

106TH CONGRESS  
1ST SESSION

# H. R. 2574

To amend the Internal Revenue Code of 1986 to provide comprehensive tax relief for American families and businesses to encourage family stability, economic growth, and tax simplification.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1999

Mr. MALONEY of Connecticut (for himself, Mr. ROEMER, Mr. DOOLEY of California, Mr. SMITH of Washington, Mr. WEYGAND, Mr. SHERMAN, Ms. HOOLEY of Oregon, Ms. STABENOW, Mr. ETHERIDGE, Mr. GONZALEZ, Mr. MOORE, AND Mr. STUPAK) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide comprehensive tax relief for American families and businesses to encourage family stability, economic growth, and tax simplification.

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

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Pro-Family, Pro-Growth, Pro-Reform Tax Reduction Act  
6 of 1999”.

7 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

#### TITLE I—CAPITAL GAINS

Sec. 101. Repeal of application of alternative minimum tax to stock transferred pursuant to incentive stock options.

#### TITLE II—EDUCATION

Sec. 201. Extension of exclusion for employer-provided educational assistance; exclusion to apply to assistance provided for graduate education.

Sec. 202. Employer-provided workplace literacy tax credit.

Sec. 203. Credit for information technology training program expenses.

Sec. 204. Teacher Technology Access Act.

Sec. 205. Teacher Technology Training Act.

Sec. 206. Increase in Hope and Lifetime Learning tax credits.

Sec. 207. Tax treatment of student loan forgiveness.

Sec. 208. Exclusion of certain amounts received under the national health service corps scholarship program, the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program, and certain other programs.

Sec. 209. Elimination of 60-month limit on student loan interest deduction.

Sec. 210. Credit for school construction bonds in high-growth areas.

Sec. 211. Credit for school modernization bonds in distressed areas.

#### TITLE III—EMPLOYMENT

Sec. 301. Extension of Work Opportunity Credit and Welfare-to-Work credit.

#### TITLE IV—ENERGY

Sec. 401. Credit for certain energy-efficient property used in business.

Sec. 402. Extension of credit for qualified electric vehicles.

Sec. 403. Modifications to credit for electricity produced from certain renewable resources.

Sec. 404. Credit for certain nonbusiness energy property.

Sec. 405. Extension of wind and biomass tax credit.

Sec. 406. Kerosene Tax Equalizer Act.

#### TITLE V—ENVIRONMENT

Sec. 501. Better America Bonds tax credit.

Sec. 502. Permanent extension of brownfields tax deduction at 100 percent.

Sec. 503. Restoration of deduction for demolition of certain structures.

Sec. 504. Increase in land donation tax deduction from 30 percent to 50 percent.

Sec. 505. Temporary suspension of maximum amount of amortizable reforestation expenditures.

#### TITLE VI—ESTATE TAX REDUCTION

Sec. 601. Repeal of limitation on estate tax deduction for family-owned business interests.

Sec. 602. Unified credit increased by unused unified credit of predeceased spouse.

#### TITLE VII—FAMILY ENHANCEMENT

- Sec. 701. Nonrefundable personal credits allowed against alternative minimum tax.
- Sec. 702. Elimination of marriage penalty in standard deduction.
- Sec. 703. Expansion of dependent care tax credit.
- Sec. 704. Employer-provided child care services.

#### TITLE VIII—HEALTH CARE

- Sec. 801. Credit for taxpayers with long-term care needs.
- Sec. 802. Credit for employer health care costs.
- Sec. 803. Emergency Medical Services Enhancement Act.
- Sec. 804. Deduction for health insurance costs for self-employed individuals.

#### TITLE IX—HOUSING

- Sec. 901. Extension of first-time District of Columbia home buyer tax credit.
- Sec. 902. Increase in State ceiling in low-income housing tax credit.

#### TITLE X—RESEARCH AND BUSINESS

- Sec. 1001. Increase in expense treatment for small businesses.
- Sec. 1002. Medical innovation tax credit.
- Sec. 1003. Permanent extension of research credit.

#### TITLE XI—RETIREMENT SECURITY

- Sec. 1101. Adjustment in monthly exempt amount for purposes of the social security earnings test.
- Sec. 1102. Small business credit for pension plan start-up costs.
- Sec. 1103. Increase in taxpayer IRA contributions.

#### TITLE XII—NATIONAL COMMISSION ON TAX SIMPLIFICATION AND REFORM

- Sec. 1201. Establishment.
- Sec. 1202. Functions.
- Sec. 1203. Administration.
- Sec. 1204. General.

#### TITLE XIII—AMOUNT OF REVENUES RESERVED FOR SOCIAL SECURITY AND MEDICARE

- Sec. 1301. Amount of revenues reserved for Social Security and Medicare.

1           **TITLE I—CAPITAL GAINS**

2   **SEC. 101. REPEAL OF APPLICATION OF ALTERNATIVE MIN-**

3                   **IMUM TAX TO STOCK TRANSFERRED PURSU-**

4                   **ANT TO INCENTIVE STOCK OPTIONS.**

5           (a) IN GENERAL.—Subsection (b) of section 56 of the

6 Internal Revenue Code of 1986 (relating to adjustments

1 in computing alternative minimum taxable income) is  
 2 amended by striking paragraph (3).

3 (b) **EFFECTIVE DATE.**—The amendment made by  
 4 subsection (a) shall apply with respect to options exercised  
 5 after December 31, 1999.

## 6 **TITLE II—EDUCATION**

### 7 **SEC. 201. EXTENSION OF EXCLUSION FOR EMPLOYER-PRO-** 8 **VIDED EDUCATIONAL ASSISTANCE; EXCLU-** 9 **SION TO APPLY TO ASSISTANCE PROVIDED** 10 **FOR GRADUATE EDUCATION.**

11 (a) **EXTENSION.**—Subsection (d) of section 127 of  
 12 the Internal Revenue Code of 1986 is hereby repealed.

13 (b) **EXCLUSION TO APPLY TO GRADUATE STU-**  
 14 **DENTS.**—The last sentence of section 127(c)(1) of such  
 15 Code is amended by striking “hobbies” and all that follows  
 16 and inserting “hobbies.”

17 (c) **EFFECTIVE DATE.**—The amendments made by  
 18 this section shall apply to courses beginning after June  
 19 30, 1999.

### 20 **SEC. 202. EMPLOYER-PROVIDED WORKPLACE LITERACY** 21 **TAX CREDIT.**

22 (a) **GENERAL RULE.**—Subpart D of part IV of sub-  
 23 chapter A of chapter 1 of the Internal Revenue Code of  
 24 1986 (relating to business related credits) is amended by  
 25 adding at the end thereof the following new section:

1 **“SEC. 45D. EXPENDITURES TO PROVIDE LANGUAGE TRAIN-**  
2 **ING TO EMPLOYEES.**

3 “(a) GENERAL RULE.—For purposes of section 38,  
4 the amount of the language training credit determined  
5 under this section for the taxable year is 10 percent of  
6 the qualified language training expenses paid or incurred  
7 by the taxpayer during the taxable year.

8 “(b) DOLLAR LIMIT PER EMPLOYEE.—The max-  
9 imum credit determined under this section with respect  
10 to each employee shall not exceed \$525.

11 “(c) QUALIFIED LANGUAGE TRAINING EXPENSES.—  
12 For purposes of this section—

13 “(1) IN GENERAL.—Except as otherwise pro-  
14 vided in this subsection, the term ‘qualified language  
15 training expenses’ means—

16 “(A) amounts paid or incurred by the tax-  
17 payer with respect to expenses incurred by or  
18 on behalf of an employee for qualified language  
19 training of such employee (including but not  
20 limited to tuition, fees, and similar payments,  
21 books and supplies), and

22 “(B) the following expenses paid or in-  
23 curred by the taxpayer—

24 “(i) wages (as defined in section  
25 41(b)(2)(D)) paid or incurred by the tax-  
26 payer to an employee for services con-

1           sisting of providing qualified language  
2           training to employees of the taxpayer, and  
3           “(ii) expenses of books and supplies  
4           used in connection with the provision of  
5           such training,

6           but only if such expenses are incurred pursuant to  
7           a program which meets the requirements of para-  
8           graphs (2) and (3) of section 127.

9           “(2) ONLY DOMESTIC EMPLOYMENT QUALI-  
10          FIED.—Amounts may be taken into account under  
11          paragraph (1) with respect to any employee receiv-  
12          ing qualified language training only if—

13                 “(A) the employee is a citizen or resident  
14                 of the United States and has attained age 18,  
15                 and

16                 “(B) substantially all of the services per-  
17                 formed by such employee during the taxable  
18                 year for the taxpayer are performed in the  
19                 United States or any possession of the United  
20                 States.

21          “(d) QUALIFIED LANGUAGE TRAINING.—For pur-  
22          poses of this section, the term ‘qualified language training’  
23          means—

24                 “(1) training in English language and literacy  
25                 to individuals with limited English proficiency, and

1           “(2) remedial training in English language and  
2           literacy.

3           “(e) EXCLUSION FROM EMPLOYEE’S INCOME.—  
4           Amounts taken into account in determining the credit  
5           under this section shall not be includible in the gross in-  
6           come of the employee.”.

7           (b) CREDIT MADE PART OF GENERAL BUSINESS  
8           CREDIT.—Subsection (b) of section 38 of such Code is  
9           amended by striking “plus” at the end of paragraph (11),  
10          by striking the period at the end of paragraph (12) and  
11          inserting “, plus”, and by adding at the end thereof the  
12          following new paragraph:

13                  “(13) the language training credit determined  
14                  under section 45D(a).”.

15          (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
16          such Code is amended by adding at the end thereof the  
17          following new subsection:

18                  “(d) CREDIT FOR LITERACY ENHANCEMENT EX-  
19                  PENSES.—No deduction shall be allowed for that portion  
20                  of the qualified literacy education expenses (as defined in  
21                  section 45D(b)) otherwise allowable as a deduction for the  
22                  taxable year which is equal to the amount of the credit  
23                  determined for such taxable year under section 45D(a).”

24          (d) CREDIT ALLOWABLE AGAINST MINIMUM TAX.—  
25          Subsection (c) of section 38 of such Code is amended by

1 redesignating paragraph (3) as paragraph (4) and by in-  
2 serting after paragraph (2) the following new paragraph:

3           “(3) LANGUAGE TRAINING CREDIT ALLOWED  
4 AGAINST MINIMUM TAX.—

5           “(A) IN GENERAL.—The amount deter-  
6 mined under paragraph (1)(A) shall be reduced  
7 by the portion of the language training credit  
8 not used against the normal limitation.

9           “(B) PORTION OF LANGUAGE TRAINING  
10 CREDIT NOT USED AGAINST NORMAL LIMITA-  
11 TION.—For purposes of subparagraph (A), the  
12 portion of the language training credit not used  
13 against the normal limitation is the excess (if  
14 any) of—

15           “(i) the portion of the credit allowable  
16 under subsection (a) which is attributable  
17 to the language training credit, over

18           “(ii) the limitation of paragraph (1)  
19 (determined without regard to this para-  
20 graph) reduced by the portion of the credit  
21 under subsection (a) which is not so attrib-  
22 utable.”

23           (e) CLERICAL AMENDMENT.—The table of sections  
24 for subpart D of part IV of subchapter A of chapter 1



1 of such Code is amended by adding at the end thereof  
2 the following new section:

“Sec. 45D. Expenditures to provide language training to employ-  
ees.”.

3 (f) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

6 **SEC. 203. CREDIT FOR INFORMATION TECHNOLOGY TRAIN-**  
7 **ING PROGRAM EXPENSES.**

8 (a) **IN GENERAL.**—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of  
10 1986 (relating to business-related credits) is amended by  
11 adding at the end the following:

12 **“SEC. 45E. INFORMATION TECHNOLOGY TRAINING PRO-**  
13 **GRAM EXPENSES.**

14 “(a) **GENERAL RULE.**—For purposes of section 38,  
15 in the case of an employer, the information technology  
16 training program credit determined under this section is  
17 an amount equal to 20 percent of information technology  
18 training program expenses paid or incurred by the tax-  
19 payer during the taxable year.

20 “(b) **ADDITIONAL CREDIT PERCENTAGE FOR CER-**  
21 **TAIN PROGRAMS.**—The percentage under subsection (a)  
22 shall be increased by 5 percentage points for information  
23 technology training program expenses paid or incurred by  
24 the taxpayer with respect to a program operated—

1           “(1) in an empowerment zone or enterprise  
2 community designated under part I of subchapter U,

3           “(2) in a school district in which at least 50  
4 percent of the students attending schools in such  
5 district are eligible for free or reduced-cost lunches  
6 under the school lunch program established under  
7 the National School Lunch Act,

8           “(3) in an area designated as a disaster area by  
9 the Secretary of Agriculture or by the President  
10 under the Disaster Relief and Emergency Assistance  
11 Act in the taxable year or the 4 preceding taxable  
12 years,

13           “(4) in a rural enterprise community designated  
14 under section 766 of the Agriculture, Rural Develop-  
15 ment, Food and Drug Administration, and Related  
16 Agencies Appropriations Act, 1999,

17           “(5) in an area designated by the Secretary of  
18 Agriculture as a Rural Economic Area Partnership  
19 Zone, or

20           “(6) by an employer who has 200 or fewer em-  
21 ployees for each working day in each of 20 or more  
22 calendar weeks in the current or preceding calendar  
23 year.

24           “(c) LIMITATION.—The amount of information tech-  
25 nology training program expenses with respect to an indi-

1 vidual which may be taken into account under subsection  
2 (a) for the taxable year shall not exceed \$6,000.

3 “(d) INFORMATION TECHNOLOGY TRAINING PRO-  
4 GRAM EXPENSES.—For purposes of this section—

5 “(1) IN GENERAL.—The term ‘information  
6 technology training program expenses’ means ex-  
7 penses paid or incurred by reason of the participa-  
8 tion of the employer in any information technology  
9 training program.

10 “(2) INFORMATION TECHNOLOGY TRAINING  
11 PROGRAM.—The term ‘information technology train-  
12 ing program’ means a program—

13 “(A) for the training of computer program-  
14 mers, systems analysts, and computer scientists  
15 or engineers (as such occupations are defined  
16 by the Bureau of Labor Statistics),

17 “(B) involving a partnership of—

18 “(i) employers, and

19 “(ii) State training programs, school  
20 districts, university systems, or certified  
21 commercial information technology train-  
22 ing providers, and

23 “(C) at least 50 percent of the costs of  
24 which are paid or incurred by the employers.

1           “(3) CERTIFIED COMMERCIAL INFORMATION  
2           TECHNOLOGY TRAINING PROVIDER.—The term ‘cer-  
3           tified commercial information technology training  
4           providers’ means a private sector provider of edu-  
5           cational products and services utilized for training in  
6           information technology which is certified with re-  
7           spect to—

8                   “(A) the curriculum that is used for the  
9                   training, or

10                   “(B) the technical knowledge of the in-  
11                   structors of such provider,

12           by 1 or more software publishers or hardware manu-  
13           facturers the products of which are a subject of the  
14           training.

15           “(e) DENIAL OF DOUBLE BENEFIT.—No deduction  
16           or credit under any other provision of this chapter shall  
17           be allowed with respect to information technology training  
18           program expenses (determined without regard to the limi-  
19           tation under subsection (c)).

20           “(f) ALLOCATIONS.—For purposes of this section,  
21           rules similar to the rules of section 41(f)(2) shall apply.”

22           (b) CREDIT TO BE PART OF GENERAL BUSINESS  
23           CREDIT.—Section 38(b) of the Internal Revenue Code of  
24           1986 (relating to current year business credit) is amended  
25           by striking “plus” at the end of paragraph (12), by strik-

1 ing the period at the end of paragraph (13) and inserting  
 2 “, plus”, and by adding at the end the following:

3 “(14) the information technology training pro-  
 4 gram credit determined under section 45E.”

5 (c) NO CARRYBACKS.—Subsection (d) of section 39  
 6 of the Internal Revenue Code of 1986 (relating to  
 7 carryback and carryforward of unused credits) is amended  
 8 by adding at the end the following:

9 “(9) NO CARRYBACK OF SECTION 45E CREDIT  
 10 BEFORE EFFECTIVE DATE.—No portion of the un-  
 11 used business credit for any taxable year which is  
 12 attributable to the information technology training  
 13 program credit determined under section 45E may  
 14 be carried back to a taxable year ending before the  
 15 date of the enactment of section 45E.”

16 (d) CLERICAL AMENDMENT.—The table of sections  
 17 for subpart D of part IV of subchapter A of chapter 1  
 18 of the Internal Revenue Code of 1986 is amended by add-  
 19 ing at the end the following:

“Sec. 45E. Information technology training program expenses.”

20 (e) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply to amounts paid or incurred after  
 22 the date of enactment of this Act in taxable years ending  
 23 after such date.

24 **SEC. 204. TEACHER TECHNOLOGY ACCESS ACT.**

25 (a) FINDINGS.—The Congress finds the following:

1           (1) There is a need for widespread commitment  
2           to provide each child with a high quality education  
3           that will prepare that child to successfully compete  
4           in a global marketplace.

5           (2) The technological transformation of our  
6           schools will go to waste if elementary and secondary  
7           teachers are not provided with the support they need  
8           to effectively integrate technologies into their teach-  
9           ing.

10          (3) Teachers should be provided with the tools  
11          and time required to master a variety of techno-  
12          logical skills, redesign their lesson plans around  
13          technology-enhanced resources, and take on a com-  
14          plex new role in the technologically transformed  
15          classroom.

16          (4) Teachers receive little support for these fun-  
17          damental changes, and most teachers are left largely  
18          on their own as they struggle to integrate technology  
19          into their curricula.

20          (5) Just as our Nation's businesses are pro-  
21          vided with a variety of tax incentives to improve  
22          their business operations in order to strengthen the  
23          American economy, so also it is necessary and ap-  
24          propriate that our Nation's secondary and elemen-  
25          tary teachers are afforded similar opportunities in

1 order to fulfill our commitment to providing every  
 2 child with a high quality education.

3 (b) CREDIT FOR ACQUISITION OF COMPUTER HARD-  
 4 WARE AND SOFTWARE BY ELEMENTARY AND SECONDARY  
 5 TEACHERS.—

6 (1) IN GENERAL.—Subpart A of part IV of sub-  
 7 chapter A of chapter 1 of the Internal Revenue Code  
 8 of 1986 (relating to nonrefundable personal credits)  
 9 is amended by inserting after section 25A the fol-  
 10 lowing new section:

11 **“SEC. 25B. ACQUISITION OF COMPUTER HARDWARE AND**  
 12 **SOFTWARE BY ELEMENTARY AND SEC-**  
 13 **ONDARY TEACHERS.**

14 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
 15 gible individual, there shall be allowed as a credit against  
 16 the tax imposed by this chapter for a taxable year an  
 17 amount equal to the qualified computer expenditures made  
 18 by such individual for the taxable year.

19 “(b) LIMITATION.—No amount shall be allowed as a  
 20 credit under subsection (a) for a taxable year if such  
 21 amount, when added to all previous amounts allowed as  
 22 a credit under subsection (a) for any taxable year, exceeds  
 23 \$2,000.

24 “(c) DEFINITIONS.—For purposes of subsection  
 25 (a)—

1 “(1) QUALIFIED COMPUTER EXPENDITURES.—

2 “(A) IN GENERAL.—The term ‘qualified  
3 computer expenditures’ means the amount paid  
4 or incurred for the acquisition of a computer,  
5 related peripheral equipment, and computer  
6 software. Such term shall not include computer  
7 software that is primarily used for entertain-  
8 ment or amusement.

9 “(B) COMPUTER, RELATED PERIPHERAL  
10 EQUIPMENT.—The terms ‘computer’ and ‘re-  
11 lated peripheral equipment’ have the meanings  
12 given to such terms by section 168(i)(2)(B).

13 “(C) COMPUTER SOFTWARE.—The term  
14 ‘computer software’ has the meaning given to  
15 such term by section 197(e)(3)(B), except that  
16 such term shall include educational software  
17 available only to educators.

18 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
19 individual’ means an individual who is a teacher in  
20 the classroom in an elementary or secondary school.

21 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction  
22 or credit shall be allowed under any other provision of this  
23 chapter for any amount allowed as a credit under this sec-  
24 tion.



1       “(e) TERMINATION.—Subsection (a) shall not apply  
2 to expenditures made after December 31, 2004.”.

3           (2) CLERICAL AMENDMENT.—The table of sec-  
4 tions for subpart A of part IV of subchapter A of  
5 chapter 1 of such Code is amended by inserting  
6 after the item relating to section 25A the following  
7 new item:

“Sec. 25B. Acquisition of computer hardware and software by ele-  
mentary and secondary teachers.”.

8           (3) EFFECTIVE DATE.—The amendments made  
9 by this section shall apply to taxable years beginning  
10 after December 31, 1999.

11 **SEC. 205. TEACHER TECHNOLOGY TRAINING ACT.**

12       (a) IN GENERAL.—Subsection (c) of section 25A of  
13 the Internal Revenue Code of 1986 (relating to lifetime  
14 learning credit) is amended by adding at the end the fol-  
15 lowing new paragraph:

16           “(3) SPECIAL RULE FOR TECHNOLOGY TRAIN-  
17 ING FOR ELEMENTARY AND SECONDARY TEACH-  
18 ERS.—If any portion of the qualified tuition and re-  
19 lated expenses to which this subsection applies—

20                   “(A) is paid or incurred by an individual  
21 who is a teacher in the classroom in an elemen-  
22 tary or secondary school, and

23                   “(B) is incurred before January 1, 2005—



1           (2) LIFETIME LEARNING CREDIT.—Paragraph  
2           (1) of section 25A(c) of such Code is amended by  
3           striking “\$10,000 (\$5,000” and inserting “\$13,000  
4           (\$6,500”.

5           (b) HOPE CREDIT TO APPLY TO ALL 4 YEARS.—  
6           Paragraph (2) of section 25A(b) is amended by striking  
7           “2” each place it appears and inserting “4”.

8           (c) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to taxable years beginning after  
10          December 31, 1999.

11 **SEC. 207. TAX TREATMENT OF STUDENT LOAN FORGIVE-**  
12 **NESS.**

13          (a) IN GENERAL.—Section 108(f) of the Internal  
14          Revenue Code of 1986 is amended by adding at the end  
15          the following new paragraph:

16                 “(4) WILLIAM D. FORD FEDERAL DIRECT  
17          LOANS.—For purposes of this subsection, the term  
18          ‘student loan’ includes loans made under the William  
19          D. Ford Federal Direct Loan Program if loan repay-  
20          ment and forgiveness are contingent on the bor-  
21          rower’s income level.”

22          (b) EFFECTIVE DATE.—The amendment made by  
23          this section shall apply to loans canceled after December  
24          31, 1999.

1 **SEC. 208. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**  
2 **UNDER THE NATIONAL HEALTH SERVICE**  
3 **CORPS SCHOLARSHIP PROGRAM, THE F. ED-**  
4 **WARD HEBERT ARMED FORCES HEALTH PRO-**  
5 **FESIONS SCHOLARSHIP AND FINANCIAL AS-**  
6 **SISTANCE PROGRAM, AND CERTAIN OTHER**  
7 **PROGRAMS.**

8 (a) IN GENERAL.—Section 117(c) of the Internal  
9 Revenue Code of 1986 (relating to the exclusion from  
10 gross income amounts received as a qualified scholarship)  
11 is amended—

12 (1) by striking “Subsections (a)” and inserting  
13 the following:

14 “(1) IN GENERAL.—Except as provided in para-  
15 graph (2), subsections (a)”, and

16 (2) by adding at the end the following new  
17 paragraph:

18 “(2) EXCEPTIONS.—Paragraph (1) shall not  
19 apply to any amount received by an individual  
20 under—

21 “(A) the National Health Service Corps  
22 Scholarship program under section  
23 338A(g)(1)(A) of the Public Health Service  
24 Act,

25 “(B) the Armed Forces Health Professions  
26 Scholarship and Financial Assistance program

1 under subchapter I of chapter 105 of title 10,  
2 United States Code,

3 “(C) the National Institutes of Health Un-  
4 dergraduate Scholarship program under section  
5 487D of the Public Health Service Act, or

6 “(D) any State program determined by the  
7 Secretary to have substantially similar objec-  
8 tives as such programs.”

