heart you are going to vote for the bigger government, so why not give the American people a chance to have at least some of that money in their own family.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise to speak on behalf of this substitute amendment to H.R. 4579, sponsored by Congressman RANGEL. I support this substitute, because it is necessary to protect the financial well-being of hard-working Americans.

We Democrats are no strangers to tax cuts. Many of us, in fact, voted for tax cuts last year. In fact, the final passage of the Taxpayer Relief Act of 1997 was done with a great deal of bipartisan support. One hundred and sixty-four Democrats voted in favor of that bill, including myself. I am especially proud of the $500 Child Tax Credit for low-income families that the bill contained, which came about as a result of some very hard-work by the Democratic Members of this House.

I, personally, am also not a stranger to taxpayer relief. I sponsored legislation that would have eliminated the marriage penalty, established a commission to simply the tax code, required the Internal Revenue Service to use alternative dispute resolution (ADR) to settle claims, and prohibited certain types of discrimination by IRS officers and employees. Yet the Republicans would have the American public believe that we do not want tax cuts of any sort. They could not be more wrong.

This substitute is significantly better than the unamended version of H.R. 4578 because it holds the door open for the exact same tax cuts that the Republicans are championing, but only after we are assured that the Social Security Trust Fund will be there for the people of America who currently pay into the Social Security system. So as you hear the Republicans clamoring about their targeted tax cuts for families and small business, remember that you get the same from the Democrats.

Both the bill and the Democratic substitute contain provisions that address the marriage penalty, small savers, and farm relief. Both give tax relief to small business owners and beneficiaries of estates. Both assist taxpayers that are themselves on Social Security or self-employed. The truth is, that Democrats give the taxpayers no less than Republicans. In fact, we give more—we save Social Security as well.

The difference between these two competing versions of H.R. 4578 represents the fundamental difference in the way that Members of Congress view this ''budget surplus''. While the supporters of the reported version of H.R. 4579 believe that this is a true surplus that we can take money out of, the substitute speaks for the Members who see those funds as debt, owed to the people who have paid into the system throughout their working careers.

There are strong and reliable indications that without the Social Security surplus, a real budget surplus would not exist until the year 2006. According to the CBO, the budget surpluses over the next five years amount to $520 billion. If you leave the surplus from Social Security out of that equation, the budget instead runs a deficit of $137 billion. A deficit!

We owe this money to the people who have paid into this system. Last month I held a series of town hall meetings. Although the meetings were all held in different neighborhoods, with people of different races, and backgrounds, with people from different financial strata, and with people of all age groups, at each of the meetings there was a clear consensus that Social Security must be saved. It must be saved for them, not out of the generosity of our hearts, but because we owe them their money. It is theirs!

This substitute does more than just save the budget surplus for Social Security. It puts the money where it will be safe—by transferring it to the Federal Reserve Bank of New York to be held in trust. It is, in effect, a ''lock box'' which cannot be reached by politicians here in Congress. Under the substitute, Congress would have to default on publicly traded debt instruments before it could default on its Social Security payments. With the state of things of today, that is about as safe as you can get.

This substitute to H.R. 4578 is being made for the sake of fiscal responsibility. It simply acknowledges that we ought not to spend money that we do not have. We all know that early next century, when the Social Security tab arrives bearing the names of the baby boomers that have participated in this program, we will have to pay. If you think that the American public has a lack of respect for government now, how do you think they will feel when we shortchange them after 20 or 30 years of hard work? Let me remind all of you, we owe the American people well over $5 trillion in already-collected funds.

I implore all of you to support this substitute because it protects the statutory rights of millions of people around the country. I also warn those who plan to oppose it, because their votes will send a message to the hard-working people of this country, not only that they play election-year politics, but also that they play politics with their constituents' money!

I would also like to remind all of you that the substitute will be the only way that we get any tax cuts this year. The Administration strongly opposes the unamended version of H.R. 4579, and will veto it. They oppose it because it ''drain[s] billions out of projected surpluses . . . and violates the President's unwavering commitment to save Social Security first. None of the surpluses should be touched until the long-term solvency of Social Security has been fully secured.'' This substitute surely meets those requirements, as it requires assurances that Social Security, is indeed safe before any tax cuts go into effect.

I urge you all to vote for this substitute. We owe it to all of the people of this country who have lived up to their part of the Social Security bargain by dutifully paying into the system with their every hard-earned paycheck.