9 (b) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided in para-  
11 graph (2), the amendments made by subsection (a)  
12 shall apply to amounts received in taxable years be-  
13 ginning after December 31, 1993.

14 (2) STATE PROGRAMS.—Section 117(c)(2)(D)  
15 of the Internal Revenue Code of 1986 (as added by  
16 the amendments made by subsection (a)) shall apply  
17 to amounts received in taxable years beginning after  
18 December 31, 1999.

19 **SEC. 209. ELIMINATION OF 60-MONTH LIMIT ON STUDENT**  
20 **LOAN INTEREST DEDUCTION.**

21 (a) IN GENERAL.—Section 221 of the Internal Rev-  
22 enue Code of 1986 (relating to interest on education  
23 loans) is amended by striking subsection (d) and by redес-  
24 ignating subsections (e), (f), and (g) as subsections (d),  
25 (e), and (f), respectively.

1 (b) CONFORMING AMENDMENT.—Section 6050(e) of  
 2 the Internal Revenue Code of 1986 is amended by striking  
 3 “section 221(e)(1)” and inserting “section 221(d)(1)”.

4 (c) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply with respect to any loan interest  
 6 paid after December 31, 1999.

7 **SEC. 210. CREDIT FOR SCHOOL CONSTRUCTION BONDS IN**  
 8 **HIGH-GROWTH AREAS.**

9 (a) IN GENERAL.—Part IV of subchapter A of chap-  
 10 ter 1 of the Internal Revenue Code of 1986 (relating to  
 11 credits against tax) is amended by inserting after subpart  
 12 G the following new subpart:

13 **“Subpart H—Credit to Holders of Qualified Public**  
 14 **School Construction Bonds**

“Sec. 54. Credit to holders of qualified public school construction  
 bonds.

“Sec. 54A. Qualified public school construction bonds.

15 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
 16 **SCHOOL CONSTRUCTION BONDS.**

17 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
 18 payer who holds a qualified public school construction  
 19 bond on the credit allowance date of such bond which oc-  
 20 curs during the taxable year, there shall be allowed as a  
 21 credit against the tax imposed by this chapter for such  
 22 taxable year the amount determined under subsection (b).

23 “(b) AMOUNT OF CREDIT.—

1           “(1) IN GENERAL.—The amount of the credit  
2           determined under this subsection with respect to any  
3           qualified public school construction bond is the  
4           amount equal to the product of—

5                   “(A) the credit rate determined by the Sec-  
6           retary under paragraph (2) for the month in  
7           which such bond was issued, multiplied by

8                   “(B) the face amount of the bond held by  
9           the taxpayer on the credit allowance date.

10           “(2) DETERMINATION.—During each calendar  
11           month, the Secretary shall determine a credit rate  
12           which shall apply to bonds issued during the fol-  
13           lowing calendar month. The credit rate for any  
14           month is the percentage which the Secretary esti-  
15           mates will on average permit the issuance of quali-  
16           fied public school construction bonds without dis-  
17           count and without interest cost to the issuer.

18           “(c) LIMITATION BASED ON AMOUNT OF TAX.—

19                   “(1) IN GENERAL.—The credit allowed under  
20           subsection (a) for any taxable year shall not exceed  
21           the excess of—

22                   “(A) the sum of the regular tax liability  
23           (as defined in section 26(b)) plus the tax im-  
24           posed by section 55, over

1           “(B) the sum of the credits allowable  
2           under this part (other than subpart C thereof,  
3           relating to refundable credits).

4           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
5           credit allowable under subsection (a) exceeds the  
6           limitation imposed by paragraph (1) for such taxable  
7           year, such excess shall be carried to the succeeding  
8           taxable year and added to the credit allowable under  
9           subsection (a) for such taxable year.

10          “(d) DEFINITIONS.—For purposes of this subpart—

11           “(1) CREDIT ALLOWANCE DATE.—The term  
12           ‘credit allowance date’ means, with respect to any  
13           issue, the last day of the 1-year period beginning on  
14           the date of issuance of such issue and the last day  
15           of each successive 1-year period thereafter.

16           “(2) BOND.—The term ‘bond’ includes any ob-  
17           ligation.

18           “(3) STATE.—The term ‘State’ includes the  
19           District of Columbia and any possession of the  
20           United States.

21           “(4) PUBLIC SCHOOL FACILITY.—The term  
22           ‘public school facility’ shall not include any stadium  
23           or other facility primarily used for athletic contests  
24           or exhibitions or other events for which admission is  
25           charged to the general public.



1       “(e) CREDIT INCLUDED IN GROSS INCOME.—Gross  
2 income includes the amount of the credit allowed to the  
3 taxpayer under this section and the amount so included  
4 shall be treated as interest income.

5       “(f) BONDS HELD BY REGULATED INVESTMENT  
6 COMPANIES.—If any qualified public school construction  
7 bond is held by a regulated investment company, the credit  
8 determined under subsection (a) shall be allowed to share-  
9 holders of such company under procedures prescribed by  
10 the Secretary.

11 **“SEC. 54A. QUALIFIED PUBLIC SCHOOL CONSTRUCTION**  
12 **BONDS.**

13       “(a) QUALIFIED PUBLIC SCHOOL CONSTRUCTION  
14 BOND.—For purposes of this subpart—

15               “(1) IN GENERAL.—The term ‘qualified public  
16 school construction bond’ means any bond issued as  
17 part of an issue if—

18                       “(A) 95 percent or more of the proceeds of  
19 such issue are to be used for the construction,  
20 rehabilitation, or repair of a public school facil-  
21 ity,

22                       “(B) the bond is issued by a State or local  
23 government within the jurisdiction of which  
24 such school is located,

1           “(C) the issuer designates such bond for  
2           purposes of this section, and

3           “(D) the term of each bond which is part  
4           of such issue does not exceed 15 years.

5           “(2) TEMPORARY PERIOD EXCEPTION.—A bond  
6           shall not be treated as failing to meet the require-  
7           ment of paragraph (1)(A) solely by reason of the  
8           fact that the proceeds of the issue of which such  
9           bond is a part are invested for a reasonable tem-  
10          porary period (but not more than 36 months) until  
11          such proceeds are needed for the purpose for which  
12          such issue was issued. Any earnings on such pro-  
13          ceeds during such period shall be treated as proceeds  
14          of the issue for purposes of applying paragraph  
15          (1)(A).

16          “(b) LIMITATION ON AMOUNT OF BONDS DES-  
17          IGNATED.—The maximum aggregate face amount of  
18          bonds issued during any calendar year which may be des-  
19          ignated under subsection (a) by any issuer shall not exceed  
20          the limitation amount allocated under subsection (d) for  
21          such calendar year to such issuer.

22          “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
23          DESIGNATED.—There is a national qualified school con-  
24          struction bond limitation for each calendar year. Such lim-  
25          itation is—

1           “(1) \$3,600,000,000 for 2000,

2           “(2) \$3,600,000,000 for 2001, and

3           “(3) except as provided in subsection (e), zero  
4 after 2001.

5           “(d) ALLOCATION OF LIMITATION AMONG STATES.—

6           “(1) IN GENERAL.—The Secretary shall allo-  
7 cate the national qualified school construction bond  
8 limitation for any calendar year among the States  
9 with projected enrollment increases. The amount al-  
10 located to a State under the preceding sentence shall  
11 be allocated by the State education agency to issuers  
12 within such State and such allocations may be made  
13 only if there is an approved State application.

14           “(2) ALLOCATION FORMULA.—

15           “(A) IN GENERAL.—The national qualified  
16 school construction bond limitation shall be al-  
17 located among the States with projected enroll-  
18 ment increases in proportion to their respective  
19 shares of the national projected enrollment in-  
20 crease.

21           “(B) PROJECTED ENROLLMENT IN-  
22 CREASE.—The amount of projected enrollment  
23 increase for the United States or any State is  
24 the amount of the increase (as projected by the  
25 Secretary of Education using data as of Janu-

1           ary 1, 1998) in enrollment in public elementary  
2           and secondary schools in the United States or  
3           in such State (as the case may be) during the  
4           10-year period beginning with 1997.

5           “(3) APPROVED STATE APPLICATION.—For  
6           purposes of paragraph (1), the term ‘approved State  
7           application’ means an application which is approved  
8           by the Secretary of Education and which includes—

9                   “(A) the results of a recent publicly-avail-  
10                  able survey (undertaken by the State with the  
11                  involvement of local education officials, mem-  
12                  bers of the public, and experts in school con-  
13                  struction and management) of such State’s  
14                  needs for public school facilities, including de-  
15                  scriptions of—

16                           “(i) health and safety problems at  
17                           such facilities,

18                           “(ii) the capacity of public schools in  
19                           the State to house projected enrollments,  
20                           and

21                           “(iii) the extent to which the public  
22                           schools in the State offer the physical in-  
23                           frastructure needed to provide a high-qual-  
24                           ity education to all students, and

1           “(B) a description of how the State will al-  
2 locate to local educational agencies, or other-  
3 wise use, its allocation under this subsection to  
4 address the needs identified under subpara-  
5 graph (A), including a description of how it  
6 will—

7                   “(i) give priority to localities experi-  
8 encing the largest increases in enrollment,

9                   “(ii) use its allocation under this sub-  
10 section to assist localities that lack the fis-  
11 cal capacity to issue bonds on their own,  
12 and

13                   “(iii) ensure that its allocation under  
14 this subsection is used only to supplement,  
15 and not supplant, the amount of school  
16 construction, rehabilitation, and repair in  
17 the State that would have occurred in the  
18 absence of such allocation.

19           Any allocation under paragraph (1) by a State edu-  
20 cation agency shall be binding if such agency reason-  
21 ably determined that the allocation was in accord-  
22 ance with the plan approved under this paragraph.

23           “(e) CARRYOVER OF UNUSED LIMITATION.—If for  
24 any calendar year—

1           “(1) the amount allocated under subsection (d)  
2           to any State, exceeds

3           “(2) the amount of bonds issued during such  
4           year which are designated under subsection (a) pur-  
5           suant to such allocation,

6           the limitation amount under such subsection for such  
7           State for the following calendar year shall be increased  
8           by the amount of such excess. The subsection shall not  
9           apply if such following calendar year is after 2003.”

10          (b) REPORTING.—Subsection (d) of section 6049 of  
11          such Code (relating to returns regarding payments of in-  
12          terest) is amended by adding at the end the following new  
13          paragraph:

14                 “(8) REPORTING OF CREDIT ON QUALIFIED  
15                 PUBLIC SCHOOL CONSTRUCTION BONDS.—

16                         “(A) IN GENERAL.—For purposes of sub-  
17                         section (a), the term ‘interest’ includes amounts  
18                         includible in gross income under section 54(e)  
19                         and such amounts shall be treated as paid on  
20                         the credit allowance date (as defined in section  
21                         54(d)(1)).

22                         “(B) REPORTING TO CORPORATIONS,  
23                         ETC.—Except as otherwise provided in regula-  
24                         tions, in the case of any interest described in  
25                         subparagraph (A) of this paragraph, subsection

1 (b)(4) of this section shall be applied without  
 2 regard to subparagraphs (A), (H), (I), (J), (K),  
 3 and (L)(i).

4 “(C) REGULATORY AUTHORITY.—The Sec-  
 5 retary may prescribe such regulations as are  
 6 necessary or appropriate to carry out the pur-  
 7 poses of this paragraph, including regulations  
 8 which require more frequent or more detailed  
 9 reporting.”

10 (c) CLERICAL AMENDMENT.—The table of subparts  
 11 for part IV of subchapter A of chapter 1 of such Code  
 12 is amended by adding at the end the following new item:

“Subpart H. Credit to holders of qualified public school construc-  
 tion bonds.”.

13 (d) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to obligations issued after Decem-  
 15 ber 31, 1999.

16 **SEC. 211. CREDIT FOR SCHOOL MODERNIZATION BONDS IN**  
 17 **DISTRESSED AREAS.**

18 (a) IN GENERAL.—Chapter 1 of the Internal Rev-  
 19 enue Code of 1986 is amended by adding at the end the  
 20 following new subchapter:

21 **“Subchapter X—Public School Modernization**  
 22 **Provisions**

“Part I. Credit to holders of qualified public school modernization  
 bonds.

“Part II. Qualified school construction bonds.

“Part III. Incentives for education zones.

1    **“PART I—CREDIT TO HOLDERS OF QUALIFIED**  
2    **PUBLIC SCHOOL MODERNIZATION BONDS**

“Sec. 1400F. Credit to holders of qualified public school modernization bonds.

3    **“SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
4    **SCHOOL MODERNIZATION BONDS.**

5    “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
6 payer who holds a qualified public school modernization  
7 bond on a credit allowance date of such bond which occurs  
8 during the taxable year, there shall be allowed as a credit  
9 against the tax imposed by this chapter for such taxable  
10 year an amount equal to the sum of the credits determined  
11 under subsection (b) with respect to credit allowance dates  
12 during such year on which the taxpayer holds such bond.

13    “(b) AMOUNT OF CREDIT.—

14    “(1) IN GENERAL.—The amount of the credit  
15 determined under this subsection with respect to any  
16 credit allowance date for a qualified public school  
17 modernization bond is 25 percent of the annual  
18 credit determined with respect to such bond.

19    “(2) ANNUAL CREDIT.—The annual credit de-  
20 termined with respect to any qualified public school  
21 modernization bond is the product of—

22    “(A) the applicable credit rate, multiplied  
23    by



1           “(B) the outstanding face amount of the  
2           bond.

3           “(3) APPLICABLE CREDIT RATE.—For purposes  
4           of paragraph (1), the applicable credit rate with re-  
5           spect to an issue is the rate equal to an average  
6           market yield (as of the day before the date of  
7           issuance of the issue) on outstanding long-term cor-  
8           porate debt obligations (determined under regula-  
9           tions prescribed by the Secretary).

10          “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
11          DEMPTION.—In the case of a bond which is issued  
12          during the 3-month period ending on a credit allow-  
13          ance date, the amount of the credit determined  
14          under this subsection with respect to such credit al-  
15          lowance date shall be a ratable portion of the credit  
16          otherwise determined based on the portion of the 3-  
17          month period during which the bond is outstanding.  
18          A similar rule shall apply when the bond is re-  
19          deemed.

20          “(c) LIMITATION BASED ON AMOUNT OF TAX.—

21                 “(1) IN GENERAL.—The credit allowed under  
22                 subsection (a) for any taxable year shall not exceed  
23                 the excess of—

1           “(A) the sum of the regular tax liability  
2           (as defined in section 26(b)) plus the tax im-  
3           posed by section 55, over

4           “(B) the sum of the credits allowable  
5           under part IV of subchapter A (other than sub-  
6           part C thereof, relating to refundable credits).

7           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
8           credit allowable under subsection (a) exceeds the  
9           limitation imposed by paragraph (1) for such taxable  
10          year, such excess shall be carried to the succeeding  
11          taxable year and added to the credit allowable under  
12          subsection (a) for such taxable year.

13          “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION  
14          BOND; CREDIT ALLOWANCE DATE.—For purposes of this  
15          section—

16                 “(1) QUALIFIED PUBLIC SCHOOL MODERNIZA-  
17                 TION BOND.—The term ‘qualified public school mod-  
18                 ernization bond’ means—

19                         “(A) a qualified zone academy bond, and

20                         “(B) a qualified school construction bond.

21                 “(2) CREDIT ALLOWANCE DATE.—The term  
22                 ‘credit allowance date’ means—

23                         “(A) March 15,

24                         “(B) June 15,

25                         “(C) September 15, and

1                   “(D) December 15.

2           Such term includes the last day on which the bond  
3           is outstanding.

4           “(e) OTHER DEFINITIONS.—For purposes of this  
5           subchapter—

6                   “(1) LOCAL EDUCATIONAL AGENCY.—The term  
7           ‘local educational agency’ has the meaning given to  
8           such term by section 14101 of the Elementary and  
9           Secondary Education Act of 1965. Such term in-  
10          cludes the local educational agency that serves the  
11          District of Columbia but does not include any other  
12          State agency.

13                   “(2) BOND.—The term ‘bond’ includes any ob-  
14          ligation.

15                   “(3) STATE.—The term ‘State’ includes the  
16          District of Columbia and any possession of the  
17          United States.

18                   “(4) PUBLIC SCHOOL FACILITY.—The term  
19          ‘public school facility’ shall not include—

20                           “(A) any stadium or other facility pri-  
21                           marily used for athletic contests or exhibitions  
22                           or other events for which admission is charged  
23                           to the general public, or

1           “(B) any facility which is not owned by a  
2           State or local government or any agency or in-  
3           strumentality of a State or local government.

4           “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross  
5 income includes the amount of the credit allowed to the  
6 taxpayer under this section (determined without regard to  
7 subsection (c)) and the amount so included shall be treat-  
8 ed as interest income.

9           “(g) BONDS HELD BY REGULATED INVESTMENT  
10 COMPANIES.—If any qualified public school modernization  
11 bond is held by a regulated investment company, the credit  
12 determined under subsection (a) shall be allowed to share-  
13 holders of such company under procedures prescribed by  
14 the Secretary.

15           “(h) CREDITS MAY BE STRIPPED.—Under regula-  
16 tions prescribed by the Secretary—

17           “(1) IN GENERAL.—There may be a separation  
18           (including at issuance) of the ownership of a quali-  
19           fied public school modernization bond and the enti-  
20           tlement to the credit under this section with respect  
21           to such bond. In case of any such separation, the  
22           credit under this section shall be allowed to the per-  
23           son who on the credit allowance date holds the in-  
24           strument evidencing the entitlement to the credit  
25           and not to the holder of the bond.

1           “(2) CERTAIN RULES TO APPLY.—In the case  
2 of a separation described in paragraph (1), the rules  
3 of section 1286 shall apply to the qualified public  
4 school modernization bond as if it were a stripped  
5 bond and to the credit under this section as if it  
6 were a stripped coupon.

7           “(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—  
8 Solely for purposes of sections 6654 and 6655, the credit  
9 allowed by this section to a taxpayer by reason of holding  
10 a qualified public school modernization bonds on a credit  
11 allowance date shall be treated as if it were a payment  
12 of estimated tax made by the taxpayer on such date.

13           “(j) CREDIT MAY BE TRANSFERRED.—Nothing in  
14 any law or rule of law shall be construed to limit the trans-  
15 ferability of the credit allowed by this section through sale  
16 and repurchase agreements.

17           “(k) REPORTING.—Issuers of qualified public school  
18 modernization bonds shall submit reports similar to the  
19 reports required under section 149(e).

20           “(l) TERMINATION.—This section shall not apply to  
21 any bond issued after September 30, 2004.

22   **“PART II—QUALIFIED SCHOOL CONSTRUCTION**  
23                                   **BONDS**

“Sec. 1400G. Qualified school construction bonds.

1 **“SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

2 “(a) **QUALIFIED SCHOOL CONSTRUCTION BOND.—**

3 For purposes of this subchapter, the term ‘qualified school  
4 construction bond’ means any bond issued as part of an  
5 issue if—

6 “(1) 95 percent or more of the proceeds of such  
7 issue are to be used for the construction, rehabilita-  
8 tion, or repair of a public school facility or for the  
9 acquisition of land on which such a facility is to be  
10 constructed with part of the proceeds of such issue,

11 “(2) the bond is issued by a State or local gov-  
12 ernment within the jurisdiction of which such school  
13 is located,

14 “(3) the issuer designates such bond for pur-  
15 poses of this section, and

16 “(4) the term of each bond which is part of  
17 such issue does not exceed 15 years.

18 “(b) **LIMITATION ON AMOUNT OF BONDS DES-**  
19 **IGNATED.—**The maximum aggregate face amount of  
20 bonds issued during any calendar year which may be des-  
21 ignated under subsection (a) by any issuer shall not exceed  
22 the sum of—

23 “(1) the limitation amount allocated under sub-  
24 section (d) for such calendar year to such issuer,  
25 and

1           “(2) if such issuer is a large local educational  
2           agency (as defined in subsection (e)(4)) or is issuing  
3           on behalf of such an agency, the limitation amount  
4           allocated under subsection (e) for such calendar year  
5           to such agency.

6           “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
7           DESIGNATED.—There is a national qualified school con-  
8           struction bond limitation for each calendar year. Such lim-  
9           itation is—

10           “(1) \$11,000,000,000 for 2000,

11           “(2) \$11,000,000,000 for 2001, and

12           “(3) except as provided in subsection (f), zero  
13           after 2001.

14           “(d) HALF OF LIMITATION ALLOCATED AMONG  
15           STATES.—

16           “(1) IN GENERAL.—One-half of the limitation  
17           applicable under subsection (c) for any calendar year  
18           shall be allocated among the States under paragraph  
19           (2) by the Secretary. The limitation amount allo-  
20           cated to a State under the preceding sentence shall  
21           be allocated by the State to issuers within such  
22           State and such allocations may be made only if there  
23           is an approved State application.

24           “(2) ALLOCATION FORMULA.—The amount to  
25           be allocated under paragraph (1) for any calendar

1 year shall be allocated among the States in propor-  
2 tion to the respective amounts each such State re-  
3 ceived for Basic Grants under subpart 2 of part A  
4 of title I of the Elementary and Secondary Edu-  
5 cation Act of 1965 (20 U.S.C. 6331 et seq.) for the  
6 most recent fiscal year ending before such calendar  
7 year. For purposes of the preceding sentence, Basic  
8 Grants attributable to large local educational agen-  
9 cies (as defined in subsection (e)) shall be dis-  
10 regarded.

11 “(3) MINIMUM ALLOCATIONS TO STATES.—

12 “(A) IN GENERAL.—The Secretary shall  
13 adjust the allocations under this subsection for  
14 any calendar year for each State to the extent  
15 necessary to ensure that the sum of—

16 “(i) the amount allocated to such  
17 State under this subsection for such year,  
18 and

19 “(ii) the aggregate amounts allocated  
20 under subsection (e) to large local edu-  
21 cational agencies in such State for such  
22 year,

23 is not less than an amount equal to such  
24 State’s minimum percentage of the amount to



1 be allocated under paragraph (1) for the cal-  
2 endar year.

3 “(B) MINIMUM PERCENTAGE.—A State’s  
4 minimum percentage for any calendar year is  
5 the minimum percentage described in section  
6 1124(d) of the Elementary and Secondary Edu-  
7 cation Act of 1965 (20 U.S.C. 6334(d)) for  
8 such State for the most recent fiscal year end-  
9 ing before such calendar year.

10 “(4) ALLOCATIONS TO CERTAIN POSSES-  
11 SIONS.—The amount to be allocated under para-  
12 graph (1) to any possession of the United States  
13 other than Puerto Rico shall be the amount which  
14 would have been allocated if all allocations under  
15 paragraph (1) were made on the basis of respective  
16 populations of individuals below the poverty line (as  
17 defined by the Office of Management and Budget).  
18 In making other allocations, the amount to be allo-  
19 cated under paragraph (1) shall be reduced by the  
20 aggregate amount allocated under this paragraph to  
21 possessions of the United States.

22 “(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In  
23 addition to the amounts otherwise allocated under  
24 this subsection, \$200,000,000 for calendar year  
25 2000, and \$200,000,000 for calendar year 2001,

1 shall be allocated by the Secretary of the Interior for  
2 purposes of the construction, rehabilitation, and re-  
3 pair of schools funded by the Bureau of Indian Af-  
4 fairs. In the case of amounts allocated under the  
5 preceding sentence, Indian tribal governments (as  
6 defined in section 7871) shall be treated as qualified  
7 issuers for purposes of this subchapter.

8 “(6) APPROVED STATE APPLICATION.—For  
9 purposes of paragraph (1), the term ‘approved State  
10 application’ means an application which is approved  
11 by the Secretary of Education and which includes—

12 “(A) the results of a recent publicly-avail-  
13 able survey (undertaken by the State with the  
14 involvement of local education officials, mem-  
15 bers of the public, and experts in school con-  
16 struction and management) of such State’s  
17 needs for public school facilities, including de-  
18 scriptions of—

19 “(i) health and safety problems at  
20 such facilities,

21 “(ii) the capacity of public schools in  
22 the State to house projected enrollments,  
23 and

24 “(iii) the extent to which the public  
25 schools in the State offer the physical in-

1           frastructure needed to provide a high-quality  
2           education to all students, and

3           “(B) a description of how the State will al-  
4           locate to local educational agencies, or other-  
5           wise use, its allocation under this subsection to  
6           address the needs identified under subpara-  
7           graph (A), including a description of how it  
8           will—

9                   “(i) give highest priority to localities  
10                  with the greatest needs, as demonstrated  
11                  by inadequate school facilities coupled with  
12                  a low level of resources to meet those  
13                  needs,

14                   “(ii) use its allocation under this sub-  
15                  section to assist localities that lack the fis-  
16                  cal capacity to issue bonds on their own,  
17                  and

18                   “(iii) ensure that its allocation under  
19                  this subsection is used only to supplement,  
20                  and not supplant, the amount of school  
21                  construction, rehabilitation, and repair in  
22                  the State that would have occurred in the  
23                  absence of such allocation.

24           Any allocation under paragraph (1) by a State shall  
25           be binding if such State reasonably determined that

1 the allocation was in accordance with the plan ap-  
2 proved under this paragraph.

3 “(e) HALF OF LIMITATION ALLOCATED AMONG  
4 LARGEST SCHOOL DISTRICTS.—

5 “(1) IN GENERAL.—One-half of the limitation  
6 applicable under subsection (c) for any calendar year  
7 shall be allocated under paragraph (2) by the Sec-  
8 retary among local educational agencies which are  
9 large local educational agencies for such year. No  
10 qualified school construction bond may be issued by  
11 reason of an allocation to a large local educational  
12 agency under the preceding sentence unless such  
13 agency has an approved local application.

14 “(2) ALLOCATION FORMULA.—The amount to  
15 be allocated under paragraph (1) for any calendar  
16 year shall be allocated among large local educational  
17 agencies in proportion to the respective amounts  
18 each such agency received for Basic Grants under  
19 subpart 2 of part A of title I of the Elementary and  
20 Secondary Education Act of 1965 (20 U.S.C. 6331  
21 et seq.) for the most recent fiscal year ending before  
22 such calendar year.

23 “(3) ALLOCATION OF UNUSED LIMITATION TO  
24 STATE.—The amount allocated under this subsection  
25 to a large local educational agency for any calendar

1 year may be reallocated by such agency to the State  
2 in which such agency is located for such calendar  
3 year. Any amount reallocated to a State under the  
4 preceding sentence may be allocated as provided in  
5 subsection (d)(1).

6 “(4) LARGE LOCAL EDUCATIONAL AGENCY.—  
7 For purposes of this section, the term ‘large local  
8 educational agency’ means, with respect to a cal-  
9 endar year, any local educational agency if such  
10 agency is—

11 “(A) among the 100 local educational  
12 agencies with the largest numbers of children  
13 aged 5 through 17 from families living below  
14 the poverty level, as determined by the Sec-  
15 retary using the most recent data available  
16 from the Department of Commerce that are  
17 satisfactory to the Secretary, or

18 “(B) 1 of not more than 25 local edu-  
19 cational agencies (other than those described in  
20 subparagraph (A)) that the Secretary of Edu-  
21 cation determines (based on the most recent  
22 data available satisfactory to the Secretary) are  
23 in particular need of assistance, based on a low  
24 level of resources for school construction, a high

1 level of enrollment growth, or such other factors  
2 as the Secretary deems appropriate.

3 “(5) APPROVED LOCAL APPLICATION.—For  
4 purposes of paragraph (1), the term ‘approved local  
5 application’ means an application which is approved  
6 by the Secretary of Education and which includes—

7 “(A) the results of a recent publicly-avail-  
8 able survey (undertaken by the local educational  
9 agency or the State with the involvement of  
10 school officials, members of the public, and ex-  
11 perts in school construction and management)  
12 of such agency’s needs for public school facili-  
13 ties, including descriptions of—

14 “(i) the overall condition of the local  
15 educational agency’s school facilities, in-  
16 cluding health and safety problems,

17 “(ii) the capacity of the agency’s  
18 schools to house projected enrollments, and

19 “(iii) the extent to which the agency’s  
20 schools offer the physical infrastructure  
21 needed to provide a high-quality education  
22 to all students,

23 “(B) a description of how the local edu-  
24 cational agency will use its allocation under this

1 subsection to address the needs identified under  
2 subparagraph (A), and

3 “(C) a description of how the local edu-  
4 cational agency will ensure that its allocation  
5 under this subsection is used only to supple-  
6 ment, and not supplant, the amount of school  
7 construction, rehabilitation, or repair in the lo-  
8 cality that would have occurred in the absence  
9 of such allocation.

10 A rule similar to the rule of the last sentence of sub-  
11 section (d)(6) shall apply for purposes of this para-  
12 graph.

13 “(f) CARRYOVER OF UNUSED LIMITATION.—If for  
14 any calendar year—

15 “(1) the amount allocated under subsection (d)  
16 to any State, exceeds

17 “(2) the amount of bonds issued during such  
18 year which are designated under subsection (a) pur-  
19 suant to such allocation,

20 the limitation amount under such subsection for such  
21 State for the following calendar year shall be increased  
22 by the amount of such excess. A similar rule shall apply  
23 to the amounts allocated under subsection (d)(5) or (e).

24 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

1           “(1) IN GENERAL.—A bond shall not be treated  
 2 as failing to meet the requirement of subsection  
 3 (a)(1) solely by reason of the fact that the proceeds  
 4 of the issue of which such bond is a part are in-  
 5 vested for a temporary period (but not more than 36  
 6 months) until such proceeds are needed for the pur-  
 7 pose for which such issue was issued.

8           “(2) BINDING COMMITMENT REQUIREMENT.—  
 9 Paragraph (1) shall apply to an issue only if, as of  
 10 the date of issuance, there is a reasonable expecta-  
 11 tion that—

12                   “(A) at least 10 percent of the proceeds of  
 13 the issue will be spent within the 6-month pe-  
 14 riod beginning on such date for the purpose for  
 15 which such issue was issued, and

16                   “(B) the remaining proceeds of the issue  
 17 will be spent with due diligence for such pur-  
 18 pose.

19           “(3) EARNINGS ON PROCEEDS.—Any earnings  
 20 on proceeds during the temporary period shall be  
 21 treated as proceeds of the issue for purposes of ap-  
 22 plying subsection (a)(1) and paragraph (1) of this  
 23 subsection.

24 **“PART III—INCENTIVES FOR EDUCATION ZONES**

“Sec. 1400H. Qualified zone academy bonds.

“Sec. 1400I. Corporate contributions to specialized training cen-  
 ters.



1 **“SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.**

2 “(a) QUALIFIED ZONE ACADEMY BOND.—For pur-  
3 poses of this subchapter—

4 “(1) IN GENERAL.—The term ‘qualified zone  
5 academy bond’ means any bond issued as part of an  
6 issue if—

7 “(A) 95 percent or more of the proceeds of  
8 such issue are to be used for a qualified pur-  
9 pose with respect to a qualified zone academy  
10 established by a local educational agency,

11 “(B) the bond is issued by a State or local  
12 government within the jurisdiction of which  
13 such academy is located,

14 “(C) the issuer—

15 “(i) designates such bond for purposes  
16 of this section,

17 “(ii) certifies that it has written as-  
18 surances that the private business con-  
19 tribution requirement of paragraph (2) will  
20 be met with respect to such academy, and

21 “(iii) certifies that it has the written  
22 approval of the local educational agency  
23 for such bond issuance, and

24 “(D) the term of each bond which is part  
25 of such issue does not exceed 15 years.

1 Rules similar to the rules of section 1400G(g) shall  
2 apply for purposes of paragraph (1).

3 “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
4 QUIREMENT.—

5 “(A) IN GENERAL.—For purposes of para-  
6 graph (1), the private business contribution re-  
7 quirement of this paragraph is met with respect  
8 to any issue if the local educational agency that  
9 established the qualified zone academy has writ-  
10 ten commitments from private entities to make  
11 qualified contributions having a present value  
12 (as of the date of issuance of the issue) of not  
13 less than 10 percent of the proceeds of the  
14 issue.

15 “(B) QUALIFIED CONTRIBUTIONS.—For  
16 purposes of subparagraph (A), the term ‘quali-  
17 fied contribution’ means any contribution (of a  
18 type and quality acceptable to the local edu-  
19 cational agency) of—

20 “(i) equipment for use in the qualified  
21 zone academy (including state-of-the-art  
22 technology and vocational equipment),

23 “(ii) technical assistance in developing  
24 curriculum or in training teachers in order

1 to promote appropriate market driven tech-  
2 nology in the classroom,

3 “(iii) services of employees as volun-  
4 teer mentors,

5 “(iv) internships, field trips, or other  
6 educational opportunities outside the acad-  
7 emy for students, or

8 “(v) any other property or service  
9 specified by the local educational agency.

10 “(3) QUALIFIED ZONE ACADEMY.—The term  
11 ‘qualified zone academy’ means any public school (or  
12 academic program within a public school) which is  
13 established by and operated under the supervision of  
14 a local educational agency to provide education or  
15 training below the postsecondary level if—

16 “(A) such public school or program (as the  
17 case may be) is designed in cooperation with  
18 business to enhance the academic curriculum,  
19 increase graduation and employment rates, and  
20 better prepare students for the rigors of college  
21 and the increasingly complex workforce,

22 “(B) students in such public school or pro-  
23 gram (as the case may be) will be subject to the  
24 same academic standards and assessments as

1 other students educated by the local educational  
2 agency,

3 “(C) the comprehensive education plan of  
4 such public school or program is approved by  
5 the local educational agency, and

6 “(D)(i) such public school is located in an  
7 empowerment zone or enterprise community  
8 (including any such zone or community des-  
9 ignated after the date of the enactment of this  
10 section), or

11 “(ii) there is a reasonable expectation (as  
12 of the date of issuance of the bonds) that at  
13 least 35 percent of the students attending such  
14 school or participating in such program (as the  
15 case may be) will be eligible for free or reduced-  
16 cost lunches under the school lunch program es-  
17 tablished under the National School Lunch Act.

18 “(4) QUALIFIED PURPOSE.—The term ‘quali-  
19 fied purpose’ means, with respect to any qualified  
20 zone academy—

21 “(A) constructing, rehabilitating, or repair-  
22 ing the public school facility in which the acad-  
23 emy is established,

1           “(B) acquiring the land on which such fa-  
2           cility is to be constructed with part of the pro-  
3           ceeds of such issue,

4           “(C) providing equipment for use at such  
5           academy,

6           “(D) developing course materials for edu-  
7           cation to be provided at such academy, and

8           “(E) training teachers and other school  
9           personnel in such academy.

10          “(b) LIMITATIONS ON AMOUNT OF BONDS DES-  
11          IGNATED.—

12           “(1) IN GENERAL.—There is a national zone  
13          academy bond limitation for each calendar year.  
14          Such limitation is—

15           “(A) \$400,000,000 for 1998,

16           “(B) \$400,000,000 for 1999,

17           “(C) \$1,000,000,000 for 2000,

18           “(D) \$1,400,000,000 for 2001, and

19           “(E) except as provided in paragraph (3),  
20          zero after 2001.

21          “(2) ALLOCATION OF LIMITATION.—

22           “(A) ALLOCATION AMONG STATES.—

23           “(i) 1998 and 1999 LIMITATIONS.—

24          The national zone academy bond limita-  
25          tions for calendar years 1998 and 1999

1 shall be allocated by the Secretary among  
2 the States on the basis of their respective  
3 populations of individuals below the pov-  
4 erty line (as defined by the Office of Man-  
5 agement and Budget).

6 “(ii) LIMITATION AFTER 1999.—The  
7 national zone academy bond limitation for  
8 any calendar year after 1999 shall be allo-  
9 cated by the Secretary among the States in  
10 the manner prescribed by section  
11 1400G(d); except that in making the allo-  
12 cation under this clause, the Secretary  
13 shall take into account—

14 “(I) Basic Grants attributable to  
15 large local educational agencies (as  
16 defined in section 1400G(e)).

17 “(II) the national zone academy  
18 bond limitation.

19 “(B) ALLOCATION TO LOCAL EDU-  
20 CATIONAL AGENCIES.—The limitation amount  
21 allocated to a State under subparagraph (A)  
22 shall be allocated by the State education agency  
23 to qualified zone academies within such State.

24 “(C) DESIGNATION SUBJECT TO LIMITA-  
25 TION AMOUNT.—The maximum aggregate face

1 amount of bonds issued during any calendar  
2 year which may be designated under subsection  
3 (a) with respect to any qualified zone academy  
4 shall not exceed the limitation amount allocated  
5 to such academy under subparagraph (B) for  
6 such calendar year.

7 “(3) CARRYOVER OF UNUSED LIMITATION.—If  
8 for any calendar year—

9 “(A) the limitation amount under this sub-  
10 section for any State, exceeds

11 “(B) the amount of bonds issued during  
12 such year which are designated under sub-  
13 section (a) (or the corresponding provisions of  
14 prior law) with respect to qualified zone acad-  
15 emies within such State,

16 the limitation amount under this subsection for such  
17 State for the following calendar year shall be in-  
18 creased by the amount of such excess.

19 **“SEC. 1400I. CORPORATE CONTRIBUTIONS TO SPECIALIZED**  
20 **TRAINING CENTERS.**

21 “(a) GENERAL RULE.—For purposes of section 38,  
22 in the case of a corporation, the specialized training center  
23 credit determined under this section is an amount equal  
24 to 50 percent of the amount of the designated qualified

1 contributions made by the taxpayer during the taxable  
2 year to a specialized training center.

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

4 “(1) SPECIALIZED TRAINING CENTER.—The  
5 term ‘specialized training center’ means any quali-  
6 fied zone academy (as defined in section  
7 1400H(a)(3))—

8 “(A) which is located in an empowerment  
9 zone or enterprise community, or

10 “(B) which is located in proximity to such  
11 a zone or community and a significant number  
12 of the students attending such academy have  
13 their principal place of abode in such zone or  
14 community.

15 “(2) DESIGNATED QUALIFIED CONTRIBU-  
16 TIONS.—The term ‘designated qualified contribution’  
17 means any contribution—

18 “(A) which is made pursuant to an agree-  
19 ment under which the taxpayer participates in  
20 the design of the academic program of the spe-  
21 cialized training center, and

22 “(B) which is designated under subsection  
23 (c).

24 “(c) DESIGNATION OF CONTRIBUTIONS.—



1           “(1) LIMITATION ON AMOUNT DESIGNATED.—  
2           The maximum amount of contributions made which  
3           may be designated under this subsection with re-  
4           spect to all specialized training centers located in an  
5           empowerment zone or enterprise community shall  
6           not exceed—

7                   “(A) \$8,000,000 in the case of an em-  
8                   powerment zone, and

9                   “(B) \$2,000,000 in the case of an enter-  
10                  prise community.

11           “(2) DESIGNATIONS.—Designations under this  
12           subsection shall be made (in consultation with the  
13           local educational agency) by the local government  
14           agency responsible for implementing the strategic  
15           plan described in section 1391(f)(2) for the em-  
16           powerment zone or enterprise community.

17           “(d) VALUE OF CONTRIBUTIONS.—The amount of  
18           any designated qualified contribution which may be taken  
19           into account under this section shall be—

20                   “(1) the amount of such contribution which  
21                   would be allowed as a deduction under section 170  
22                   without regard to section 280C(d), or

23                   “(2) in the case of a contribution of services  
24                   performed on the premises of a specialized training  
25                   center by an employee of the taxpayer, the amount

1 of wages (as defined in section 3306(b) but without  
2 regard to any dollar limitation contained in such sec-  
3 tion) paid by the taxpayer for such services.”

4 (b) REPORTING.—Subsection (d) of section 6049 of  
5 such Code (relating to returns regarding payments of in-  
6 terest) is amended by adding at the end the following new  
7 paragraph:

8 “(8) REPORTING OF CREDIT ON QUALIFIED  
9 PUBLIC SCHOOL MODERNIZATION BONDS.—

10 “(A) IN GENERAL.—For purposes of sub-  
11 section (a), the term ‘interest’ includes amounts  
12 includible in gross income under section  
13 1400F(f) and such amounts shall be treated as  
14 paid on the credit allowance date (as defined in  
15 section 1400F(d)(2)).

16 “(B) REPORTING TO CORPORATIONS,  
17 ETC.—Except as otherwise provided in regula-  
18 tions, in the case of any interest described in  
19 subparagraph (A) of this paragraph, subsection  
20 (b)(4) of this section shall be applied without  
21 regard to subparagraphs (A), (H), (I), (J), (K),  
22 and (L)(i).

23 “(C) REGULATORY AUTHORITY.—The Sec-  
24 retary may prescribe such regulations as are  
25 necessary or appropriate to carry out the pur-

1           poses of this paragraph, including regulations  
2           which require more frequent or more detailed  
3           reporting.”

4           (c) CONFORMING AMENDMENTS RELATED TO CRED-  
5 IT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED  
6 TRAINING CENTERS.—

7           (1) DENIAL OF DOUBLE BENEFIT.—Section  
8           280C of such Code is amended by adding at the end  
9           the following new subsection:

10          “(d) CREDIT FOR CORPORATE CONTRIBUTIONS TO  
11 SPECIALIZED TRAINING CENTERS.—No deduction shall  
12 be allowed for that portion of the designated qualified con-  
13 tributions (as defined in section 1400I(b)) made during  
14 the taxable year which is equal to the credit determined  
15 for the taxable year under section 1400I(a). Paragraph  
16 (3) of subsection (b) shall apply for purposes of this sub-  
17 section.”

18           (2) CREDIT TO BE PART OF GENERAL BUSI-  
19           NESS CREDIT.—

20           (A) Section 38(b) of such Code is  
21           amended—

22                   (i) by striking “plus” at the end of  
23                   paragraph (11),

1 (ii) by striking the period at the end  
2 of paragraph (12) and inserting “, plus”,  
3 and

4 (iii) by adding at the end the fol-  
5 lowing new paragraph:

6 “(13) in the case of a corporation, the special-  
7 ized training center credit determined under section  
8 1400I(a).”

9 (B) Subsection (d) of section 39 of such  
10 Code (relating to carryback and carryforward of  
11 unused credits) is amended by adding at the  
12 end the following new paragraph:

13 “(9) NO CARRYBACK OF SECTION 1400I CREDIT  
14 BEFORE JANUARY 1, 2000.—No portion of the un-  
15 used business credit for any taxable year which is  
16 attributable to the credit determined under section  
17 1400I may be carried back to a taxable year begin-  
18 ning before January 1, 2000.”.

19 (d) OTHER CONFORMING AMENDMENTS.—

20 (1) Subchapter U of chapter 1 of such Code is  
21 amended by striking part IV, by redesignating part  
22 V as part IV, and by redesignating section 1397F  
23 as section 1397E.

1           (2) The table of subchapters for chapter 1 of  
2 such Code is amended by adding at the end the fol-  
3 lowing new item:

          “Subchapter X. Public school modernization provisions.”

4           (3) The table of parts of subchapter U of chap-  
5 ter 1 of such Code is amended by striking the last  
6 2 items and inserting the following item:

          “Part IV. Regulations.”

7 (e) EFFECTIVE DATES.—

8           (1) IN GENERAL.—Except as otherwise pro-  
9 vided in this subsection, the amendments made by  
10 this section shall apply to obligations issued after  
11 December 31, 1999.

12           (2) CREDIT FOR CORPORATE CONTRIBUTIONS  
13 TO SPECIALIZED TRAINING CENTERS.—Section  
14 1400I of the Internal Revenue Code of 1986 (as  
15 added by this section) shall apply to taxable years  
16 beginning after December 31, 1999.

17           (3) REPEAL OF RESTRICTION ON ZONE ACAD-  
18 EMY BOND HOLDERS.—In the case of bonds to  
19 which section 1397E of the Internal Revenue Code  
20 of 1986 (as in effect before the date of the enact-  
21 ment of this Act) applies, the limitation of such sec-  
22 tion to eligible taxpayers (as defined in subsection  
23 (d)(6) of such section) shall not apply after the date  
24 of the enactment of this Act.

1 (f) APPLICATION OF CERTAIN LABOR STANDARDS  
2 ON CONSTRUCTION PROJECTS FINANCED UNDER PUBLIC  
3 SCHOOL MODERNIZATION PROGRAM.—Section 439 of the  
4 General Education Provisions Act (relating to labor stand-  
5 ards) is amended—

6 (1) by inserting “(a)” before “All laborers and  
7 mechanics”, and

8 (2) by adding at the end the following:

9 “(b)(1) For purposes of this section, the term ‘appli-  
10 cable program’ also includes the qualified zone academy  
11 bond provisions enacted by section 226 of the Taxpayer  
12 Relief Act of 1997 and the program established by section  
13 2 of the Public School Modernization Act of 1999.

14 “(2) A State or local government participating in a  
15 program described in paragraph (1) shall—

16 “(A) in the awarding of contracts, give priority  
17 to contractors with substantial numbers of employ-  
18 ees residing in the local education area to be served  
19 by the school being constructed; and

20 “(B) include in the construction contract for  
21 such school a requirement that the contractor give  
22 priority in hiring new workers to individuals residing  
23 in such local education area.

24 “(3) In the case of a program described in paragraph  
25 (1), nothing in this subsection or subsection (a) shall be

1 construed to deny any tax credit allowed under such pro-  
2 gram. If amounts are required to be withheld from con-  
3 tractors to pay wages to which workers are entitled, such  
4 amounts shall be treated as expended for construction pur-  
5 poses in determining whether the requirements of such  
6 program are met.”.

7 (g) EMPLOYMENT AND TRAINING ACTIVITIES RE-  
8 LATING TO CONSTRUCTION OR RECONSTRUCTION OF  
9 PUBLIC SCHOOL FACILITIES.—

10 (1) IN GENERAL.—Section 134 of the Work-  
11 force Investment Act of 1998 (29 U.S.C. 2864) is  
12 amended by adding at the end the following:

13 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-  
14 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION  
15 OF PUBLIC SCHOOL FACILITIES.—

16 “(1) IN GENERAL.—In order to provide training  
17 services related to construction or reconstruction of  
18 public school facilities receiving funding assistance  
19 under an applicable program, each State shall estab-  
20 lish a specialized program of training meeting the  
21 following requirements:

22 “(A) The specialized program provides  
23 training for jobs in the construction industry.

24 “(B) The program is designed to provide  
25 trained workers for projects for the construction

1 or reconstruction of public school facilities re-  
2 ceiving funding assistance under an applicable  
3 program.

4 “(C) The program is designed to ensure  
5 that skilled workers (residing in the area to be  
6 served by the school facilities) will be available  
7 for the construction or reconstruction work.

8 “(2) COORDINATION.—The specialized program  
9 established under paragraph (1) shall be integrated  
10 with other activities under this Act, with the activi-  
11 ties carried out under the National Apprenticeship  
12 Act of 1937 by the State Apprenticeship Council or  
13 through the Bureau of Apprenticeship and Training  
14 in the Department of Labor, as appropriate, and  
15 with activities carried out under the Carl D. Perkins  
16 Vocational and Technical Education Act of 1998.  
17 Nothing in this subsection shall be construed to re-  
18 quire services duplicative of those referred to in the  
19 preceding sentence.

20 “(3) APPLICABLE PROGRAM.—In this sub-  
21 section, the term ‘applicable program’ has the mean-  
22 ing given the term in section 439(b) of the General  
23 Education Provisions Act (relating to labor stand-  
24 ards).”.



1           (2) STATE PLAN.—Section 112(b)(17)(A) of  
2           the Workforce Investment Act of 1998 (29 U.S.C.  
3           2822(b)(17)(A)) is amended—

4                   (A) in clause (iii), by striking “and” at the  
5           end;

6                   (B) by redesignating clause (iv) as clause  
7           (v); and

8                   (C) by inserting after clause (iii) the fol-  
9           lowing:

10                   “(iv) how the State will establish and carry  
11           out a specialized program of training under sec-  
12           tion 134(f); and”.