Mr. CUMMINGS. Mr. Speaker, I rise today in support of the amendment offered by my friend and colleague, CHARLIE RANGEL, and in opposition to a raid on the Social Security Trust Fund in the form of a fool-hardy tax bill.

This body can and has agreed on many, if not all, of the tax relief provisions included in this bill.

Unfortunately, we are not in a position to discuss those provisions today because, quite simply, we can not pay for them.

Mr. Speaker, there are no budget surpluses projected for at least the next five years.

What there is is the Social Security Trust Fund which the people of the United States have entrusted to the Congress so that we can continue to guarantee the solvency of the Social Security system.

It is fool-hardy, irresponsible and dangerous to use this money for tax cuts.

Mr. Speaker, I want to provide the American people tax relief. My wish list for my constituents is a long one. Unfortunately, we in this body have fiscal responsibilities.

We need to be disciplined. We can not act simply off of wish lists. We must act based on fiscal realities.

We need to be conservative with the American people's money and we need to ensure that the Social Security system is there for our children and for our grandchildren as it has been there for us. We can do this, as long as we leave the Social Security Trust Fund alone.

Therefore, Mr. Speaker, I support the Rangel Substitute because it provides tax relief only after we have guaranteed the solvency of the Social Security system.

The SPEAKER pro tempore (Mr. THORNBERRY). The question is on the amendment in the nature of a substitute offered by the gentleman from New York (Mr. RANGEL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. RANGEL. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 197, noes 227, not voting 11, as follows:

[Roll No. 468]

AYES—197

Abercrombie
Ackerman
Allen
Andrews
Baesler
Baldacci
Barcia
Barrett (WI)
Becerra
Bentsen
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (CA)
Brown (FL)
Brown (OH)
Capps
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Fazio
Filner
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Gordon
Green
Gutierrez
Hall (OH)
Hall (TX)
Harman
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Luther
Maloney (NY)
Manton
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHale
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller (CA)
Minge
Mink
Moakley
Mollohan
Moran (VA)
Murtha
Nadler
Neal
Oberstar
Obey
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pickett
Pomeroy
Poshard
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sanchez
Sanders
Sandlin
Sawyer
Schumer
Scott
Serrano
Sherman
Sisisky
Skaggs
Skelton
Slaughter
Smith, Adam
Snyder
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Tanner
Thompson
Thurman
Tierney
Torres
Towns
Traficant
Turner
Velazquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Wexler
Weygand
Wise
Woolsey
Wynn
Yates

NOES—227

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Bryant
Bunning
Burr
Buyer
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Christensen
Coble
Collins
Combest
Cook
Cooksey
Cox
Crane
Crapo
Cubin
Cunningham
Davis (VA)
Deal
DeLay
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Foley
Forbes
Fossella
Fox
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gingrich
Goode
Goodlatte
Goodling
Graham
Granger
Greenwood
Gutknecht
Hamilton
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jenkins
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
King (NY)
Kingston
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lucas
Maloney (CT)
Manzullo
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Moran (KS)
Morella
Myrick
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Oxley
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Quinn
Radanovich
Ramstad
Redmond
Regula
Riggs
Riley
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Sabo
Salmon
Sanford
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Shimkus
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Stearns
Stump
Sununu
Talent
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—11

Berman
Burton
Callahan
Coburn
Fowler
Furse
Goss
Olver
Pryce (OH)
Saxton
Taylor (MS)

□ 1151

The Clerk announced the following pairs:

On this vote:

Mr. Taylor of Mississippi for, with Mr. Callahan against.

Mr. Olver for, with Mrs. Fowler against.

Mr. Berman for, with Mr. Burton against.

Messrs. GOODLATTE, SMITH of Michigan, HILLEARY, LAZIO of New York and ROGAN and Mrs. CHENOWETH changed their vote from ''aye'' to ''no.''

Mr. OWENS changed his vote from ''no'' to ''aye.''