## 13           **TITLE III—EMPLOYMENT**

### 14           **SEC. 301. EXTENSION OF WORK OPPORTUNITY CREDIT AND** 15                   **WELFARE-TO-WORK CREDIT.**

16           (a) WORK OPPORTUNITY CREDIT.—Subparagraph  
17           (B) of section 51(c)(4) of the Internal Revenue Code of  
18           1986 (relating to termination) is amended by striking  
19           “June 30, 1999” and inserting “June 30, 2004”.

20           (b) WELFARE-TO-WORK CREDIT.—Subparagraph (f)  
21           of section 51A of such Code (relating to temporary incen-  
22           tives for employing long-term family assistance recipients)  
23           is amended by striking “June 30, 1999” and inserting  
24           “June 30, 2004”.

# TITLE IV—ENERGY

## SEC. 401. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 48 the following new section:

### “SEC. 48A. ENERGY CREDIT.

“(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the sum of—

“(1) the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year, and

“(2) the credit amount for each qualified hybrid vehicle placed in service during the taxable year.

### “(b) ENERGY PERCENTAGE.—

“(1) IN GENERAL.—The energy percentage shall be determined in accordance with the following table:

“Column A—Description	Column B—Energy Percentage	Column C—Period	
In the case of:	The energy percent- age is:	For the period:	
		Beginning on:	Ending on:
Solar energy property (other than elected solar hot water property and photovoltaic property) and geothermal energy property .....	10 percent	1/1/2000	no end date
Elected solar hot water property .....	15 percent	1/1/2000	12/31/2004
Photovoltaic property .....	15 percent	1/1/2000	12/31/2006
20 percent energy-efficient building property .....	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property .....	10 percent	1/1/2000	12/31/2001
Combined heat and power system property .....	8 percent	1/1/2000	12/31/2002.

1           “(2) PERIODS FOR WHICH PERCENTAGE NOT  
 2 SPECIFIED.—In the case of any energy property, the  
 3 energy percentage shall be zero for any period for  
 4 which an energy percentage is not specified for such  
 5 property under paragraph (1).

6           “(3) COORDINATION WITH REHABILITATION.—  
 7 The energy percentage shall not apply to that por-  
 8 tion of the basis of any property which is attrib-  
 9 utable to qualified rehabilitation expenditures.

10           “(4) TRANSITIONAL RULES.—Rules similar to  
 11 the rules of section 48(m) (as in effect on the day  
 12 before the date of the enactment of the Revenue  
 13 Reconciliation Act of 1990) shall apply for purposes  
 14 of this subsection.

15           “(c) MAXIMUM CREDIT FOR CERTAIN PROPERTY.—  
 16 In the case of property described in the following table,  
 17 the amount of the current year business credit under sub-  
 18 section (a) for the taxable year for each item of such prop-  
 19 erty with respect to a building shall not exceed the amount  
 20 specified for such property in such table:

Description of property:	Maximum allowable credit amount is:
Elected solar hot water property .....	\$1,000.
Photovoltaic property with respect to which the energy percentage is greater than 10 percent.	\$2,000.
20 percent energy-efficient building property:	
fuel cell described in subsection (e)(3)(A) .....	\$500 per each kw/hr of capacity.
natural gas heat pump described in subsection (e)(3)(D).	\$1,000.

Description of property:	Maximum allowable credit amount is:
20 percent energy-efficient building property (other than a fuel cell and a natural gas heat pump)	\$500.
10 percent energy-efficient building property .....	\$250.

1       “(d) ENERGY PROPERTY DEFINED.—

2               “(1) IN GENERAL.—For purposes of this sub-  
3 part, the term ‘energy property’ means any  
4 property—

5               “(A) which is—

6                       “(i) solar energy property,

7                       “(ii) geothermal energy property,

8                       “(iii) 20 percent energy-efficient  
9 building property,

10                      “(iv) 10 percent energy-efficient build-  
11 ing property, or

12                      “(v) combined heat and power system  
13 property,

14                      “(B)(i) the construction, reconstruction, or  
15 erection of which is completed by the taxpayer,  
16 or

17                      “(ii) which is acquired by the taxpayer if  
18 the original use of such property commences  
19 with the taxpayer,

20                      “(C) with respect to which depreciation (or  
21 amortization in lieu of depreciation) is allow-  
22 able, and

1           “(D) which meets the performance and  
2           quality standards (if any), and the certification  
3           requirements (if any), which—

4                   “(i) have been prescribed by the Sec-  
5                   retary by regulations (after consultation  
6                   with the Secretary of Energy or the Ad-  
7                   ministrators of the Environmental Protec-  
8                   tion Agency, as appropriate), and

9                   “(ii) are in effect at the time of the  
10                  acquisition of the property.

11           “(2) EXCEPTION.—Such term shall not include  
12           any property which is public utility property (as de-  
13           fined in section 46(f)(5) as in effect on the day be-  
14           fore the date of the enactment of the Revenue Rec-  
15           onciliation Act of 1990). The preceding sentence  
16           shall not apply to combined heat and power system  
17           property.

18           “(e) DEFINITIONS RELATING TO TYPES OF ENERGY  
19           PROPERTY.—For purposes of this section—

20                   “(1) SOLAR ENERGY PROPERTY.—

21                           “(A) IN GENERAL.—The term ‘solar en-  
22                           ergy property’ means equipment which uses  
23                           solar energy—

24                                   “(i) to generate electricity,

1                   “(ii) to heat or cool (or provide hot  
2                   water for use in) a structure, or

3                   “(iii) to provide solar process heat.

4                   “(B) ELECTED SOLAR WATER HEATING  
5                   PROPERTY.—

6                   “(i) IN GENERAL.—The term ‘elected  
7                   solar water heating property’ means prop-  
8                   erty which is solar energy property by rea-  
9                   son of subparagraph (A)(ii) and for which  
10                  an election under this subparagraph is in  
11                  effect.

12                  “(ii) ELECTION.—For purposes of  
13                  clause (i) and the energy percentage speci-  
14                  fied in the table in subsection (b)(1), a tax-  
15                  payer may elect to treat property described  
16                  in clause (i) as elected solar water heating  
17                  property.

18                  “(C) PHOTOVOLTAIC PROPERTY.—The  
19                  term ‘photovoltaic property’ means solar energy  
20                  property which uses a solar photovoltaic process  
21                  to generate electricity.

22                  “(D) SWIMMING POOLS, ETC., USED AS  
23                  STORAGE MEDIUM.—The term ‘solar energy  
24                  property’ shall not include a swimming pool,  
25                  hot tub, or any other energy storage medium

1           which has a function other than the function of  
2           such storage.

3           “(E) SOLAR PANELS.—No solar panel or  
4           other property installed as a roof (or portion  
5           thereof) shall fail to be treated as solar energy  
6           property solely because it constitutes a struc-  
7           tural component of the structure on which it is  
8           installed.

9           “(2) GEOTHERMAL ENERGY PROPERTY.—The  
10          term ‘geothermal energy property’ means equipment  
11          used to produce, distribute, or use energy derived  
12          from a geothermal deposit (within the meaning of  
13          section 613(e)(2)), but only, in the case of electricity  
14          generated by geothermal power, up to (but not in-  
15          cluding) the electrical transmission stage.

16          “(3) 20 PERCENT ENERGY-EFFICIENT BUILD-  
17          ING PROPERTY.—The term ‘20 percent energy-effi-  
18          cient building property’ means—

19                 “(A) a fuel cell that—

20                         “(i) generates electricity and heat  
21                         using an electrochemical process,

22                         “(ii) has an electricity-only generation  
23                         efficiency greater than 35 percent, and

24                         “(iii) has a minimum generating ca-  
25                         pacity of 5 kilowatts,

1           “(B) an electric heat pump hot water heat-  
2           er that yields an energy factor of 1.7 or greater,

3           “(C) an electric heat pump that has a  
4           heating system performance factor (HSPF) of  
5           9 or greater and a cooling seasonal energy effi-  
6           ciency ratio (SEER) of 15 or greater,

7           “(D) a natural gas heat pump that has a  
8           coefficient of performance of not less than 1.25  
9           for heating and not less than 0.70 for cooling,

10          “(E) a central air conditioner that has a  
11          cooling seasonal energy efficiency ratio (SEER)  
12          of 15 or greater, and

13          “(F) an advanced natural gas water heater  
14          that has an energy factor of at least 0.80.

15          “(4) 10 PERCENT ENERGY-EFFICIENT BUILD-  
16          ING PROPERTY.—The term ‘10 percent energy-effi-  
17          cient building property’ means—

18                 “(A) an electric heat pump that has a  
19                 heating system performance factor (HSPF) of  
20                 7.5 or greater and a cooling seasonal energy ef-  
21                 ficiency ratio (SEER) of 13.5 or greater,

22                 “(B) a central air conditioner that has a  
23                 cooling seasonal energy efficiency ratio (SEER)  
24                 of 13.5 or greater, and



1           “(C) an advanced natural gas water heater  
2           that has an energy factor of at least 0.65.

3           “(5) COMBINED HEAT AND POWER SYSTEM  
4           PROPERTY.—

5           “(A) IN GENERAL.—The term ‘combined  
6           heat and power system property’ means prop-  
7           erty comprising a system—

8                   “(i) which uses the same energy  
9                   source for the simultaneous or sequential  
10                  generation of electrical power, mechanical  
11                  shaft power, or both, in combination with  
12                  the generation of steam or other forms of  
13                  useful thermal energy (including heating  
14                  and cooling applications),

15                  “(ii) which has an electrical capacity  
16                  of more than 50 kilowatts or a mechanical  
17                  energy capacity of more than 67 horse-  
18                  power or an equivalent combination of elec-  
19                  trical and mechanical energy capacities,

20                  “(iii) which produces—

21                          “(I) at least 20 percent of its  
22                          total useful energy in the form of  
23                          thermal energy, and

24                          “(II) at least 20 percent of its  
25                          total useful energy in the form of elec-

1                   trical or mechanical power (or a com-  
2                   bination thereof), and

3                   “(iv) the energy efficiency percentage  
4                   of which exceeds 60 percent (70 percent in  
5                   the case of a system with an electrical ca-  
6                   pacity in excess of 50 megawatts or a me-  
7                   chanical energy capacity in excess of  
8                   67,000 horsepower, or an equivalent com-  
9                   bination of electrical and mechanical en-  
10                  ergy capacities).

11                  “(B) SPECIAL RULES.—

12                  “(i) ENERGY EFFICIENCY PERCENT-  
13                  AGE.—For purposes of subparagraph  
14                  (A)(iv), the energy efficiency percentage of  
15                  a system is the fraction—

16                         “(I) the numerator of which is  
17                         the total useful electrical, thermal,  
18                         and mechanical power produced by  
19                         the system at normal operating rates,  
20                         and

21                         “(II) the denominator of which is  
22                         the lower heating value of the primary  
23                         fuel source for the system.

24                  “(ii) DETERMINATIONS MADE ON BTU  
25                  BASIS.—The energy efficiency percentage

1 and the percentages under subparagraph  
2 (A)(iii) shall be determined on a Btu basis.

3 “(iii) INPUT AND OUTPUT PROPERTY  
4 NOT INCLUDED.—The term ‘combined heat  
5 and power system property’ does not in-  
6 clude property used to transport the en-  
7 ergy source to the facility or to distribute  
8 energy produced by the facility.

9 “(iv) ACCOUNTING RULE FOR PUBLIC  
10 UTILITY PROPERTY.—In the case that  
11 combined heat and power system property  
12 is public utility property (as defined in sec-  
13 tion 46(f)(5) as in effect on the day before  
14 the date of the enactment of the Revenue  
15 Reconciliation Act of 1990), the taxpayer  
16 may only claim the credit under subsection  
17 (a)(1) if, with respect to such property, the  
18 taxpayer uses a normalization method of  
19 accounting.

20 “(v) DEPRECIATION.—No credit shall  
21 be allowed for any combined heat and  
22 power system property unless the taxpayer  
23 elects to treat such property for purposes  
24 of section 168 as having a class life of not  
25 less than 22 years.

1 “(f) QUALIFIED HYBRID VEHICLES.—For purposes  
2 of subsection (a)(2)—

3 “(1) CREDIT AMOUNT.—

4 “(A) IN GENERAL.—The credit amount for  
5 each qualified hybrid vehicle with a recharge-  
6 able energy storage system that provides the  
7 applicable percentage of the maximum available  
8 power shall be the amount specified in the fol-  
9 lowing table:

“Applicable percentage		Credit amount is:
Greater than or equal to—	Less than—	
5 percent .....	10 percent	\$ 500
10 percent .....	20 percent	\$1,000
20 percent .....	30 percent	\$1,500
30 percent .....		\$2,000

10 “(B) INCREASE IN CREDIT AMOUNT FOR  
11 REGENERATIVE BRAKING SYSTEM.—In the case  
12 of a qualified hybrid vehicle that actively em-  
13 ploys a regenerative braking system which sup-  
14 plies to the rechargeable energy storage system  
15 the applicable percentage of the energy avail-  
16 able from braking in a typical 60 miles per  
17 hour to 0 miles per hour braking event, the  
18 credit amount determined under subparagraph  
19 (A) shall be increased by the amount specified  
20 in the following table:

“Applicable percentage		Credit amount increase is:
Greater than or equal to—	Less than—	
20 percent .....	40 percent	\$ 250
40 percent .....	60 percent	\$ 500
60 percent .....		\$1,000

1           “(2) QUALIFIED HYBRID VEHICLE.—The term  
2           ‘qualified hybrid vehicle means an automobile that  
3           meets all applicable regulatory requirements and  
4           that can draw propulsion energy from both of the  
5           following on-board sources of stored energy:

6                       “(A) A consumable fuel.

7                       “(B) A rechargeable energy storage sys-  
8           tem.

9           “(3) MAXIMUM AVAILABLE POWER.—The term  
10          ‘maximum available power’ means the maximum  
11          value of the sum of the heat engine and electric  
12          drive system power or other non-heat energy conver-  
13          sion devices available for a driver’s command for  
14          maximum acceleration at vehicle speeds under 75  
15          miles per hour.

16          “(4) AUTOMOBILE.—The term ‘automobile’ has  
17          the meaning given such term by section 4064(b)(1)  
18          (without regard to subparagraphs (B) and (C) there-  
19          of). A vehicle shall not fail to be treated as an auto-  
20          mobile solely by reason of weight if such vehicle is  
21          rated at 8,500 pounds gross vehicle weight rating or  
22          less.

1           “(5) DOUBLE BENEFIT; PROPERTY USED OUT-  
2           SIDE UNITED STATES, ETC., NOT QUALIFIED.—No  
3           credit shall be allowed under subsection (a)(2) with  
4           respect to—

5                   “(A) any property for which a credit is al-  
6                   lowed under section 25C or 30,

7                   “(B) any property referred to in section  
8                   50(b), and

9                   “(C) the portion of the cost of any prop-  
10                  erty taken into account under section 179 or  
11                  179A.

12           “(6) REGULATIONS.—

13                   “(A) TREASURY.—The Secretary shall pre-  
14                   scribe such regulations as may be necessary or  
15                   appropriate to carry out the purposes of this  
16                   subsection.

17                   “(B) ENVIRONMENTAL PROTECTION  
18                   AGENCY.—

19                   “(A) TREASURY.—The Administrator of  
20                   the Environmental Protection Agency shall pre-  
21                   scribe such regulations as may be necessary or  
22                   appropriate to specify the testing and calcula-  
23                   tion procedures that would be used to deter-  
24                   mine whether a vehicle meets the qualifications  
25                   for a credit under this subsection.

1           “(7) TERMINATION.—Paragraph (2) shall not  
2           apply with respect to any vehicle placed in service  
3           during a calendar year ending before January 1,  
4           2003, or after December 31, 2006.

5           “(g) SPECIAL RULES.—For purposes of this  
6           section—

7           “(1) SPECIAL RULE FOR PROPERTY FINANCED  
8           BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL  
9           DEVELOPMENT BONDS.—

10           “(A) REDUCTION OF BASIS.—For purposes  
11           of applying the energy percentage to any prop-  
12           erty, if such property is financed in whole or in  
13           part by—

14                   “(i) subsidized energy financing, or

15                   “(ii) the proceeds of a private activity  
16                   bond (within the meaning of section 141)  
17                   the interest on which is exempt from tax  
18                   under section 103,

19           the amount taken into account as the basis of  
20           such property shall not exceed the amount  
21           which (but for this subparagraph) would be so  
22           taken into account multiplied by the fraction  
23           determined under subparagraph (B).

24           “(B) DETERMINATION OF FRACTION.—For  
25           purposes of subparagraph (A), the fraction de-

1           terminated under this subparagraph is 1 reduced  
2           by a fraction—

3                   “(i) the numerator of which is that  
4                   portion of the basis of the property which  
5                   is allocable to such financing or proceeds,  
6                   and

7                   “(ii) the denominator of which is the  
8                   basis of the property.

9                   “(C) SUBSIDIZED ENERGY FINANCING.—  
10           For purposes of subparagraph (A), the term  
11           ‘subsidized energy financing’ means financing  
12           provided under a Federal, State, or local pro-  
13           gram a principal purpose of which is to provide  
14           subsidized financing for projects designed to  
15           conserve or produce energy.

16                   “(2) BUSINESS USE.—The rule similar to the  
17           rule of section 25(B)(d)(5)(B) shall apply for pur-  
18           poses of determining the business use of a vehicle.

19                   “(3) CERTAIN PROGRESS EXPENDITURE RULES  
20           MADE APPLICABLE.—Rules similar to the rules of  
21           subsections (c)(4) and (d) of section 46 (as in effect  
22           on the day before the date of the enactment of the  
23           Revenue Reconciliation Act of 1990) shall apply for  
24           purposes of this section.



1           “(4) DOUBLE BENEFIT.—Property which  
2 would, but for this paragraph, be eligible for credit  
3 under more than one provision of this section shall  
4 be eligible only under one such provision, the provi-  
5 sion specified by the taxpayer.”.

6           (b) CONFORMING AMENDMENTS.—

7           (1) Section 48 of such Code is amended to read  
8 as follows:

9           **“SEC. 48. REFORESTATION CREDIT.**

10           “(a) IN GENERAL.—For purposes of section 46, the  
11 reforestation credit for any taxable year is 10 percent of  
12 the portion of the amortizable basis of any qualified timber  
13 property which was acquired during such taxable year and  
14 which is taken into account under section 194 (after the  
15 application of section 194(b)(1)).

16           “(b) DEFINITIONS.—For purposes of this subpart,  
17 the terms ‘amortizable basis’ and ‘qualified timber prop-  
18 erty’ have the respective meanings given to such terms by  
19 section 194.”.

20           (2) Subsection (d) of section 39 of such Code  
21 is amended by adding at the end the following new  
22 paragraph:

23           “(10) NO CARRYBACK OF ENERGY CREDIT BE-  
24 FORE EFFECTIVE DATE.—No portion of the unused  
25 business credit for any taxable year which is attrib-

1       utable to the energy credit determined under section  
2       48A may be carried back to a taxable year ending  
3       before the date of the enactment of section 48A.”.

4               (3) Paragraph (3) of section 50(c) of such Code  
5       is amended by adding at the end the following flush  
6       sentence:

7       “In the case of the energy credit, the preceding sen-  
8       tence shall apply only to so much of such credit as  
9       relates to solar energy property and geothermal  
10      property (as such terms are defined in section  
11      48A(e)).”.

12              (4) Subclause (III) of section 29(b)(3)(A)(i) of  
13      such Code is amended by striking “section  
14      48(a)(4)(C)” and inserting “section 48A(g)(1)(C)”.

15              (5) Subparagraph (E) of section 50(a)(2) of  
16      such Code is amended by striking “section 48(a)(5)”  
17      and inserting “section 48A(g)(3)”.

18              (6) Subparagraph (B) of section 168(e)(3) of  
19      such Code is amended—

20                      (A) in clause (vi)(I)—

21                              (i) by striking “section 48(a)(3)” and  
22                              inserting “paragraphs (1) and (2) of sec-  
23                              tion 48A(e)”, and

24                              (ii) by striking “clause (i)” and in-  
25                              serting “paragraph (1)(A)”, and

1 (B) in the last sentence by striking “sec-  
 2 tion 48(a)(3)” and inserting “section  
 3 48A(d)(2)”.

4 (7) Subparagraph (E) of section 168(e)(3) of  
 5 such Code is amended by striking “and” at the end  
 6 of clause (ii), by striking the period at the end of  
 7 clause (iii) and inserting “, and”, and by inserting  
 8 after clause (iii) the following new clause:

9 “(iv) any combined heat and power  
 10 system property (as defined in section  
 11 48A(e)(5)) for which a credit is allowed  
 12 under section 48A and which, but for this  
 13 clause, would have a recovery period of less  
 14 than 15 years.”.

15 (8) The table contained in subparagraph (B) of  
 16 section 168(g)(3) of such Code is amended by add-  
 17 ing at the end the following:

“(E)(iv) ..... 22”.

18 (c) CLERICAL AMENDMENT.—The table of sections  
 19 for subpart E of part IV of subchapter A of chapter 1  
 20 of such Code is amended by striking the item relating to  
 21 section 48 and inserting the following new items:

“Sec. 48. Reforestation credit.  
 “Sec. 48A. Energy credit.”.

22 (d) EFFECTIVE DATE.—The amendments made by  
 23 this section shall apply to periods after December 31,

1 1999, under rules similar to the rules of section 48(m)  
2 of the Internal Revenue Code of 1986 (as in effect on the  
3 day before the date of the enactment of the Revenue Rec-  
4 onciliation Act of 1990).

5 **SEC. 402. EXTENSION OF CREDIT FOR QUALIFIED ELEC-**  
6 **TRIC VEHICLES.**

7 (a) EXTENSION OF CREDIT FOR QUALIFIED ELEC-  
8 TRIC VEHICLES.—Subsection (f) of section 30 of the In-  
9 ternal Revenue Code of 1986 (relating to termination) is  
10 amended by striking “December 31, 2004” and inserting  
11 “December 31, 2006”.

12 (b) REPEAL OF PHASEOUT.—Subsection (b) of sec-  
13 tion 30 of such Code (relating to limitations) is amended  
14 by striking paragraph (2) and redesignating paragraph  
15 (3) as paragraph (2).

16 (c) NO DOUBLE BENEFIT.—

17 (1) Subsection (d) of section 30 of such Code  
18 (relating to special rules) is amended by adding at  
19 the end the following new paragraph:

20 “(5) No credit shall be allowed under sub-  
21 section (a) with respect to any vehicle if the tax-  
22 payer claims a credit for such vehicle under section  
23 25C(a)(1)(B) or 48A(f).”.

24 (2) Paragraph (3) of section 30(d) of such Code  
25 (relating to property used outside United States,

1 etc., not qualified) is amended by striking “section  
2 50(b)” and inserting “section 25C, 48A, or 50(b)”.

3 (3) Paragraph (5) of section 179A(e) of such  
4 Code (relating to property used outside United  
5 States, etc., not qualified) is amended by striking  
6 “section 50(b)” and inserting “section 25C, 48A, or  
7 50(b)”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to property placed in service after  
10 the date of the enactment of this Act.

11 **SEC. 403. MODIFICATIONS TO CREDIT FOR ELECTRICITY**  
12 **PRODUCED FROM CERTAIN RENEWABLE RE-**  
13 **SOURCES.**

14 (a) EXTENSION.—Paragraph (3) of section 45(c) of  
15 the Internal Revenue Code of 1986 (relating to qualified  
16 facility) is amended by striking “July 1, 1999” and insert-  
17 ing “July 1, 2004”.

18 (b) QUALIFIED FACILITIES INCLUDE ALL BIOMASS  
19 FACILITIES.—

20 (1) IN GENERAL.—Paragraph (1) of section  
21 45(c) of such Code (relating to definition of qualified  
22 energy resources) is amended by striking “and” at  
23 the end of subparagraph (A), by striking the period  
24 at the end of subparagraph (B), and by inserting  
25 after subparagraph (B) the following:

1           “(C) biomass (other than closed-loop bio-  
2 mass).”.

3           (2) BIOMASS DEFINED.—Paragraph (2) of sec-  
4 tion 45(c) of such Code is amended to read as fol-  
5 lows:

6           “(2) BIOMASS.—

7           “(A) IN GENERAL.—The term ‘biomass’  
8 means—

9           “(i) closed-loop biomass, and

10           “(ii) any solid, nonhazardous, cel-  
11 lulosic waste material, which is segregated  
12 from other waste materials, and which is  
13 derived from—

14           “(I) any of the following forest-  
15 related resources: mill residues,  
16 precommercial thinnings, slash, and  
17 brush, but not including old-growth  
18 timber,

19           “(II) waste pallets, crates, and  
20 dunnage, and landscape or right-of-  
21 way tree trimmings, but not including  
22 unsegregated municipal solid waste  
23 (garbage) and post-consumer waste-  
24 paper, or

1                   “(III) agriculture sources, includ-  
2                   ing orchard tree crops, vineyard,  
3                   grain, legumes, sugar, and other crop  
4                   by-products or residues.

5                   “(B) CLOSED-LOOP BIOMASS.—The term  
6                   ‘closed-loop biomass’ means any organic mate-  
7                   rial from a plant which is planted exclusively  
8                   for purposes of being used at a qualified facility  
9                   to produce electricity.”.

10           (c) ELECTRICITY PRODUCED FROM BIOMASS CO-  
11   FIRED IN COAL PLANTS.—

12           (1) CREDIT AMOUNT.—Paragraph (1) of section  
13           45(a) of such Code (relating to general rule) is  
14           amended by inserting “(1.0 cents in the case of elec-  
15           tricity produced from biomass co-fired in a facility  
16           which produces electricity from coal) after “1.5  
17           cents”.

18           (2) QUALIFIED FACILITY.—Paragraph (3) of  
19           section 45(c) of such Code (relating to definitions)  
20           is amended by striking the period at the end and in-  
21           serting the following: “, and any facility using bio-  
22           mass other than closed loop biomass to produce elec-  
23           tricity which is owned by the taxpayer and which is  
24           originally placed in service after June 30, 1999.”.

25           (3) ADJUSTMENT FOR INFLATION.—

1           (A) IN GENERAL.—Paragraph (2) of sec-  
2           tion 45(b) of such Code (relating to credit and  
3           phaseout adjustment based on inflation) is  
4           amended by striking “1.5 cent amount” and in-  
5           serting “1.5 and 1.0 cent amounts”.

6           (B) BASE YEAR FOR INFLATION ADJUST-  
7           MENT FACTOR.—Subparagraph (B) of section  
8           45(d)(2) of such Code (relating to inflation ad-  
9           justment factor) is amended by adding at the  
10          end the following new sentence: “In the case of  
11          the 1.0 cents amount in subsection (a), the first  
12          sentence of this subparagraph shall be applied  
13          by substituting ‘1999’ for ‘1992’.”.

14          (d) CREDIT NOT TO APPLY TO ELECTRICITY SOLD  
15          TO UTILITIES UNDER CERTAIN CONTRACTS.—Subsection  
16          (b) of section 45 of such Code (relating to limitations and  
17          adjustments) is amended by adding at the end the fol-  
18          lowing new paragraph:

19               “(4) CREDIT NOT TO APPLY TO ELECTRICITY  
20               SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

21                       “(A) IN GENERAL.—The credit determined  
22                       under subsection (a) shall not apply to  
23                       electricity—



1           “(i) produced at a qualified facility  
2 placed in service by the taxpayer after  
3 June 30, 1999, and

4           “(ii) sold to a utility pursuant to a  
5 contract originally entered into before Jan-  
6 uary 1, 1987 (whether or not amended or  
7 restated after that date).

8           “(B) EXCEPTION.—Subparagraph (A)  
9 shall not apply if—

10           “(i) the prices for energy and capacity  
11 from such facility are established pursuant  
12 to an amendment to the contract referred  
13 to in subparagraph (A)(ii),

14           “(ii) such amendment provides that  
15 the prices set forth in the contract which  
16 exceed avoided cost prices determined at  
17 the time of delivery shall apply only to an-  
18 nual quantities of electricity (prorated for  
19 partial years) which do not exceed the  
20 greater of—

21           “(I) the average annual quantity  
22 of electricity sold to the utility under  
23 the contract during calendar years  
24 1994, 1995, 1996, 1997, and 1998,  
25 or

1                   “(II) the estimate of the annual  
2                   electricity production set forth in the  
3                   contract, or, if there is no such esti-  
4                   mate, the greatest annual quantity of  
5                   electricity sold to the utility under the  
6                   contract in any of the calendar years  
7                   1996, 1997, or 1998, and

8                   “(iii) such amendment provides that  
9                   energy and capacity in excess of the limita-  
10                  tion in clause (ii) may be—

11                   “(I) sold to the utility only at  
12                   prices that do not exceed avoided cost  
13                   prices determined at the time of deliv-  
14                   ery, or

15                   “(II) sold to a third party subject  
16                   to a mutually agreed upon advance  
17                   notice to the utility.

18                   For purposes of this subparagraph, avoided cost  
19                   prices shall be determined as provided for in  
20                   section 292.304(d)(1) of title 18, Code of Fed-  
21                   eral Regulations, or any successor regulation.”.

22                   (e) EFFECTIVE DATE.—

23                   (1) IN GENERAL.—Except as provided by para-  
24                   graph (2), the amendments made by this section

1 shall apply to taxable years ending after June 30,  
2 1999.

3 (2) ADJUSTMENT FOR INFLATION.—The  
4 amendments made by subsection (c)(3) shall apply  
5 to taxable years ending after December 31, 1999.

6 **SEC. 404. CREDIT FOR CERTAIN NONBUSINESS ENERGY**  
7 **PROPERTY.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of  
10 1986 (relating to nonrefundable personal credits) is  
11 amended by inserting after section 25A the following new  
12 section:

13 **“SEC. 25C. NONBUSINESS ENERGY PROPERTY.**

14 **“(a) ALLOWANCE OF CREDIT.—**

15 **“(1) IN GENERAL.—**In the case of an indi-  
16 vidual, there shall be allowed as a credit against the  
17 tax imposed by this chapter for the taxable year an  
18 amount equal to the sum of—

19 **“(A)** the applicable percentage of residen-  
20 tial energy property expenditures made by the  
21 taxpayer during such year,

22 **“(B)** the credit amount (determined under  
23 section 48A(f)) for each vehicle purchased dur-  
24 ing the taxable year which is a qualified hybrid  
25 vehicle (as defined in section 48A(f)(2)), and

1 “(C) the credit amount specified in the fol-  
 2 lowing table for a new, highly energy-efficient  
 3 principal residence:

**“New, Highly Energy-Efficient Principal Residence: Credit Amount:**

30 percent property .....	\$1,000.
40 percent property .....	\$1,500.
50 percent property .....	\$2,000.

4 “(2) APPLICABLE PERCENTAGE.—

5 “(A) IN GENERAL.—The applicable per-  
 6 centage shall be determined in accordance with  
 7 the following table:

“Column A—Description	Column B— Appli- cable Percentage	Column C—Period	
In the case of:	The applicable per- centage is:	For the period:	
		Beginning on:	Ending on:
20 percent energy-efficient building property .....	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property .....	10 percent	1/1/2000	12/31/2001
Solar water heating property .....	15 percent	1/1/2000	12/31/2006
Photovoltaic property .....	15 percent	1/1/2000	12/31/2006.

8 “(B) PERIODS FOR WHICH PERCENTAGE  
 9 NOT SPECIFIED.—In the case of any residential  
 10 energy property, the applicable percentage shall  
 11 be zero for any period for which an applicable  
 12 percentage is not specified for such property  
 13 under subparagraph (A).

14 “(b) MAXIMUM CREDIT.—

15 “(1) IN GENERAL.—In the case of property de-  
 16 scribed in the following table, the amount of the  
 17 credit allowed under subsection (a)(1)(A) for the  
 18 taxable year for each item of such property with re-

1 spect to a dwelling unit shall not exceed the amount  
 2 specified for such property in such table:

“Description of property item:	Maximum allowable credit amount is:
20 percent energy-efficient building property (other than a fuel cell or natural gas heat pump).	\$500.
20 percent energy-efficient building property:	
fuel cell described in section 48A(e)(3)(A) .....	\$500 per each kw/hr of capacity.
natural gas heat pump described in section 48A(e)(3)(D).	\$1,000.
10 percent energy-efficient building property .....	\$250.
Solar water heating property .....	\$1,000.
Photovoltaic property .....	\$2,000.

3           “(2) COORDINATION OF LIMITATIONS.—If a  
 4 credit is allowed to the taxpayer for any taxable year  
 5 by reason of an acquisition of a new, highly energy-  
 6 efficient principal residence, no other credit shall be  
 7 allowed under subsection (a)(1)(A) with respect to  
 8 such residence during the 1-taxable year period be-  
 9 ginning with such taxable year.

10           “(c) DEFINITIONS.—For purposes of this section—

11           “(1) RESIDENTIAL ENERGY PROPERTY EX-  
 12 PENDITURES.—The term ‘residential energy prop-  
 13 erty expenditures’ means expenditures made by the  
 14 taxpayer for qualified energy property installed on or  
 15 in connection with a dwelling unit which—

16                   “(A) is located in the United States, and

17                   “(B) is used by the taxpayer as a resi-  
 18 dence.

1 Such term includes expenditures for labor costs  
2 properly allocable to the onsite preparation, assem-  
3 bly, or original installation of the property.

4 “(2) QUALIFIED ENERGY PROPERTY.—

5 “(A) IN GENERAL.—The term ‘qualified  
6 energy property’ means—

7 “(i) energy-efficient building property,

8 “(ii) solar water heating property, and

9 “(iii) photovoltaic property.

10 “(B) SWIMMING POOL, ETC., USED AS  
11 STORAGE MEDIUM; SOLAR PANELS.—For pur-  
12 poses of this paragraph, the provisions of sub-  
13 paragraphs (D) and (E) section 48A(e)(1) shall  
14 apply.

15 “(3) ENERGY-EFFICIENT BUILDING PROP-  
16 erty.—The term ‘energy-efficient building property’  
17 has the meaning given to such term by paragraphs  
18 (3) and (4) of section 48A(e).

19 “(4) SOLAR WATER HEATING PROPERTY.—The  
20 term ‘solar water heating property’ means property  
21 which, when installed in connection with a structure,  
22 uses solar energy for the purpose of providing hot  
23 water for use within such structure.

1           “(5) PHOTOVOLTAIC PROPERTY.—The term  
2           ‘photovoltaic property’ has the meaning given to  
3           such term by section 48A(e)(1)(C).

4           “(6) NEW, HIGHLY ENERGY-EFFICIENT PRIN-  
5           CIPAL RESIDENCE.—

6                   “(A) IN GENERAL.—Property is a new,  
7           highly energy-efficient principal residence if—

8                           “(i) such property is located in the  
9                           United States,

10                           “(ii) the original use of such property  
11                           commences with the taxpayer and is, at  
12                           the time of such use, the principal resi-  
13                           dence of the taxpayer, and

14                           “(iii) such property is certified before  
15                           such use commences as being 50 percent  
16                           property, 40 percent property, or 30 per-  
17                           cent property.

18                   “(B) 50, 40, OR 30 PERCENT PROPERTY.—

19                           “(i) IN GENERAL.—For purposes of  
20                           subparagraph (A), property is 50 percent  
21                           property, 40 percent property, or 30 per-  
22                           cent property if the projected energy usage  
23                           of such property is reduced by 50 percent,  
24                           40 percent, or 30 percent, respectively,  
25                           compared to the energy usage of a ref-

1           erence house that complies with minimum  
2           standard practice, such as the 1998 Inter-  
3           national Energy Conservation Code of the  
4           International Code Council, as determined  
5           according to the requirements specified in  
6           clause (ii).

7           “(ii) PROCEDURES.—

8                   “(I) IN GENERAL.—For purposes  
9                   of clause (i), energy usage shall be  
10                  demonstrated either by a component-  
11                  based approach or a performance-  
12                  based approach.

13                  “(II) COMPONENT APPROACH.—

14                  Compliance by the component ap-  
15                  proach is achieved when all of the  
16                  components of the house comply with  
17                  the requirements of prescriptive pack-  
18                  ages established by the Secretary of  
19                  Energy, in consultation with the Ad-  
20                  ministrator of the Environmental Pro-  
21                  tection Agency, such that they are  
22                  equivalent to the results of using the  
23                  performance-based approach of sub-  
24                  clause (III) to achieve the required re-  
25                  duction in energy usage.



1                   “(III) PERFORMANCE-BASED AP-  
2                   PROACH.—Performance-based compli-  
3                   ance shall be demonstrated in terms  
4                   of the required percentage reductions  
5                   in projected energy use. Computer  
6                   software used in support of perform-  
7                   ance-based compliance must meet all  
8                   of the procedures and methods for  
9                   calculating energy savings reductions  
10                  that are promulgated by the Secretary  
11                  of Energy. Such regulations on the  
12                  specifications for software shall be  
13                  based in the 1998 California Residen-  
14                  tial Alternative Calculation Method  
15                  Approval Manual, except that the cal-  
16                  culation procedures shall be developed  
17                  such that the same energy efficiency  
18                  measures qualify a home for tax cred-  
19                  its regardless of whether the home  
20                  uses a gas or oil furnace or boiler, or  
21                  an electric heat pump.

22                   “(IV) APPROVAL OF SOFTWARE  
23                   SUBMISSIONS.—The Secretary of En-  
24                   ergy shall approve software submis-

1                   sions that comply with the calculation  
2                   requirements of subclause (III).

3                   “(C) DETERMINATIONS OF COMPLI-  
4                   ANCE.—A determination of compliance made  
5                   for the purposes of this paragraph shall be filed  
6                   with the Secretary of Energy within 1 year of  
7                   the date of such determination and shall include  
8                   the TIN of the certifier, the address of the  
9                   building in compliance, and the identity of the  
10                  person for whom such determination was per-  
11                  formed. Determinations of compliance filed with  
12                  the Secretary of Energy shall be available for  
13                  inspection by the Secretary.

14                  “(D) COMPLIANCE.—

15                  “(i) IN GENERAL.—The Secretary of  
16                  Energy in consultation with the Secretary  
17                  of the Treasury shall establish require-  
18                  ments for certification and compliance pro-  
19                  cedures after examining the requirements  
20                  for energy consultants and home energy  
21                  ratings providers specified by the Mortgage  
22                  Industry National Accreditation Proce-  
23                  dures for Home Energy Rating Systems.

24                  “(ii) INDIVIDUALS QUALIFIED TO DE-  
25                  TERMINE COMPLIANCE.—Individuals quali-

1           fied to determine compliance shall be only  
2           those individuals who are recognized by an  
3           organization certified by the Secretary of  
4           Energy for such purposes.

5           “(D) PRINCIPAL RESIDENCE.—The term  
6           ‘principal residence’ has the same meaning as  
7           when used in section 121, except that the pe-  
8           riod for which a building is treated as the prin-  
9           cipal residence of the taxpayer shall also include  
10          the 60-day period ending on the 1st day on  
11          which it would (but for this subparagraph) first  
12          be treated as his principal residence.

13          “(d) SPECIAL RULES.—For purposes of this  
14          section—

15                 “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
16                 CUPANCY.—In the case of any dwelling unit which if  
17                 jointly occupied and used during any calendar year  
18                 as a residence by 2 or more individuals the following  
19                 shall apply:

20                         “(A) The amount of the credit allowable  
21                         under subsection (a) by reason of expenditures  
22                         made during such calendar year by any of such  
23                         individuals with respect to such dwelling unit  
24                         shall be determined by treating all of such indi-

1           viduals as 1 taxpayer whose taxable year is  
2           such calendar year.

3           “(B) There shall be allowable with respect  
4           to such expenditures to each of such individ-  
5           uals, a credit under subsection (a) for the tax-  
6           able year in which such calendar year ends in  
7           an amount which bears the same ratio to the  
8           amount determined under subparagraph (A) as  
9           the amount of such expenditures made by such  
10          individual during such calendar year bears to  
11          the aggregate of such expenditures made by all  
12          of such individuals during such calendar year.

13          “(2) TENANT-STOCKHOLDER IN COOPERATIVE  
14          HOUSING CORPORATION.—In the case of an indi-  
15          vidual who is a tenant-stockholder (as defined in sec-  
16          tion 216) in a cooperative housing corporation (as  
17          defined in such section), such individual shall be  
18          treated as having made his tenant-stockholder’s pro-  
19          portionate share (as defined in section 216(b)(3)) of  
20          any expenditures of such corporation.

21          “(3) CONDOMINIUMS.—

22                 “(A) IN GENERAL.—In the case of an indi-  
23          vidual who is a member of a condominium man-  
24          agement association with respect to a condo-  
25          minium which he owns, such individual shall be

1 treated as having made his proportionate share  
2 of any expenditures of such association.

3 “(B) CONDOMINIUM MANAGEMENT ASSO-  
4 CIATION.—For purposes of this paragraph, the  
5 term ‘condominium management association’  
6 means an organization which meets the require-  
7 ments of paragraph (1) of section 528(c) (other  
8 than subparagraph (E) thereof) with respect to  
9 a condominium project substantially all of the  
10 units of which are used as residences.

11 “(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

12 “(A) IN GENERAL.—Any expenditure oth-  
13 erwise qualifying as a residential energy prop-  
14 erty expenditure shall not be treated as failing  
15 to so qualify merely because such expenditure  
16 was made with respect to 2 or more dwelling  
17 units.

18 “(B) LIMITS APPLIED SEPARATELY.—In  
19 the case of any expenditure described in sub-  
20 paragraph (A), the amount of the credit allow-  
21 able under subsection (a) shall (subject to para-  
22 graph (1)) be computed separately with respect  
23 to the amount of the expenditure made for each  
24 dwelling unit.

25 “(5) ALLOCATION IN CERTAIN CASES.—

1           “(A) IN GENERAL.—Except as provided in  
2           subparagraph (B), if less than 80 percent of  
3           the use of an item is for nonbusiness purposes,  
4           only that portion of the expenditures for such  
5           item which is properly allocable to use for non-  
6           business purposes shall be taken into account.  
7           For purposes of this paragraph, use for a swim-  
8           ming pool shall be treated as use which is not  
9           for nonbusiness purposes.

10           “(B) SPECIAL RULE FOR VEHICLES.—For  
11           purposes of this section and section 48A, a ve-  
12           hicle shall be treated as used entirely for busi-  
13           ness or nonbusiness purposes if the majority of  
14           the use of such vehicle is for business or non-  
15           business purposes, as the case may be.

16           “(6) DOUBLE BENEFIT; PROPERTY USED OUT-  
17           SIDE UNITED STATES, ETC., NOT QUALIFIED.—No  
18           credit shall be allowed under subsection (a)(1)(B)  
19           with respect to—

20           “(A) any property for which a credit is al-  
21           lowed under section 30 or 48A,

22           “(B) any property referred to in section  
23           50(b), and

1           “(C) the portion of the cost of any prop-  
2           erty taken into account under section 179 or  
3           179A.

4           “(7) WHEN EXPENDITURE MADE; AMOUNT OF  
5           EXPENDITURE.—

6           “(A) IN GENERAL.—Except as provided in  
7           subparagraph (B), an expenditure with respect  
8           to an item shall be treated as made when the  
9           original installation of the item is completed.

10          “(B) EXPENDITURES PART OF BUILDING  
11          CONSTRUCTION.—In the case of an expenditure  
12          in connection with the construction of a struc-  
13          ture, such expenditure shall be treated as made  
14          when the original use of the constructed struc-  
15          ture by the taxpayer begins.

16          “(C) AMOUNT.—The amount of any ex-  
17          penditure shall be the cost thereof.

18          “(8) PROPERTY FINANCED BY SUBSIDIZED EN-  
19          ERGY FINANCING.—

20          “(A) REDUCTION OF EXPENDITURES.—  
21          For purposes of determining the amount of res-  
22          idential energy property expenditures made by  
23          any individual with respect to any dwelling unit,  
24          there shall not be taken in to account expendi-

1           tures which are made from subsidized energy fi-  
2           nancing (as defined in section 48A(g)(1)).

3           “(B) DOLLAR LIMITS REDUCED.—The dol-  
4           lar amounts in the table contained in subsection  
5           (b)(1) with respect to each property purchased  
6           for such dwelling unit for any taxable year of  
7           such taxpayer shall be reduced proportionately  
8           by an amount equal to the sum of—

9                   “(i) the amount of the expenditures  
10                  made by the taxpayer during such taxable  
11                  year with respect to such dwelling unit and  
12                  not taken into account by reason of sub-  
13                  paragraph (A), and

14                   “(ii) the amount of any Federal,  
15                  State, or local grant received by the tax-  
16                  payer during such taxable year which is  
17                  used to make residential energy property  
18                  expenditures with respect to the dwelling  
19                  unit and is not included in the gross in-  
20                  come of such taxpayer.

21           “(e) BASIS ADJUSTMENTS.—For purposes of this  
22           subtitle, if a credit is allowed under this section for any  
23           expenditure with respect to any property, the increase in  
24           the basis of such property which would (but for this sub-



1 section) result from such expenditure shall be reduced by  
2 the amount of the credit so allowed.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subsection (a) of section 1016 of such Code  
5 is amended by striking “and” at the end of para-  
6 graph (26), by striking the period at the end of  
7 paragraph (27) and inserting “; and”, and by add-  
8 ing at the end the following new paragraph:

9 “(28) to the extent provided in section 25C(e),  
10 in the case of amounts with respect to which a credit  
11 has been allowed under section 25C.”.

12 (2) The table of sections for subpart A of part  
13 IV of subchapter A of chapter 1 of such Code is  
14 amended by inserting after the item relating to sec-  
15 tion 25A the following new item:

“Sec. 25C. Nonbusiness energy property.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to expenditures after December 31,  
18 1999.

19 **SEC. 405. EXTENSION OF WIND AND BIOMASS TAX CREDIT.**

20 (a) IN GENERAL.—Paragraph (3) of section 45(c) of  
21 the Internal Revenue Code of 1986 (defining qualified fa-  
22 cility) is amended to read as follows:

23 “(3) QUALIFIED FACILITY.—The term ‘quali-  
24 fied facility’ means any facility owned by the tax-  
25 payer which is originally placed in service—

1           “(A) in the case of a facility using wind to  
2           produce electricity, after December 31, 1993,  
3           and before July 1, 2004, and

4           “(B) in the case of a facility using closed-  
5           loop biomass to produce electricity, after De-  
6           cember 31, 1992, and before July 1, 1999.”.

7           (b) CREDIT NOT TO APPLY TO ELECTRICITY SOLD  
8 TO UTILITIES UNDER CERTAIN CONTRACTS.—Subsection  
9 (b) of section 45 of such Code is amended by adding at  
10 the end the following new paragraph:

11           “(4) CREDIT NOT TO APPLY TO ELECTRICITY  
12           SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

13           “(A) IN GENERAL.—The credit determined  
14           under subsection (a) shall not apply to  
15           electricity—

16           “(i) produced at a qualified facility  
17           placed in service by the taxpayer after  
18           June 30, 1999, and

19           “(ii) sold to a utility pursuant to a  
20           contract originally entered into before Jan-  
21           uary 1, 1987 (whether or not amended or  
22           restated after that date).

23           “(B) EXCEPTION.—Subparagraph (A)  
24           shall not apply if—

1           “(i) the prices for energy and capacity  
2           from such facility are established pursuant  
3           to an amendment to the contract referred  
4           to in subparagraph (A)(ii);

5           “(ii) such amendment provides that  
6           the prices set forth in the contract which  
7           exceed avoided cost prices determined at  
8           the time of delivery shall apply only to an-  
9           nual quantities of electricity (prorated for  
10          partial years) which do not exceed the  
11          greater of—

12                   “(I) the average annual quantity  
13                   of electricity sold to the utility under  
14                   the contract during calendar years  
15                   1994, 1995, 1996, 1997, and 1998,  
16                   or

17                   “(II) the estimate of the annual  
18                   electricity production set forth in the  
19                   contract, or, if there is no such esti-  
20                   mate, the greatest annual quantity of  
21                   electricity sold to the utility under the  
22                   contract in any of the calendar years  
23                   1996, 1997, or 1998; and

1           “(iii) such amendment provides that  
2           energy and capacity in excess of the limita-  
3           tion in clause (ii) may be—

4                   “(I) sold to the utility only at  
5                   prices that do not exceed avoided cost  
6                   prices determined at the time of deliv-  
7                   ery, or

8                   “(II) sold to a third party subject  
9                   to a mutually agreed upon advance  
10                  notice to the utility.