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. THORNBERRY). Pursuant to House Resolution 552, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. RANGEL. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 229, noes 195, not voting 11, as follows:

[Roll No. 469]

AYES—229

Archer
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bishop
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Boswell
Brady (TX)
Bryant
Bunning
Burr
Buyer
Calvert
Camp
Campbell
Canady
Cannon
Capps
Chabot
Chambliss
Christensen
Coble
Collins
Combest
Condit
Cook
Cooksey
Cox
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Davis (VA)
Deal
DeLay
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
English
Ensign
Everett
Ewing
Fawell
Foley
Forbes
Fossella
Fox
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gingrich
Goode
Goodlatte
Goodling
Gordon
Graham
Granger
Greenwood
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hilleary
Hobson
Hoekstra
Hooley
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jenkins
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kennelly
Kim
King (NY)
Kingston
Klug
Knollenberg
Kolbe
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lucas
Maloney (CT)
Manzullo
McCarthy (NY)
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Moran (KS)
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Oxley
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Quinn
Radanovich
Ramstad
Redmond
Regula
Riggs
Riley
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sandlin
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Snowbarger
Solomon
Souder
Spence
Stearns
Stump
Sununu
Talent
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Turner
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOES—195

Abercrombie	Hall (TX)	Neal
Ackerman	Hamilton	Neumann
Aderholt	Hastings (FL)	Oberstar
Allen	Hefner	Obey
Andrews	Hill	Ortiz
Baesler	Hilliard	Owens
Baldacci	Hinchey	Pallone
Barrett (WI)	Hinojosa	Pascrell
Becerra	Holden	Pastor
Bentsen	Hoyer	Payne
Berry	Jackson (IL)	Pelosi
Blagojevich	Jackson-Lee (TX)	Peterson (MN)
Blumenauer	Jefferson	Pickett
Bonior	John	Pomeroy
Borski	Johnson (WI)	Poshard
Boucher	Johnson, E.B.	Price (NC)
Boyd	Kanjorski	Rahall
Brady (PA)	Kaptur	Rangel
Brown (CA)	Kennedy (MA)	Reyes
Brown (FL)	Kennedy (RI)	Rivers
Brown (OH)	Kildee	Rodriguez
Cardin	Kilpatrick	Rothman
Carson	Kind (WI)	Roybal-Allard
Castle	Kleczka	Rush
Chenoweth	Klink	Sabo
Clay	Kucinich	Sanchez
Clayton	LaFalce	Sanders
Clement	LaHood	Sanford
Clyburn	Lampson	Sawyer
Conyers	Lantos	Schumer
Costello	Lee	Scott
Coyne	Levin	Serrano
Cummings	Lewis (GA)	Sisisky
Davis (FL)	Lipinski	Skaggs
Davis (IL)	Lofgren	Skelton
DeFazio	Lowey	Slaughter
DeGette	Luther	Smith, Adam
Delahunt	Maloney (NY)	Smith, Linda
DeLauro	Manton	Snyder
Deutsch	Markey	Spratt
Dicks	Martinez	Stabenow
Dingell	Mascara	Stark
Dixon	Matsui	Stenholm
Doggett	McCarthy (MO)	Stokes
Dooley	McDermott	Strickland
Doyle	McGovern	Stupak
Edwards	McHale	Tanner
Emerson	McIntyre	Thompson
Engel	McKinney	Thurman
Eshoo	McNulty	Tierney
Etheridge	Meehan	Torres
Evans	Meek (FL)	Towns
Farr	Meeks (NY)	Traficant
Fattah	Menendez	Velazquez
Fazio	Millender-McDonald	Vento
Filner	Miller (CA)	Visclosky
Ford	Minge	Waters
Frank (MA)	Mink	Watt (NC)
Frost	Moakley	Waxman
Gejdenson	Mollohan	Wexler
Gephardt	Moran (VA)	Weygand
Gonzalez	Morella	Wise
Green	Murtha	Woolsey
Gutierrez	Nadler	Wynn
Gutknecht		Yates
Hall (OH)		

NOT VOTING—11

Berman	Fowler	Pryce (OH)
Burton	Furse	Saxton
Callahan	Goss	Taylor (MS)
Coburn	Olver	

□ 1212

The Clerk announced the following pairs:

On this vote:

Mr. Callahan for, with Mr. Taylor of Mississippi against.

Mrs. Fowler for, with Mr. Olver against.

Mr. Burton for, with Mr. Berman against.

Mr. Porter changed his vote from ''no'' to ''aye.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Pursuant to secton 3 of House Resolution 552, the title of H.R. 4579 is amended so as to read:

''A bill to provide tax relief for individuals, families, and farming and other small businesses, to provide tax incentives for education, to extend certain expiring provisions, and for other purposes, and to amend the Social Security Act to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds.''