11           For purposes of this subparagraph, avoided cost  
12           prices shall be determined as provided for in 18  
13           CFR 292.304(d)(1) or any successor regula-  
14           tion.”.

15 **SEC. 406. KEROSENE TAX EQUALIZER ACT.**

16           (a) **VENDOR REFUNDS OF FEDERAL EXCISE TAXES**  
17 **ON UNDYED KEROSENE USED IN UNVENTED HEATERS**  
18 **FOR HOME HEATING PURPOSES.—**

19                   (1) **IN GENERAL.**—Subparagraph (B) of section  
20           6427(l)(5) of the Internal Revenue Code of 1986  
21           (relating to sales of kerosene not for use in motor  
22           fuel) is amended by striking “or” at the end of  
23           clause (i), by striking the period at the end of clause  
24           (ii) and inserting “, or”, and by adding at the end  
25           the following new clause:

1                   “(iii) in a qualified residential sale (as  
2                   defined in subparagraph (D)).”

3                   (2) QUALIFIED RESIDENTIAL SALE.—Para-  
4                   graph (5) of section 6427(l) of such Code is amend-  
5                   ed by adding at the end the following new subpara-  
6                   graph:

7                   “(D) QUALIFIED RESIDENTIAL SALE.—  
8                   For purposes of subparagraph (B)(iii), the term  
9                   ‘qualified residential sale’ means any sale of  
10                  kerosene if—

11                  “(i) the kerosene is delivered into a  
12                  storage tank (of at least 50 but not more  
13                  than 200 gallons) located at a residence  
14                  for use as a fuel in an unvented heater  
15                  used for heating the residence, and

16                  “(ii) the vendor reasonably believes  
17                  that the kerosene is being so used.

18                  Such term shall not include any sale which is  
19                  more than 30 days after the date of the submis-  
20                  sion to Congress of a study conducted by the  
21                  Secretary which finds that kerosene which is  
22                  dyed pursuant to section 4082 may be burned  
23                  in unvented residential heaters without endan-  
24                  gering the health or safety of the residents.”

1           (3) REFUNDS.—Subparagraph (A) of section  
2           6427(f)(4) of such Code is amended by adding at  
3           the end the following new sentence: “In a case to  
4           which subsection (l)(5)(B)(iii) applies, clause (ii)  
5           shall be applied by substituting ‘1 month’ for ‘1  
6           week’ and paragraph (3)(B) shall be applied by sub-  
7           stituting ‘45 days’ for ‘20 days’.”

8           (4) EFFECTIVE DATE.—The amendments made  
9           by this section shall apply to sales after the date of  
10          the enactment of this Act.

11          (b) STUDY OF SAFETY OF USING DYED KEROSENE  
12          IN UNVENTED RESIDENTIAL HEATERS.—The Secretary  
13          of the Treasury or such Secretary’s delegate shall conduct  
14          a study of whether kerosene which has been dyed for Fed-  
15          eral tax purposes may be used as a fuel in unvented resi-  
16          dential heaters without endangering the health or safety  
17          of the residents. The results of such study shall be sub-  
18          mitted to each House of Congress not later than January  
19          1, 2000.

## 20                   **TITLE V—ENVIRONMENT**

### 21          **SEC. 501. BETTER AMERICA BONDS TAX CREDIT.**

22          (a) IN GENERAL.—Subpart B of part IV of sub-  
23          chapter A of chapter 1 of the Internal Revenue Code of  
24          1986 is amended by adding at the end the following new  
25          section:

1 **“SEC. 30B. CREDIT TO HOLDERS OF BETTER AMERICA**  
2 **BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
4 payer who holds a Better America Bond on a credit allow-  
5 ance date of such bond which occurs during the taxable  
6 year, there shall be allowed as a credit against the tax  
7 imposed by this chapter for such taxable year an amount  
8 equal to the sum of the credits determined under sub-  
9 section (b) with respect to credit allowance dates during  
10 such year on which the taxpayer holds such bond.

11 “(b) AMOUNT OF CREDIT.—

12 “(1) IN GENERAL.—The amount of the credit  
13 determined under this subsection with respect to any  
14 credit allowance date for a Better America Bond is  
15 25 percent of the annual credit determined with re-  
16 spect to such bond.

17 “(2) ANNUAL CREDIT.—The annual credit de-  
18 termined with respect to any Better America Bond  
19 is the product of—

20 “(A) the applicable credit rate, multiplied  
21 by

22 “(B) the outstanding face amount of the  
23 bond.

24 “(3) APPLICABLE CREDIT RATE.—For purposes  
25 of paragraph (1), the applicable credit rate with re-  
26 spect to an issue is the rate equal to an average

1 market yield (as of the day before the date of  
2 issuance of the issue) on outstanding long-term cor-  
3 porate debt obligations (determined under regula-  
4 tions prescribed by the Secretary).

5 “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
6 DEMPTION.—In the case of a bond which is issued  
7 during the 3-month period ending on a credit allow-  
8 ance date, the amount of the credit determined  
9 under this subsection with respect to such credit al-  
10 lowance date shall be a ratable portion of the credit  
11 otherwise determined based on the portion of the 3-  
12 month period during which the bond is outstanding.  
13 A similar rule shall apply when the bond is re-  
14 deemed.

15 “(c) BETTER AMERICA BOND.—For purposes of this  
16 section—

17 “(1) IN GENERAL.—The term ‘Better America  
18 Bond’ means any bond issued as part of an issue  
19 if—

20 “(A) 95 percent or more of the proceeds of  
21 such issue are to be used for any qualified pur-  
22 pose,

23 “(B) the bond is issued by a State or local  
24 government within the jurisdiction of which the



1 qualified purpose of the issue is to be carried  
2 out,

3 “(C) the issuer designates such bond for  
4 purposes of this section,

5 “(D) the term of each bond which is part  
6 of such issue does not exceed 15 years,

7 “(E) the requirements of section 147(f)  
8 are met with respect to such issue, and

9 “(F) except in the case of the proceeds of  
10 such issue which are to be used for the qualified  
11 purpose described in paragraph (2)(A)(iv), the  
12 payment of the principal of such issue is se-  
13 cured by taxes of general applicability imposed  
14 by a general purpose governmental unit.

15 “(2) QUALIFIED PURPOSE.—

16 “(A) IN GENERAL.—The term ‘qualified  
17 purpose’ means any of the following:

18 “(i) The acquisition of land for use as  
19 open space, wetlands, public parks, or  
20 greenways, and the provision of visitor fa-  
21 cilities (such as campgrounds and hiking  
22 or biking trails) for land so used, but only  
23 if—

1           “(I) such land and facilities are  
2           to be owned by the issuer or a quali-  
3           fied owner, and

4           “(II) the initial owner of such  
5           land and facilities records pursuant to  
6           State law a qualified restrictive cov-  
7           enant with respect to such land and  
8           facilities.

9           “(ii) The remediation of land acquired  
10          under clause (i) (or other publicly owned  
11          land) to enhance water quality by—

12           “(I) restoring hydrology or plant-  
13           ing trees or other vegetation,

14           “(II) undertaking reasonable  
15           measures to control erosion,

16           “(III) restoring wetlands, or

17           “(IV) remediating conditions  
18           caused by the prior disposal of toxic  
19           or other waste.

20          “(iii) The acquisition by the issuer or  
21          any qualified owner of any restriction on  
22          privately owned open land which prevents  
23          commercial development and any substan-  
24          tial change in the use or character of the  
25          land if such restriction would, if contrib-

1           uted by the owner of the open land to a  
2           qualified organization (as defined in sec-  
3           tion 170(h)(3)), be a qualified conservation  
4           contribution (as defined in section 170(h)).

5           “(iv) The environmental assessment  
6           and remediation of real property owned by  
7           any State or local government if—

8                   “(I) such property was acquired  
9                   by such government as a result of  
10                  being abandoned by the prior owner,  
11                  and

12                  “(II) such property is located in  
13                  an area at or on which there has been  
14                  a release (or threat of release) or dis-  
15                  posal of any hazardous substance (as  
16                  defined in section 198).

17           “(B) REMEDIATION OF NATIONAL PRIOR-  
18           ITIES LISTED SITES NOT QUALIFIED PUR-  
19           POSE.—Subparagraph (A)(ii) shall not apply to  
20           remediation of any site which is on, or proposed  
21           for, the national priorities list under section  
22           105(a)(8)(B) of the Comprehensive Environ-  
23           mental Response, Compensation, and Liability  
24           Act of 1980.

1           “(C) QUALIFIED OWNER.—For purposes of  
2 this paragraph, the term ‘qualified owner’  
3 means any organization described in section  
4 501(c)(3) whose exempt purpose includes envi-  
5 ronmental protection.

6           “(D) QUALIFIED RESTRICTIVE COV-  
7 ENANT.—For purposes of subparagraph  
8 (A)(i)(II), the term ‘qualified restrictive cov-  
9 enant’ means, with respect to land or facilities,  
10 any covenant which prohibits the person who  
11 owns such land or facilities at the end of the  
12 term of the bond from selling or otherwise per-  
13 mitting a use of such land or facilities which is  
14 not described in subparagraph (A) unless—

15                   “(i) a reasonable period is allowed for  
16 a qualified owner to purchase such land or  
17 facilities,

18                   “(ii) the purchase price is not greater  
19 than the price originally paid in conjunc-  
20 tion with the expenditure of bond proceeds,  
21 and

22                   “(iii) the purchaser records pursuant  
23 to State law a covenant with respect to the  
24 purchased land and facilities which pro-  
25 tects in perpetuity the use of such land

1 and facilities for a use described in sub-  
2 paragraph (A).

3 “(3) PUBLIC AVAILABILITY REQUIREMENT,  
4 ETC.—

5 “(A) IN GENERAL.—The term ‘Better  
6 America Bond’ shall not include any bond  
7 which is part of an issue if—

8 “(i) any portion of the proceeds of the  
9 issue are to be used for any private busi-  
10 ness use (as defined in section 141(b)(6)),  
11 or

12 “(ii) the payment of the principal of,  
13 or the interest on, any portion of such pro-  
14 ceeds is (under the terms of such issue or  
15 any underlying arrangement) directly or  
16 indirectly secured or to be derived as de-  
17 scribed in subparagraph (A) or (B) of sec-  
18 tion 141(b)(2).

19 “(B) EXCEPTION.—Subparagraph (A)  
20 shall not apply to proceeds used for a qualified  
21 purpose described in paragraph (2)(A)(iv).

22 “(d) LIMITATION ON AMOUNT OF BONDS DES-  
23 IGNATED.—

24 “(1) IN GENERAL.—The maximum aggregate  
25 face amount of bonds issued during any calendar

1 year which may be designated under subsection  
2 (c)(1) by any issuer shall not exceed the limitation  
3 amount allocated under paragraph (3) for such cal-  
4 endar year to such issuer.

5 “(2) NATIONAL LIMITATION ON AMOUNT OF  
6 BONDS DESIGNATED.—There is a national Better  
7 America Bond limitation for each calendar year.  
8 Such limitation is—

9 “(A) \$1,900,000,000 for each of calendar  
10 years 2000, 2001, 2002, 2003, and 2004, and

11 “(B) except as provided in paragraph (4),  
12 zero after 2004.

13 “(3) ALLOCATION OF LIMITATION AMONG  
14 STATES AND LOCAL GOVERNMENTS.—

15 “(A) IN GENERAL.—The national Better  
16 America Bond limitation for any calendar year  
17 shall be allocated by the EPA Administrator to  
18 States and local governments having approved  
19 applications. As part of the competitive applica-  
20 tion process, the Environmental Protection  
21 Agency should, when possible, allocate such lim-  
22 itation on a per capita basis.

23 “(B) APPROVED APPLICATION.—For pur-  
24 poses of subparagraph (A), the term ‘approved  
25 application’ means an application which is ap-

1           proved by the EPA Administrator and includes  
2           such information as the EPA Administrator  
3           shall specify.

4           “(4) CARRYOVER OF UNUSED LIMITATION.—If  
5           for any calendar year—

6                   “(A) the amount allocated under para-  
7                   graph (4) to any State or local government, ex-  
8                   ceeds

9                   “(B) the amount of bonds issued during  
10                  such year which are designated under sub-  
11                  section (c)(1) pursuant to such allocation,  
12           the limitation amount under paragraph (3) for such  
13           State or local government for the following calendar  
14           year shall be increased by the amount of such ex-  
15           cess.

16          “(e) LIMITATION BASED ON AMOUNT OF TAX.—

17                  “(1) IN GENERAL.—The credit allowed under  
18                  subsection (a) for any taxable year shall not exceed  
19                  the excess of—

20                          “(A) the sum of the regular tax liability  
21                          (as defined in section 26(b)) plus the tax im-  
22                          posed by section 55, over

23                          “(B) the sum of the credits allowable  
24                          under part IV of subchapter A (other than sub-  
25                          part C thereof, relating to refundable credits).

1           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
2           credit allowable under subsection (a) exceeds the  
3           limitation imposed by paragraph (1) for such taxable  
4           year, such excess shall be carried to the succeeding  
5           taxable year and added to the credit allowable under  
6           subsection (a) for such taxable year.

7           “(f) OTHER DEFINITIONS.—For purposes of this  
8           section—

9           “(1) CREDIT ALLOWANCE DATE.—The term  
10          ‘credit allowance date’ means—

11                   “(A) March 15,

12                   “(B) June 15,

13                   “(C) September 15, and

14                   “(D) December 15.

15          Such term includes the last day on which the bond  
16          is outstanding.

17          “(2) BOND.—The term ‘bond’ includes any ob-  
18          ligation.

19          “(3) STATE.—The term ‘State’ includes the  
20          District of Columbia, any possession of the United  
21          States, and any Indian tribal government (within the  
22          meaning of section 7871).

23          “(4) LOCAL GOVERNMENT.—The term ‘local  
24          government’ means—



1           “(A) any county, city, town, township, par-  
2           ish, village, or other general purpose political  
3           subdivision of a State, and

4           “(B) any combination of political subdivi-  
5           sions described in subparagraph (A) recognized  
6           by the EPA Administrator.

7           “(5) EPA ADMINISTRATOR.—The term ‘EPA  
8           Administrator’ means the Administrator of the Envi-  
9           ronmental Protection Agency.

10          “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
11          income includes the amount of the credit allowed to the  
12          taxpayer under this section (determined without regard to  
13          subsection (e)) and the amount so included shall be treat-  
14          ed as interest income.

15          “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

16                 “(1) IN GENERAL.—A bond shall not be treated  
17                 as failing to meet the requirements of subsection  
18                 (c)(1) solely by reason of the fact that the proceeds  
19                 of the issue of which such bond is a part are in-  
20                 vested for a temporary period (but not more than 36  
21                 months) until such proceeds are needed for the pur-  
22                 pose for which such issue was issued.

23                 “(2) REASONABLE EXPECTATION AND BINDING  
24                 COMMITMENT REQUIREMENTS.—Paragraph (1) shall

1 apply to an issue only if, as of the date of  
2 issuance—

3 “(A) the issuer reasonably expects that—

4 “(i) at least 95 percent of the pro-  
5 ceeds of the issue will be spent for a quali-  
6 fied purpose within the 3-year period be-  
7 ginning on such date, and

8 “(ii) property financed with such pro-  
9 ceeds will be used for qualified purposes  
10 for at least 15 years after being so fi-  
11 nanced,

12 “(B) there is a binding commitment with  
13 a third party to spend at least 10 percent of the  
14 proceeds of the issue for qualified purposes  
15 within the 6-month period beginning on such  
16 date, and

17 “(C) the issuer reasonably expects that the  
18 remaining proceeds of the issue will be spent  
19 with due diligence for qualified purposes.

20 “(3) EARNINGS ON PROCEEDS.—Any earnings  
21 on proceeds during the temporary period shall be  
22 treated as proceeds of the issue for purposes of ap-  
23 plying subsection (c)(1) and paragraph (1) of this  
24 subsection.

1       “(i) DENIAL OF DEDUCTION FOR ENVIRONMENTAL  
2 REMEDIATION EXPENDITURES.—Expenditures financed  
3 by any Better America Bond shall not be allowed as a  
4 deduction under section 198.

5       “(j) OTHER SPECIAL RULES.—

6           “(1) BONDS HELD BY REGULATED INVEST-  
7       MENT COMPANIES.—If any Better America Bond is  
8       held by a regulated investment company, the credit  
9       determined under subsection (a) shall be allowed to  
10      shareholders of such company under procedures pre-  
11      scribed by the Secretary.

12           “(2) CREDITS MAY BE STRIPPED.—Under regu-  
13      lations prescribed by the Secretary—

14           “(A) IN GENERAL.—There may be a sepa-  
15      ration (including at issuance) of the ownership  
16      of a Better America Bond and the entitlement  
17      to the credit under this section with respect to  
18      such bond. In case of any such separation, the  
19      credit under this section shall be allowed to the  
20      person who on the credit allowance date holds  
21      the instrument evidencing the entitlement to  
22      the credit and not to the holder of the bond.

23           “(B) CERTAIN RULES TO APPLY.—In the  
24      case of a separation described in subparagraph  
25      (A), the rules of section 1286 shall apply to the

1 Better America Bond as if it were a stripped  
2 bond and to the credit under this section as if  
3 it were a stripped coupon.

4 “(3) TREATMENT FOR ESTIMATED TAX PUR-  
5 POSES.—Solely for purposes of sections 6654 and  
6 6655, the credit allowed by this section to a tax-  
7 payer by reason of holding a Better America Bond  
8 on a credit allowance date shall be treated as if it  
9 were a payment of estimated tax made by the tax-  
10 payer on such date.

11 “(4) CREDIT MAY BE TRANSFERRED.—Nothing  
12 in any law or rule of law shall be construed to limit  
13 the transferability of the credit allowed by this sec-  
14 tion through sale and repurchase agreements.

15 “(5) REPORTING.—Issuers of Better America  
16 Bonds shall submit reports similar to the reports re-  
17 quired under section 149(e).

18 “(k) RECAPTURE OF PORTION OF CREDIT WHERE  
19 CESSATION OF QUALIFIED USE.—

20 “(1) IN GENERAL.—If any bond which when  
21 issued purported to be a Better America Bond  
22 ceases to meet the requirements of subsection (c),  
23 the issuer shall pay to the United States (at the  
24 time required by the Secretary) an amount equal to  
25 the aggregate of the credits allowable under this sec-

1       tion (determined without regard to subsection (e))  
2       for taxable years ending during the calendar year in  
3       which such cessation occurs and the 2 preceding cal-  
4       endar years.

5           “(2) FAILURE TO PAY.—If the issuer fails to  
6       timely pay the amount required by paragraph (1)  
7       with respect to any issue, the tax imposed by this  
8       chapter on each holder of any bond which is part of  
9       such issue shall be increased (for the taxable year of  
10      the holder in which such cessation occurs) by the ag-  
11     gregate decrease in the credits allowed under this  
12     section to such holder for taxable years beginning in  
13     such 3 calendar years which would have resulted  
14     solely from denying any credit under this section  
15     with respect to such issue for such taxable years.

16           “(3) SPECIAL RULES.—

17           “(A) TAX BENEFIT RULE.—The tax for  
18       the taxable year shall be increased under para-  
19       graph (2) only with respect to credits allowed  
20       by reason of this section which were used to re-  
21       duce tax liability. In the case of credits not so  
22       used to reduce tax liability, the carryforwards  
23       and carrybacks under section 39 shall be appro-  
24       priately adjusted.

1           “(B) NO CREDITS AGAINST TAX.—Any in-  
2           crease in tax under paragraph (2) shall not be  
3           treated as a tax imposed by this chapter for  
4           purposes of determining—

5                   “(i) the amount of any credit allow-  
6                   able under this part, or

7                   “(ii) the amount of the tax imposed  
8                   by section 55.

9           “(l) TERMINATION.—This section shall not apply to  
10          any bond issued after December 31, 2004.”

11          (b) REPORTING.—Subsection (d) of section 6049 of  
12          such Code (relating to returns regarding payments of in-  
13          terest) is amended by adding at the end the following new  
14          paragraph:

15                   “(8) REPORTING OF CREDIT ON BETTER AMER-  
16          ICA BONDS.—

17                   “(A) IN GENERAL.—For purposes of sub-  
18                   section (a), the term ‘interest’ includes amounts  
19                   includible in gross income under section 30B(g)  
20                   and such amounts shall be treated as paid on  
21                   the credit allowance date (as defined in section  
22                   30B(f)(1)).

23                   “(B) REPORTING TO CORPORATIONS,  
24                   ETC.—Except as otherwise provided in regula-  
25                   tions, in the case of any interest described in

1           subparagraph (A) of this paragraph, subsection  
2           (b)(4) of this section shall be applied without  
3           regard to subparagraphs (A), (H), (I), (J), (K),  
4           and (L)(i).

5           “(C) REGULATORY AUTHORITY.—The Sec-  
6           retary may prescribe such regulations as are  
7           necessary or appropriate to carry out the pur-  
8           poses of this paragraph, including regulations  
9           which require more frequent or more detailed  
10          reporting.”

11          (c) CONFORMING AMENDMENT.—The table of sec-  
12          tions for subpart B of part IV of subchapter A of chapter  
13          1 of such Code is amended by adding at the end the fol-  
14          lowing new item:

                  “Sec. 30B. Credit to holders of Better America Bonds.”

15          (d) EFFECTIVE DATE.—The amendments made by  
16          this section shall apply to obligations issued after Decem-  
17          ber 31, 1999.

18          (e) GUIDELINES FOR APPLICATIONS.—Not later than  
19          January 1, 2000, guidelines specifying the criteria to be  
20          used in approving applications under section 30B(d)(3) of  
21          the Internal Revenue Code of 1986 (as added by this Act)  
22          shall be developed and published by the Administrator of  
23          the Environmental Protection Agency in the Federal Reg-  
24          ister.

1 **SEC. 502. PERMANENT EXTENSION OF BROWNFIELDS TAX**  
2 **DEDUCTION AT 100 PERCENT.**

3 (a) IN GENERAL.—Clause (ii) of section 198(c)(1)(A)  
4 of the Internal Revenue Code of 1986 (relating to quali-  
5 fied contaminated sites) is amended to read as follows:

6 “(ii) which is within the United  
7 States, and”.

8 (b) CONFORMING AMENDMENT.—Paragraph (2) of  
9 section 198(c) of such Code is amended to read as follows:

10 “(2) NATIONAL PRIORITIES LISTED SITES NOT  
11 INCLUDED.—Such term shall not include any site  
12 which is on, or proposed for, the national priorities  
13 list under section 105(a)(8)(B) of the Comprehen-  
14 sive Environmental Response, Compensation, and  
15 Liability Act of 1980 (as in effect on the date of  
16 the enactment of this section).”

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to expenditures paid or incurred  
19 after the date of the enactment of this Act in taxable years  
20 ending after such date.

21 **SEC. 503. RESTORATION OF DEDUCTION FOR DEMOLITION**  
22 **OF CERTAIN STRUCTURES.**

23 (a) IN GENERAL.—So much of section 280B of the  
24 Internal Revenue Code of 1986 (relating to demolition of  
25 structures) as precedes paragraph (1) is amended to read  
26 as follows:



1 **“SEC. 280B. DEMOLITION OF CERTIFIED HISTORIC STRUC-**  
2 **TURES AND HISTORICALLY RESIDENTIAL**  
3 **STRUCTURES.**

4 “(a) IN GENERAL.—In the case of the demolition of  
5 any certified historic structure or historically residential  
6 structure—”.

7 (b) CERTIFIED HISTORIC STRUCTURE; HISTORI-  
8 CALLY RESIDENTIAL STRUCTURE.—Section 280B of such  
9 Code is amended by adding at the end the following new  
10 subsection:

11 “(b) CERTIFIED HISTORIC STRUCTURE; RESIDEN-  
12 TIAL STRUCTURE.—For purposes of this section—

13 “(1) CERTIFIED HISTORIC STRUCTURE.—The  
14 term ‘certified historic structure’ means—

15 “(A) a certified historic structure (as de-  
16 fined in section 47(c)(3)), and

17 “(B) any building (and its structural com-  
18 ponents) which is designated as a certified his-  
19 toric structure by the appropriate agency of a  
20 State or local government.

21 “(2) HISTORICALLY RESIDENTIAL STRUC-  
22 TURE.—The term ‘historically residential structure’  
23 means any building (other than a certified historic  
24 structure) and its structural components if the first  
25 use of such building after its initial construction was  
26 for residential purposes.”

1 (c) CLERICAL AMENDMENT.—The item relating to  
 2 section 280B in the table of sections for part IX of sub-  
 3 chapter B of chapter 1 of such Code is amended to read  
 4 as follows:

“Sec. 280B. Demolition of certified historic structures and his-  
 torically residential structures.”

5 (d) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to demolitions commencing after  
 7 the date of the enactment of this Act.

8 **SEC. 504. INCREASE IN LAND DONATION TAX DEDUCTION**  
 9 **FROM 30 PERCENT TO 50 PERCENT.**

10 (a) MODIFICATIONS TO ENCOURAGE CONTRIBU-  
 11 TIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR  
 12 CONSERVATION PURPOSES AND QUALIFIED CONSERVA-  
 13 TION CONTRIBUTIONS.—

14 (1) CONTRIBUTIONS OF CAPITAL GAIN REAL  
 15 PROPERTY MADE FOR CONSERVATION PURPOSES  
 16 AND OF QUALIFIED CONSERVATION CONTRIBUTIONS  
 17 NOT SUBJECT TO SPECIAL LIMITATION ON CON-  
 18 TRIBUTIONS OF CAPITAL GAIN PROPERTY.—Sub-  
 19 paragraph (C) of section 170(b)(1) of the Internal  
 20 Revenue Code of 1986 (relating to special limitation  
 21 with respect to contributions described in subpara-  
 22 graph (A) of capital gain property) is amended by  
 23 redesignating clause (iv) as clause (v) and by insert-  
 24 ing after clause (iii) the following new clause:

1           “(iv) In the case of charitable con-  
2 tributions described in subparagraph (A)  
3 of capital gain property, clauses (i) and (ii)  
4 shall not apply to—

5           “(I) any qualified conservation  
6 contribution (as defined in section  
7 170(h)), or

8           “(II) any other contribution of  
9 capital gain property which is real  
10 property if the contribution is of the  
11 donor’s entire interest in such prop-  
12 erty and is to a qualified organization  
13 (as defined in section 170(h)(3))  
14 which is organized for conservation  
15 purposes (as defined in section  
16 170(h)(4)(A)) and which provides the  
17 taxpayer, at the time of such dona-  
18 tion, a letter of intent which contains  
19 an acknowledgment of the donee’s in-  
20 tent that the property is being ac-  
21 quired for any such conservation pur-  
22 pose.”.

23           (2) UNLIMITED CARRYOVER FOR CONTRIBU-  
24 TIONS OF CAPITAL GAIN REAL PROPERTY FOR CON-  
25 SERVATION PURPOSES AND OF QUALIFIED CON-

1       SERVATION CONTRIBUTIONS OF CAPITAL GAIN PROP-  
2       ERTY.—Paragraph (1) of section 170(d) of such  
3       Code in amended by adding at the end the following  
4       new subparagraph:

5               “(C) UNLIMITED CARRYOVER FOR CON-  
6               TRIBUTIONS OF CAPITAL GAIN REAL PROPERTY  
7               FOR CONSERVATION PURPOSES AND OF QUALI-  
8               FIED CONSERVATION CONTRIBUTIONS OF CAP-  
9               ITAL GAIN PROPERTY.—The 5 taxable year lim-  
10              itation in subparagraph (A) shall not apply to  
11              any charitable contribution to which clauses (i)  
12              and (ii) of subsection (b)(1)(C) do not apply by  
13              reason of clause (iv) thereof. For purposes of  
14              this paragraph, the excess described in the ma-  
15              terial preceding clause (i) of subparagraph (A)  
16              shall be treated as attributable to contributions  
17              described in the preceding sentence of this sub-  
18              paragraph to the extent of such contributions.”.

19              (3) EFFECTIVE DATE.—The amendment made  
20              by this section shall apply to contributions made in  
21              taxable years beginning after the date of the enact-  
22              ment of this Act.

23              (b) MODIFICATION OF RULES RELATING TO ESTATE  
24       TAX EXCLUSION FOR LAND SUBJECT TO QUALIFIED  
25       CONSERVATION EASEMENT.—

1           (1) REPEAL OF CERTAIN RESTRICTIONS ON  
2 WHERE LAND IS LOCATED.—Clause (i) of section  
3 2031(c)(8)(A) of the Internal Revenue Code of 1986  
4 is amended to read as follows:

5                   “(i) which is located in the United  
6 States or any possession of the United  
7 States,”.

8           (2) REPEAL OF LIMITATION ON EXCLUSION.—

9                   (A) IN GENERAL.—Paragraph (1) of sec-  
10 tion 2031(c) of such Code is amended by strik-  
11 ing “the lesser of—” and all that follows and  
12 inserting “the applicable percentage of the  
13 value of land subject to a qualified conservation  
14 easement, reduced by the amount of any deduc-  
15 tion under section 2055(f) with respect to such  
16 land.”

17                   (B) CONFORMING AMENDMENTS.—

18                   (i) Subsection (c) of section 2031 of  
19 such Code is amended by striking para-  
20 graph (3) and by redesignating paragraphs  
21 (4) through (10) as paragraphs (3)  
22 through (9), respectively.

23                   (ii) Paragraphs (2) and (6) of section  
24 2031(c) of such Code, as redesignated by  
25 subparagraph (A), are each amended by

1 striking “paragraph (5)” and inserting  
2 “paragraph (4)”.

3 (iii) Paragraphs (1), (6), and  
4 (7)(A)(iii) of section 2031(c) of such Code,  
5 as redesignated by subparagraph (A), are  
6 each amended by striking “paragraph (6)”  
7 and inserting “paragraph (5)”.

8 (3) DATE FOR DETERMINING VALUE OF LAND  
9 AND EASEMENT.—Paragraph (2) of section 2032(c)  
10 of such Code (defining applicable percentage) is  
11 amended by adding at the end the following new  
12 sentence: “The values taken into account under the  
13 preceding sentence shall be such values as of the  
14 date of the contribution referred to in paragraph  
15 (7)(B).”

16 (4) CERTAIN COMMERCIAL RECREATIONAL  
17 USES PERMITTED.—Subparagraph (B) of section  
18 2031(c)(7) of such Code, as redesignated by sub-  
19 section (b), is amended to read as follows:

20 “(B) QUALIFIED CONSERVATION EASE-  
21 MENT.—

22 “(i) IN GENERAL.—The term ‘quali-  
23 fied conservation easement’ means a quali-  
24 fied conservation contribution (as defined  
25 in section 170(h)(1)) of a qualified real

1 property interest (as defined in section  
2 170(h)(2)(C)), except that clause (iv) of  
3 section 170(h)(4)(A) shall not apply, and  
4 the restriction on the use of such interest  
5 described in section 170(h)(2)(C) shall in-  
6 clude a prohibition on more than a de  
7 minimis use for a commercial recreational  
8 activity.

9 “(ii) SPECIAL RULES.—For purposes  
10 of this paragraph—

11 “(I) RETAINED RIGHTS.—Rights  
12 retained in the conservation easement  
13 to lease the land for hunting and fish-  
14 ing, so long as such leases are not in-  
15 consistent with the conservation pur-  
16 pose of the easement, shall be deemed  
17 to be de minimis use.

18 “(II) PRE-EFFECTIVE DATE  
19 EASEMENTS.—Easements otherwise  
20 qualifying under the provisions of this  
21 subsection that were donated on or  
22 before the date of the enactment of  
23 this subclause, shall be deemed to  
24 allow no more than de minimis use for  
25 a commercial recreational activity un-

1 less by their terms they expressly pro-  
2 vide for commercial recreational activ-  
3 ity in excess of that otherwise allowed  
4 by this subparagraph.

5 “(III) AUTHORITY TO EXTIN-  
6 GUISH RIGHT OF COMMERCIAL RECRE-  
7 ATION ACTIVITY.—For purposes of  
8 this section, if the executor of an es-  
9 tate and every person in being who  
10 has an interest in the land execute an  
11 agreement to amend or extinguish any  
12 right under the easement of commer-  
13 cial recreation activity in the land so  
14 as to ensure that such land is used for  
15 no more than de minimis commercial  
16 recreational activity, such agreement  
17 shall be treated as in effect as of the  
18 date of the election described in para-  
19 graph (5).”

20 (5) EXCLUSION APPLICABLE TO SOLD EASE-  
21 MENTS.—Clause (i) of section 2031(c)(7) of such  
22 Code, as amended by subsection (d), is amended by  
23 adding at the end the following new sentence: “A  
24 transfer for value of a qualified real property inter-  
25 est (as defined under section 170(h)(2)(C)) shall not



1 fail to be treated as a qualified conservation ease-  
2 ment if such interest would meet the requirements  
3 of the preceding sentence were it donated to the pur-  
4 chaser and any reference in this section to a con-  
5 tribution shall be treated as including a reference to  
6 such a transfer.”

7 (6) EFFECTIVE DATE.—The amendments made  
8 by this section shall take effect as if included in the  
9 amendments made by section 508 of the Taxpayer  
10 Relief Act of 1997.

11 **SEC. 505. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT**  
12 **OF AMORTIZABLE REFORESTATION EXPENDI-**  
13 **TURES.**

14 (a) INCREASE IN DOLLAR LIMITATION.—Paragraph  
15 (1) of section 194(b) of the Internal Revenue Code of  
16 1986 (relating to amortization of reforestation expendi-  
17 tures) is amended by striking “\$10,000 (\$5,000” and in-  
18 serting “\$25,000 (\$12,500”.

19 (b) TEMPORARY SUSPENSION OF INCREASED DOL-  
20 LAR LIMITATION.—Subsection (b) of section 194(b) of  
21 such Code (relating to amortization of reforestation ex-  
22 penditures) is amended by adding at the end the following  
23 new paragraph:

24 “(5) SUSPENSION OF DOLLAR LIMITATION.—  
25 Paragraph (1) shall not apply to taxable years be-

1       ginning after December 31, 1999, and before Janu-  
2       ary 1, 2004.

3       (c) CONFORMING AMENDMENT.—Paragraph (1) of  
4       section 48(b) of such Code is amended by striking “section  
5       194(b)(1)” and inserting “section 194(b)(1) and without  
6       regard to section 194(b)(5)”.’”.

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

10                   **TITLE VI—ESTATE TAX**  
11                   **REDUCTION**

12       **SEC. 601. REPEAL OF LIMITATION ON ESTATE TAX DEDUC-**  
13                   **TION FOR FAMILY-OWNED BUSINESS INTER-**  
14                   **ESTS.**

15       (a) IN GENERAL.—Subsection (a) of section 2057 of  
16       the Internal Revenue Code of 1986 (relating to family-  
17       owned business interests) is amended to read as follows:

18       “(a) ALLOWANCE OF DEDUCTION.—For purposes of  
19       the tax imposed by section 2001, in the case of an estate  
20       of a decedent to which this section applies, the value of  
21       the taxable estate shall be determined by deducting from  
22       the value of the gross estate the adjusted value of the  
23       qualified family-owned business interests of the decedent  
24       which are described in subsection (b)(2).”

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to estates of decedents dying  
3 after the date of the enactment of this Act.

4 **SEC. 602. UNIFIED CREDIT INCREASED BY UNUSED UNI-**  
5 **FIED CREDIT OF PREDECEASED SPOUSE.**

6 (a) IN GENERAL.—Section 2010 of the Internal Rev-  
7 enue Code of 1986 (relating to unified credit against es-  
8 tate tax) is amended by redesignating subsections (c) and  
9 (d) as subsections (d) and (e), respectively, and by insert-  
10 ing after subsection (a) the following new subsection:

11 “(c) INCREASE IN CREDIT FOR UNUSED UNIFIED  
12 CREDIT OF PREDECEASED SPOUSE.—

13 “(1) IN GENERAL.—The amount of the credit  
14 allowable under subsection (a) shall be increased by  
15 the aggregate of the amounts of the unused pre-  
16 deceased spouse credit.

17 “(2) UNUSED PREDECEASED SPOUSE CRED-  
18 IT.—For purposes of paragraph (1)—

19 “(A) IN GENERAL.—The term ‘unused pre-  
20 deceased spouse credit’ means, with respect to  
21 any predeceased spouse of the decedent, the  
22 amount equal to the excess of—

23 “(i) the maximum amount allowable  
24 under subsection (a) to the estate of such  
25 spouse, over

1           “(ii) the tax imposed by section 2001  
2           reduced by the credits against such tax  
3           other than the credit allowed by this sec-  
4           tion.

5           “(B) LIMITATION BASED ON CREDIT  
6           EQUIVALENT OF VALUE OF PROPERTY PASSING  
7           TO DECEDENT FROM PREDECEASED SPOUSE.—  
8           The amount of the unused predeceased spouse  
9           credit with respect to any predeceased spouse  
10          shall not exceed the credit equivalent of the ag-  
11          gregate value of property acquired from or  
12          passing from (within the meaning of section  
13          1014) the predeceased spouse to the decedent.

14          “(C) CREDIT EQUIVALENT.—For purposes  
15          of subparagraph (B), the credit equivalent is  
16          the amount of the tentative tax which would be  
17          determined under the rate schedule set forth in  
18          section 2001(c) if the amount with respect to  
19          which the tentative tax is to be computed were  
20          the aggregate value of the property referred to  
21          in subparagraph (B).

22          “(3) LIMITATION ON AGGREGATE INCREASE  
23          WHERE MORE THAN 1 PREDECEASED SPOUSE.—In  
24          no event may the amount of the increase under

1 paragraph (1) exceed the dollar amount contained in  
2 subsection (a).

3 “(4) PREDECEASED SPOUSE.—For purposes of  
4 this subsection, the term ‘predeceased spouse’  
5 means, with respect to the decedent, an individual  
6 who was married to the decedent on the date of such  
7 individual’s death.”

8 (b) GIFT TAX.—Section 2505 of such Code is amend-  
9 ed by redesignating subsections (b) and (c) as subsections  
10 (c) and (d), respectively, and by inserting after subsection  
11 (a) the following new subsection:

12 “(b) INCREASE IN CREDIT FOR UNUSED UNIFIED  
13 CREDIT OF PREDECEASED SPOUSE.—Rules similar to the  
14 rules of section 2010(c) shall apply with respect to cal-  
15 endar years beginning after the date of death of any pre-  
16 deceased spouse of the donor.”

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to estates of decedents dying, and  
19 gifts made, after the date of the enactment of this Act.

1                   **TITLE VII—FAMILY**  
2                   **ENHANCEMENT**

3   **SEC. 701. NONREFUNDABLE PERSONAL CREDITS ALLOWED**  
4                   **AGAINST ALTERNATIVE MINIMUM TAX.**

5           (a) **IN GENERAL.**—Subsection (a) of section 26 of the  
6 Internal Revenue Code of 1986 is amended to read as fol-  
7 lows:

8           “(a) **LIMITATION BASED ON AMOUNT OF TAX.**—The  
9 aggregate amount of credits allowed by this subpart for  
10 the taxable year shall not exceed the taxpayer’s regular  
11 tax liability for the taxable year.”

12          (b) **CONFORMING AMENDMENT.**—Subsection (d) of  
13 section 24 of such Code is amended by striking paragraph  
14 (2) and by redesignating paragraph (3) as paragraph (2).

15          (c) **EFFECTIVE DATE.**—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 1999.

18   **SEC. 702. ELIMINATION OF MARRIAGE PENALTY IN STAND-**  
19                   **ARD DEDUCTION.**

20          (a) **IN GENERAL.**—Paragraph (2) of section 63(c) of  
21 the Internal Revenue Code of 1986 (relating to standard  
22 deduction) is amended—

23               (1) by striking “\$5,000” in subparagraph (A)  
24               and inserting “twice the dollar amount in effect  
25               under subparagraph (C) for the taxable year”,

1           (2) by adding “or” at the end of subparagraph  
2           (B),

3           (3) by striking “in the case of” and all that fol-  
4           lows in subparagraph (C) and inserting “in any  
5           other case.”, and

6           (4) by striking subparagraph (D).

7           (b) TECHNICAL AMENDMENT.—Subparagraph (B) of  
8           section 1(f)(6) of such Code is amended by striking  
9           “(other than with” and all that follows through “shall be  
10          applied” and inserting “(other than sections 63(c)(4) and  
11          151(d)(4)(A)) shall be applied”.

12          (c) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply to taxable years beginning after  
14          December 31, 1999.

15          **SEC. 703. EXPANSION OF DEPENDENT CARE TAX CREDIT.**

16          (a) IN GENERAL.—Paragraph (2) of section 21(a) of  
17          the Internal Revenue Code of 1986 (relating to expenses  
18          for household and dependent care services necessary for  
19          gainful employment) is amended to read as follows:

20                  “(2) APPLICABLE PERCENTAGE DEFINED.—For  
21                  purposes of paragraph (1), the term ‘applicable per-  
22                  centage’ means 50 percent reduced (but not below  
23                  20 percent) by 1 percentage point for each \$1,000  
24                  (or fraction thereof) by which the taxpayer’s ad-

1       justed gross income for the taxable year exceeds  
2       \$30,000.”

3       (b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME  
4 PARENTS.—Section 21(e) of such Code (relating to special  
5 rules) is amended by adding at the end the following:

6               “(11) MINIMUM CREDIT ALLOWED FOR STAY-  
7 AT-HOME PARENTS.—Notwithstanding subsection  
8 (d), in the case of any taxpayer with one or more  
9 qualifying individuals described in subsection  
10 (b)(1)(A) under the age of 1 at any time during the  
11 taxable year, such taxpayer shall be deemed to have  
12 employment-related expenses with respect to such  
13 qualifying individuals in an amount equal to the  
14 greater of—

15               “(A) the amount of employment-related ex-  
16 penses incurred for such qualifying individuals  
17 for the taxable year (determined under this sec-  
18 tion without regard to this paragraph), or

19               “(B) \$125 for each month in such taxable  
20 year during which such qualifying individual is  
21 under the age of 1.”.

22       (c) INFLATION ADJUSTMENT OF DOLLAR  
23 AMOUNTS.—

24               (1) Section 21 of such Code is amended by re-  
25 designating subsection (f) as subsection (g) and by



1 inserting after subsection (e) the following new sub-  
2 section:

3 “(f) INFLATION ADJUSTMENT.—In the case of any  
4 taxable year beginning in a calendar year after 2000, the  
5 \$30,000 amount contained in subsection (a), the \$2,400  
6 amount in subsection (c), and the \$125 amount in sub-  
7 section (e)(11) shall be increased by an amount equal to—

8 “(1) such dollar amount, multiplied by

9 “(2) the cost-of-living adjustment determined  
10 under section 1(f)(3) for such calendar year by sub-  
11 stituting ‘calendar year 1999’ for ‘calendar year  
12 1992’ in subparagraph (B) thereof.

13 If the increase determined under the preceding sentence  
14 is not a multiple of \$50 (\$5 in the case of the amount  
15 in subsection (e)(11)), such amount shall be rounded to  
16 the next lowest multiple thereof.”

17 (2) Paragraph (2) of section 21(c) of such Code  
18 is amended by striking “\$4,800” and inserting  
19 “twice the dollar amount applicable under paragraph  
20 (1)”.

21 (3) Paragraph (2) of section 21(d) of such Code  
22 is amended by striking “less than—” and all that  
23 follows through the end of the first sentence and in-  
24 serting “less than  $\frac{1}{12}$  of the amount which applies

1 under subsection (c) to the taxpayer for the taxable  
2 year.”

3 (d) CREDIT ALLOWED BASED ON RESIDENCY IN  
4 CERTAIN CASES.—Subsection (e) of section 21 of such  
5 Code is amended by adding at the end the following new  
6 paragraph:

7 “(12) CREDIT ALLOWED BASED ON RESIDENCY  
8 IN CERTAIN CASES.—In the case of a taxpayer—

9 “(A) who does not satisfy the household  
10 maintenance test of subsection (a) for any pe-  
11 riod, but

12 “(B) whose principal place of abode for  
13 such period is also the principal place of abode  
14 of any qualifying individual,

15 then such taxpayer shall be treated as satis-  
16 fying such test for such period but the amount  
17 of credit allowable under this section with re-  
18 spect to such individual shall be determined by  
19 allowing only  $\frac{1}{12}$  of the limitation under sub-  
20 section (c) for each full month that the require-  
21 ment of subparagraph (B) is met.”

22 (e) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 1999.

1 **SEC. 704. EMPLOYER-PROVIDED CHILD CARE SERVICES.**

2 (a) GENERAL RULE.—Subpart D of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 is amended by adding at the end the following new  
5 section:

6 **“SEC. 45F. EMPLOYER EXPENSES IN PROVIDING DEPEND-**  
7 **ENT CARE SERVICES.**

8 “(a) GENERAL RULE.—For purposes of section 38,  
9 the employer day care center credit determined under this  
10 section for the taxable year is the amount determined  
11 under subsection (b) with respect to each qualified day  
12 care center of the taxpayer.

13 “(b) CREDIT PER FACILITY.—For purposes of this  
14 section—

15 “(1) IN GENERAL.—The amount determined  
16 under this subsection for any taxable year with re-  
17 spect to any qualified day care facility of the tax-  
18 payer is 50 percent of the excess (if any) of—

19 “(A) the expenses paid or incurred by the  
20 taxpayer during the taxable year in providing  
21 dependent care services at such facility for em-  
22 ployees, over

23 “(B) the aggregate amount received or ac-  
24 crued during the taxable year by the employer  
25 for such services.

1           “(2) DEPRECIATION ALLOWANCES.—For pur-  
2           poses of paragraph (1), depreciation allowances  
3           under section 167 shall be treated as expenses.

4           “(c) QUALIFIED DAY CARE CENTER.—For purposes  
5           of this section, the term ‘qualified day care center’ means  
6           any day care center—

7           “(1) which is operated by the taxpayer exclu-  
8           sively for purposes of providing dependent care serv-  
9           ices to employees,

10           “(2) which is located on the business premises  
11           of the taxpayer or on a site adjacent to such prem-  
12           ises,

13           “(3) which complies with all applicable laws and  
14           regulations of a State or unit of local government,  
15           and

16           “(4) the operation of which is part of a depend-  
17           ent care assistance program (as defined in section  
18           129(d)).”

19           (b) CREDIT MADE PART OF GENERAL BUSINESS  
20           CREDIT.—Subsection (b) of section 38 of such Code is  
21           amended by striking “plus” at the end of paragraph (13),  
22           by striking the period at the end of paragraph (14) and  
23           inserting “, plus”, and by adding at the end thereof the  
24           following new paragraph:

1           “(15) the employer day care center credit deter-  
2           mined under section 45F(a).”

3           (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
4           such Code is amended by adding at the end thereof the  
5           following new subsection:

6           “(d) CREDIT FOR EMPLOYER DAY CARE CENTER  
7           EXPENSES.—No deduction shall be allowed for that por-  
8           tion of the expenses referred to in section 45F(b)(1)(A)  
9           otherwise allowable as a deduction for the taxable year  
10          which is equal to the amount of the credit determined for  
11          such taxable year under section 45F(a).”

12          (d) CLERICAL AMENDMENT.—The table of sections  
13          for subpart D of part IV of subchapter A of chapter 1  
14          of such Code is amended by adding at the end the fol-  
15          lowing new item:

“Sec. 45F. Employer expenses in providing dependent care serv-  
ices.”

16          (e) EFFECTIVE DATE.—The amendments made by  
17          this section shall apply to taxable years beginning after  
18          the date of the enactment of this Act.