Pursuant to section 3 of House Resolution 552, the text of H.R. 4578 will be appended to the engrossment of H.R. 4579, and H.R.4578 will be laid on the table.

LEGISLATIVE PROGRAM

(Mr. FAZIO of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FAZIO of California. Mr. Speaker, I would inquire of the majority leader regarding next week's schedule.

Mr. ARMEY. Mr. Speaker, will the gentleman yield?

Mr. FAZIO of California. I yield to the gentleman from Texas.

Mr. ARMEY. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I am proud to say that we have completed legislative business for the week.

On Monday the House will consider a number of bills under suspension of the rules, a list of which will be distributed to Members' offices today.

After suspensions, the House will take up the conference reports for H.R. 4103, the Department of Defense Appropriations Act; H.R. 4060, the Energy and Water Development Appropriations Act; and H.R. 6, the Higher Education Amendments of 1998.

□ 1215

On Tuesday, September 29, the House will meet at 9 a.m. for Morning Hour, and 10 o'clock a.m. for legislative business. We hope to consider the conference reports for H.R. 4101, the Agriculture Appropriations Act.

Mr. Speaker, we will conclude business and votes by noon on Tuesday, September 29, so Members can observe the Jewish holiday. We will not have any votes on Wednesday, September 30, and the House will return on Thursday October 1 at 2 o'clock p.m. We do not expect any recorded votes before 5 o'clock on Thursday, October 1.

On Thursday, October, 1 and Friday, October 2, the House will consider H.R. 4570, the Omnibus National Parks and Public Lands Act. We hope to have the conference report on H.R. 4104, the Treasury Appropriations Act, available next week. Of course, we may consider any other conference reports that become available.

We should conclude legislative business for the week next week by 6 o'clock on Friday, October 2. And I want to thank the gentleman for yielding me this time.

Mr. FAZIO of California. Mr. Speaker, reclaiming my time, I would inquire of the gentleman, the workload looks kind of light for Thursday evening and Friday. Is it possible that we would not be required to be here until 6:00 on Friday, given the fact that we may have only one bill as currently scheduled, a conference report at that, for an hour?

Mr. ARMEY. Mr. Speaker, if the gentleman would continue to yield, I thank the gentleman for his interest. As the gentleman knows at this time, depending on what conference reports are available and what work is available and, for example, on a day such as Friday, depending on what agreements we can reach with respect to beginning early and so forth, we would obviously try to, as the week proceeds, get a read on that and report to the Members as quickly as possible and if at all, conclude earlier on Friday, if we have the latitude in our work schedule to do so.

Mr. FAZIO of California. Mr. Speaker, a number of Members have asked me if we still expect the House to complete this session and adjourn on October 9, or if there is possibility of going another 3 or 4 days perhaps? It looks like we are running into some problems getting all the appropriation bills passed.

Mr. ARMEY. Mr. Speaker, I appreciate the gentleman yielding to me again. As we did a continuing resolution, signed yesterday by the President, we were aware of the fact that the Monday following October 9, I believe, was Columbus Day. As has been the case for as long as I can remember, when we schedule the end of the session adjournment for a Friday, like October 9, it is implied I think ''some time that weekend.''

But, yes, we do anticipate that we will be able to complete that work and be ready to go. And I may mention that in bicameral discussions with the other body, they too are very confident that we will complete by that weekend.

Mr. FAZIO of California. Mr. Speaker, reclaiming my time, I had one other question. As we get closer to the time the session comes to an end, and the election is not too far beyond that, is it possible we will take another crack at fast track before the session is ended?

Mr. ARMEY. Well, I want to thank the gentleman for that inquiry. I expect perhaps not. Unless the gentleman from California is making this a request. We could at least entertain it on his behalf.

Mr. FAZIO of California. I was merely wondering what the strategy was to improve our performance on this issue.

REQUIRE FEDERAL AGENCIES TO OBEY ENVIRONMENTAL LAW THEY ENFORCE ON OTHERS

(Mr. NORWOOD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NORWOOD. Mr. Speaker, whatever happened to user-friendly bureaucrats, if there were any?

Clear dangerous underbrush from the public area between your house and Thurmond Lake that resulted from a