## 19           **TITLE VIII—HEALTH CARE**

### 20           **SEC. 801. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE** 21           **NEEDS.**

22           (a) ALLOWANCE OF CREDIT.—

1           (1) IN GENERAL.—Section 24(a) of the Internal  
2           Revenue Code of 1986 (relating to allowance of child  
3           tax credit) is amended to read as follows:

4           “(a) ALLOWANCE OF CREDIT.—There shall be al-  
5           lowed as a credit against the tax imposed by this chapter  
6           for the taxable year an amount equal to the sum of—

7           “(1) \$500 multiplied by the number of quali-  
8           fying children of the taxpayer, plus

9           “(2) \$1,000 multiplied by the number of appli-  
10          cable individuals with respect to whom the taxpayer  
11          is an eligible caregiver for the taxable year.

12         In any case in which the applicable individual and the eli-  
13         gible caregiver are the same individual, the credit allowed  
14         by paragraph (2) with respect to such individual shall not  
15         exceed the aggregate amount paid by the taxpayer during  
16         the taxable year (not compensated for by insurance or oth-  
17         erwise) for qualified long-term care services (as defined  
18         in section 7702B(c)) for such individual.”

19                 (2) ADDITIONAL CREDIT FOR TAXPAYER WITH  
20                 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much  
21                 of section 24(d) of such Code as precedes paragraph  
22                 (1)(A) thereof is amended to read as follows:

23                 “(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3  
24                 OR MORE SEPARATE CREDIT AMOUNTS.—

1           “(1) IN GENERAL.—If the sum of the number  
2           of qualifying children of the taxpayer and the num-  
3           ber of applicable individuals with respect to which  
4           the taxpayer is an eligible caregiver is 3 or more for  
5           any taxable year, the aggregate credits allowed  
6           under subpart C shall be increased by the lesser  
7           of—”.

8           (3) CONFORMING AMENDMENTS.—

9           (A) The heading for section 32(n) of such  
10          Code is amended by striking “CHILD” and in-  
11          serting “FAMILY CARE”.

12          (B) The heading for section 24 is amended  
13          to read as follows:

14       **“SEC. 24. FAMILY CARE CREDIT.”**

15          (C) The table of sections for subpart A of  
16          part IV of subchapter A of chapter 1 of such  
17          Code is amended by striking the item relating  
18          to section 24 and inserting the following new  
19          item:

          “Sec. 24. Family care credit.”.

20          (b) DEFINITIONS.—Section 24(c) of such Code (de-  
21          fining qualifying child) is amended to read as follows:

22          “(c) DEFINITIONS.—For purposes of this section—

23               “(1) QUALIFYING CHILD.—

24                       “(A) IN GENERAL.—The term ‘qualifying  
25                       child’ means any individual if—

1           “(i) the taxpayer is allowed a deduc-  
2           tion under section 151 with respect to such  
3           individual for the taxable year,

4           “(ii) such individual has not attained  
5           the age of 17 as of the close of the cal-  
6           endar year in which the taxable year of the  
7           taxpayer begins, and

8           “(iii) such individual bears a relation-  
9           ship to the taxpayer described in section  
10          32(c)(3)(B).

11          “(B) EXCEPTION FOR CERTAIN NONCITI-  
12          ZENS.—The term ‘qualifying child’ shall not in-  
13          clude any individual who would not be a de-  
14          pendent if the first sentence of section  
15          152(b)(3) were applied without regard to all  
16          that follows ‘resident of the United States’.

17          “(2) APPLICABLE INDIVIDUAL.—

18                 “(A) IN GENERAL.—The term ‘applicable  
19                 individual’ means, with respect to any taxable  
20                 year, any individual who has been certified, be-  
21                 fore the due date for filing the return of tax for  
22                 the taxable year (without extensions), by a phy-  
23                 sician (as defined in section 1861(r)(1) of the  
24                 Social Security Act) as being an individual with



1 long-term care needs described in subparagraph  
2 (B) for a period—

3 “(i) which is at least 180 consecutive  
4 days, and

5 “(ii) a portion of which occurs within  
6 the taxable year.

7 Such term shall not include any individual oth-  
8 erwise meeting the requirements of the pre-  
9 ceding sentence unless within the 39½ month  
10 period ending on such due date (or such other  
11 period as the Secretary prescribes) a physician  
12 (as so defined) has certified that such indi-  
13 vidual meets such requirements.

14 “(B) INDIVIDUALS WITH LONG-TERM CARE  
15 NEEDS.—An individual is described in this sub-  
16 paragraph if the individual meets any of the fol-  
17 lowing requirements:

18 “(i) The individual is at least 6 years  
19 of age and—

20 “(I) is unable to perform (with-  
21 out substantial assistance from an-  
22 other individual) at least 3 activities  
23 of daily living (as defined in section  
24 7702B(c)(2)(B)) due to a loss of  
25 functional capacity, or

1                   “(II) requires substantial super-  
2 vision to protect such individual from  
3 threats to health and safety due to se-  
4 vere cognitive impairment and is un-  
5 able to preform, without reminding or  
6 cuing assistance, at least 1 activity of  
7 at least 1 activity of daily living (as so  
8 defined) or to the extent provided in  
9 regulations prescribed by the Sec-  
10 retary (in consultation with the Sec-  
11 retary of Health and Human Serv-  
12 ices), is unable to engage in age ap-  
13 propriate activities.

14                   “(ii) The individual is at least 2 but  
15 not 6 years of age and is unable due to a  
16 loss of functional capacity to perform  
17 (without substantial assistance from an-  
18 other individual) at least 2 of the following  
19 activities: eating, transferring, or mobility.

20                   “(iii) The individual is under 2 years  
21 of age and requires specific durable med-  
22 ical equipment by reason of a severe health  
23 condition or requires a skilled practitioner  
24 trained to address the individual’s condi-

1           tion to be available if the individual’s par-  
2           ents or guardians are absent.

3           “(3) ELIGIBLE CAREGIVER.—

4           “(A) IN GENERAL.—A taxpayer shall be  
5           treated as an eligible caregiver for any taxable  
6           year with respect to the following individuals:

7                   “(i) The taxpayer.

8                   “(ii) The taxpayer’s spouse.

9                   “(iii) An individual with respect to  
10           whom the taxpayer is allowed a deduction  
11           under section 151 for the taxable year.

12                   “(iv) An individual who would be de-  
13           scribed in clause (iii) for the taxable year  
14           if section 151(c)(1)(A) were applied by  
15           substituting for the exemption amount an  
16           amount equal to the sum of the exemption  
17           amount, the standard deduction under sec-  
18           tion 63(c)(2)(C), and any additional stand-  
19           ard deduction under section 63(c)(3) which  
20           would be applicable to the individual if  
21           clause (iii) applied.

22                   “(v) An individual who would be de-  
23           scribed in clause (iii) for the taxable year  
24           if—

1                   “(I) the requirements of clause  
2                   (iv) are met with respect to the indi-  
3                   vidual, and

4                   “(II) the requirements of sub-  
5                   paragraph (B) are met with respect to  
6                   the individual in lieu of the support  
7                   test of section 152(a).

8                   “(B) RESIDENCY TEST.—The require-  
9                   ments of this subparagraph are met if an indi-  
10                  vidual has as his principal place of abode the  
11                  home of the taxpayer and—

12                  “(i) in the case of an individual who  
13                  is an ancestor or descendant of the tax-  
14                  payer or the taxpayer’s spouse, is a mem-  
15                  ber of the taxpayer’s household for over  
16                  half the taxable year, or

17                  “(ii) in the case of any other indi-  
18                  vidual, is a member of the taxpayer’s  
19                  household for the entire taxable year.

20                  “(C) SPECIAL RULES WHERE MORE THAN  
21                  1 ELIGIBLE CAREGIVER.—

22                  “(i) IN GENERAL.—If more than 1 in-  
23                  dividual is an eligible caregiver with re-  
24                  spect to the same applicable individual for  
25                  taxable years ending with or within the

1 same calendar year, a taxpayer shall be  
2 treated as the eligible caregiver if each  
3 such individual (other than the taxpayer)  
4 files a written declaration (in such form  
5 and manner as the Secretary may pre-  
6 scribe) that such individual will not claim  
7 such applicable individual for the credit  
8 under this section.

9 “(ii) NO AGREEMENT.—If each indi-  
10 vidual required under clause (i) to file a  
11 written declaration under clause (i) does  
12 not do so, the individual with the highest  
13 modified adjusted gross income (as defined  
14 in section 32(c)(5)) shall be treated as the  
15 eligible caregiver.

16 “(iii) MARRIED INDIVIDUALS FILING  
17 SEPARATELY.—In the case of married indi-  
18 viduals filing separately, the determination  
19 under this subparagraph as to whether the  
20 husband or wife is the eligible caregiver  
21 shall be made under the rules of clause (ii)  
22 (whether or not 1 of them has filed a writ-  
23 ten declaration under clause (i)).”.

24 (c) IDENTIFICATION REQUIREMENTS.—

1           (1) IN GENERAL.—Section 24(e) of such Code  
2 is amended by adding at the end the following new  
3 sentence: “No credit shall be allowed under this sec-  
4 tion to a taxpayer with respect to any applicable in-  
5 dividual unless the taxpayer includes the name and  
6 taxpayer identification number of such individual,  
7 and the identification number of the physician certi-  
8 fying such individual, on the return of tax for the  
9 taxable year.”.

10           (2) ASSESSMENT.—Section 6213(g)(2)(I) of  
11 such Code is amended—

12                   (A) by inserting “or physician identifica-  
13 tion” after “correct TIN”, and

14                   (B) by striking “child” and inserting  
15 “family care”.

16           (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 1999.

19 **SEC. 802. CREDIT FOR EMPLOYER HEALTH CARE COSTS.**

20           (a) IN GENERAL.—Subpart D of part IV of sub-  
21 chapter A of chapter 1 of the Internal Revenue Code of  
22 1986 (relating to business related credits) is amended by  
23 adding at the end the following new section:

1 **“SEC. 45G. CREDIT TO EMPLOYERS MAINTAINING SELF-IN-**  
2 **SURED HEALTH PLAN FOR COST OF PRO-**  
3 **VIDING HEALTH COVERAGE FOR EMPLOY-**  
4 **EES.**

5 “(a) GENERAL RULE.—For purposes of section 38,  
6 in the case of an eligible employer, the health coverage  
7 cost credit determined under this section for the taxable  
8 year is an amount equal to 3 percent of the amount paid  
9 or incurred by the taxpayer during the taxable year for  
10 health coverage for such employer’s employees and their  
11 spouses and dependents.

12 “(b) ELIGIBLE EMPLOYER.—For purposes of this  
13 section, the term ‘eligible employer’ means any employer  
14 who, throughout the taxable year, maintains a group  
15 health plan for such employer’s employees and their  
16 spouses and dependents which is not provided through in-  
17 surance.

18 “(c) SPECIAL RULES.—

19 “(1) ONLY NONGOVERNMENTAL COVERAGE  
20 TAKEN INTO ACCOUNT.—Amounts paid or incurred  
21 for coverage under Medicare or any other govern-  
22 ment program shall not be taken into account under  
23 subsection (a).

24 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-  
25 tion shall be allowed for that portion of the amount  
26 taken into account under subsection (a) (which is

1 otherwise allowable as a deduction for the taxable  
2 year) equal to the amount of the credit determined  
3 for such taxable year under subsection (a).”

4 (b) CREDIT MADE PART OF GENERAL BUSINESS  
5 CREDIT.—

6 (1) IN GENERAL.—Subsection (b) of section 38  
7 of such Code is amended by striking “plus” at the  
8 end of paragraph (14), by striking the period at the  
9 end of paragraph (15) and inserting “, plus”, and  
10 by adding at the end the following new paragraph:

11 “(16) in the case of a eligible employer (as de-  
12 fined in section 45G(b)), the health coverage cost  
13 credit determined under section 45G(a).”

14 (2) DENIAL OF CARRYBACKS TO PRE-EFFEC-  
15 TIVE DATE YEARS.—Subsection (d) of section 39 of  
16 such Code is amended by adding at the end the fol-  
17 lowing new paragraph:

18 “(11) NO CARRYBACK OF SECTION 45G CREDIT  
19 BEFORE ENACTMENT.—No portion of the unused  
20 business credit for any taxable year which is attrib-  
21 utable to the health coverage cost credit determined  
22 under section 45G may be carried back to a taxable  
23 year beginning on or before the date of the enact-  
24 ment of section 45G.”



1 (c) CLERICAL AMENDMENT.—The table of sections  
 2 for subpart D of part IV of subchapter A of chapter 1  
 3 of such Code is amended by adding at the end the fol-  
 4 lowing new item:

“Sec. 45G. Credit to employers maintaining self-insured health  
 plan for cost of providing health coverage for em-  
 ployees.”

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

8 **SEC. 803. EMERGENCY MEDICAL SERVICES ENHANCEMENT**  
 9 **ACT.**

10 (a) GENERAL RULE.—Subsection (e) of section 150  
 11 of the Internal Revenue Code of 1986 is amended to read  
 12 as follows:

13 “(e) BONDS OF CERTAIN VOLUNTEER FIRE DEPART-  
 14 MENTS OR EMERGENCY SERVICE ORGANIZATIONS.—For  
 15 purposes of this part and section 103—

16 “(1) IN GENERAL.—A bond of a volunteer fire  
 17 or other emergency services organization shall be  
 18 treated as a bond of a political subdivision of a State  
 19 if—

20 “(A) such organization is a qualified volun-  
 21 teer fire or other emergency services organiza-  
 22 tion with respect to an area within the jurisdic-  
 23 tion of such political subdivision, and

1           “(B) such bond is issued as part of an  
2           issue 95 percent or more of the net proceeds of  
3           which are to be used for the acquisition, con-  
4           struction, reconstruction, or improvement of—

5                   “(i) a firehouse or other building used  
6                   or to be used by such organization in pro-  
7                   viding qualified services (including land  
8                   which is functionally related and subordi-  
9                   nate thereto), or

10                   “(ii) a firetruck, ambulance, or other  
11                   vehicle used or to be used by such organi-  
12                   zation in providing qualified services.

13           “(2) QUALIFIED VOLUNTEER FIRE OR OTHER  
14           EMERGENCY SERVICES ORGANIZATION.—For pur-  
15           poses of this subsection, the term ‘qualified volun-  
16           teer fire or other emergency services organization’  
17           means, with respect to a political subdivision of a  
18           State, any organization—

19                   “(A) which is organized and operated to  
20                   provide qualified services for persons in an area  
21                   (within the jurisdiction of such political subdivi-  
22                   sion) which is not provided with any other  
23                   qualified services of the type provided by such  
24                   organization, and

1           “(B) which is required (by written agree-  
2           ment) by the political subdivision to furnish  
3           qualified services in such area.

4           For purposes of subparagraph (A), other qualified  
5           services provided in an area shall be disregarded in  
6           determining whether an organization is a qualified  
7           volunteer fire or other emergency services organiza-  
8           tion if such other qualified services are provided by  
9           a qualified volunteer fire or other emergency services  
10          organization (determined with the application of this  
11          sentence) and such organization and the provider of  
12          such other services have been continuously providing  
13          qualified services to such area since January 1,  
14          1999.

15          “(3) TREATMENT AS PRIVATE ACTIVITY BONDS  
16          ONLY FOR CERTAIN PURPOSES.—Bonds which are  
17          part of an issue which meets the requirements of  
18          paragraph (1) shall not be treated as private activity  
19          bonds except for purposes of sections 147(f) and  
20          149(d).

21          “(4) QUALIFIED SERVICES.—For purposes of  
22          this subsection, the term ‘qualified services’ means  
23          any firefighting, rescue, or emergency medical serv-  
24          ices.”

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to obligations issued after the  
3 date of the enactment of this Act.

4 **SEC. 804. DEDUCTION FOR HEALTH INSURANCE COSTS FOR**  
5 **SELF-EMPLOYED INDIVIDUALS.**

6 (a) IN GENERAL.—Paragraph (1) of section 162(l)  
7 of the Internal Revenue Code of 1986 is amended to read  
8 as follows:

9 “(1) ALLOWANCE OF DEDUCTION.—In the case  
10 of an individual who is an employee within the  
11 meaning of section 401(c)(1), there shall be allowed  
12 as a deduction under this section an amount equal  
13 to 100 percent of the amount paid during the tax-  
14 able year for insurance which constitutes medical  
15 care for the taxpayer, his spouse, and dependents.”

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

19 **TITLE IX—HOUSING**

20 **SEC. 901. EXTENSION OF FIRST-TIME DISTRICT OF COLUM-**  
21 **BIA HOME BUYER TAX CREDIT.**

22 Subsection (i) of section 1400C of the Internal Rev-  
23 enue Code of 1986 is amended by striking “2001” and  
24 inserting “2006”.

1 **SEC. 902. INCREASE STATE CEILING IN LOW-INCOME HOUS-**  
2 **ING TAX CREDIT.**

3 (a) IN GENERAL.—Clause (i) of section 42(h)(3)(C)  
4 of the Internal Revenue Code of 1986 (relating to State  
5 housing credit ceiling) is amended by striking “\$1.25” and  
6 inserting “\$1.75”.

7 (b) ADJUSTMENT OF STATE CEILING FOR IN-  
8 CREASES IN COST-OF-LIVING.—Paragraph (3) of section  
9 42(h) of such Code (relating to housing credit dollar  
10 amount for agencies) is amended by adding at the end  
11 the following new subparagraph:

12 “(H) COST-OF-LIVING ADJUSTMENT.—

13 “(i) IN GENERAL.—In the case of a  
14 calendar year after 2000, the dollar  
15 amount contained in subparagraph (C)(i)  
16 shall be increased by an amount equal to—

17 “(I) such dollar amount, multi-  
18 plied by

19 “(II) the cost-of-living adjust-  
20 ment determined under section 1(f)(3)  
21 for such calendar year by substituting  
22 ‘calendar year 1999’ for ‘calendar  
23 year 1992’ in subparagraph (B) there-  
24 of.

25 “(ii) ROUNDING.—If any increase  
26 under clause (i) is not a multiple of 5

1 cents, such increase shall be rounded to  
2 the next lowest multiple of 5 cents.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to calendar years after 1999.

5 **TITLE X—RESEARCH AND**  
6 **BUSINESS**

7 **SEC. 1001. INCREASE IN EXPENSE TREATMENT FOR SMALL**  
8 **BUSINESSES.**

9 (a) GENERAL RULE.—Paragraph (1) of section  
10 179(b) of the Internal Revenue Code of 1986 (relating to  
11 dollar limitation) is amended to read as follows:

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

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to taxable years beginning after  
17 December 31, 1999.

18 **SEC. 1002. MEDICAL INNOVATION TAX CREDIT.**

19 (a) IN GENERAL.—Subpart D of part IV of sub-  
20 chapter A of chapter 1 of the Internal Revenue Code of  
21 1986 (relating to business related credits) is amended by  
22 inserting after section 41 the following:

23 **“SEC. 41A. CREDIT FOR MEDICAL INNOVATION EXPENSES.**

24 “(a) GENERAL RULE.—For purposes of section 38,  
25 the medical innovation credit determined under this sec-

1 tion for the taxable year shall be an amount equal to 20  
2 percent of the excess (if any) of—

3 “(1) the qualified medical innovation expenses  
4 for the taxable year, over

5 “(2) the medical innovation base period  
6 amount.

7 “(b) QUALIFIED MEDICAL INNOVATION EX-  
8 PENSES.—For purposes of this section—

9 “(1) IN GENERAL.—The term ‘qualified medical  
10 innovation expenses’ means the amounts which are  
11 paid or incurred by the taxpayer during the taxable  
12 year directly or indirectly to any qualified academic  
13 institution for clinical testing research activities.

14 “(2) CLINICAL TESTING RESEARCH ACTIVI-  
15 TIES.—

16 “(A) IN GENERAL.—The term ‘clinical  
17 testing research activities’ means human clinical  
18 testing conducted at any qualified academic in-  
19 stitution in the development of any product,  
20 which occurs before—

21 “(i) the date on which an application  
22 with respect to such product is approved  
23 under section 505(b), 506, or 507 of the  
24 Federal Food, Drug, and Cosmetic Act,

1           “(ii) the date on which a license for  
2           such product is issued under section 351 of  
3           the Public Health Service Act, or

4           “(iii) the date classification or ap-  
5           proval of such product which is a device in-  
6           tended for human use is given under sec-  
7           tion 513, 514, or 515 of the Federal Food,  
8           Drug, and Cosmetic Act.

9           “(B) PRODUCT.—The term ‘product’  
10          means any drug, biologic, or medical device.

11          “(3) QUALIFIED ACADEMIC INSTITUTION.—The  
12          term ‘qualified academic institution’ means any of  
13          the following institutions:

14               “(A) EDUCATIONAL INSTITUTION.—A  
15               qualified organization described in section  
16               170(b)(1)(A)(iii) which is owned or affiliated  
17               with an institution of higher education as de-  
18               scribed in section 3304(f).

19               “(B) TEACHING HOSPITAL.—A teaching  
20               hospital which—

21                       “(i) is publicly supported or owned by  
22                       an organization described in section  
23                       501(c)(3), and



1           “(ii) is affiliated with an organization  
2           meeting the requirements of subparagraph  
3           (A).

4           “(C) FOUNDATION.—A medical research  
5           organization described in section 501(c)(3)  
6           (other than a private foundation) which is affili-  
7           ated with, or owned by—

8           “(i) an organization meeting the re-  
9           quirements of subparagraph (A), or

10           “(ii) a teaching hospital meeting the  
11           requirements of subparagraph (B).

12           “(D) CHARITABLE RESEARCH HOS-  
13           PITAL.—A hospital that is designated as a can-  
14           cer center by the National Cancer Institute.

15           “(4) EXCLUSION FOR AMOUNTS FUNDED BY  
16           GRANTS, ETC.—The term ‘qualified medical innova-  
17           tion expenses’ shall not include any amount to the  
18           extent such amount is funded by any grant, con-  
19           tract, or otherwise by another person (or any gov-  
20           ernmental entity).

21           “(e) MEDICAL INNOVATION BASE PERIOD  
22           AMOUNT.—For purposes of this section, the term ‘medical  
23           innovation base period amount’ means the average annual  
24           qualified medical innovation expenses paid by the taxpayer  
25           during the 3-taxable year period ending with the taxable

1 year immediately preceding the first taxable year of the  
2 taxpayer beginning after December 31, 1998.

3 “(d) SPECIAL RULES.—

4 “(1) LIMITATION ON FOREIGN TESTING.—No  
5 credit shall be allowed under this section with re-  
6 spect to any clinical testing research activities con-  
7 ducted outside the United States.

8 “(2) CERTAIN RULES MADE APPLICABLE.—  
9 Rules similar to the rules of subsections (f) and (g)  
10 of section 41 shall apply for purposes of this section.

11 “(3) ELECTION.—This section shall apply to  
12 any taxpayer for any taxable year only if such tax-  
13 payer elects to have this section apply for such tax-  
14 able year.

15 “(4) COORDINATION WITH CREDIT FOR IN-  
16 CREASING RESEARCH EXPENDITURES AND WITH  
17 CREDIT FOR CLINICAL TESTING EXPENSES FOR CER-  
18 TAIN DRUGS FOR RARE DISEASES.—Any qualified  
19 medical innovation expense for a taxable year to  
20 which an election under this section applies shall not  
21 be taken into account for purposes of determining  
22 the credit allowable under section 41 or 45C for  
23 such taxable year.

1       “(e) TERMINATION.—This section shall not apply to  
2 any expense paid or incurred after the date specified in  
3 section 41(h)(1)(B).”.

4       (b) CREDIT TO BE PART OF GENERAL BUSINESS  
5 CREDIT.—

6           (1) IN GENERAL.—Section 38(b) of such Code  
7 (relating to current year business credits) is amend-  
8 ed by striking “plus” at the end of paragraph (15),  
9 by striking the period at the end of paragraph (16)  
10 and inserting “, plus”, and by adding at the end the  
11 following:

12           “(17) the medical innovation expenses credit  
13 determined under section 41A(a).”.

14           (2) TRANSITION RULE.—Section 39(d) of such  
15 Code is amended by adding at the end the following  
16 new paragraph:

17           “(12) NO CARRYBACK OF SECTION 41A CREDIT  
18 BEFORE ENACTMENT.—No portion of the unused  
19 business credit for any taxable year which is attrib-  
20 utable to the medical innovation credit determined  
21 under section 41A may be carried back to a taxable  
22 year beginning before January 1, 1999.”.

23       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
24 such Code is amended by adding at the end the following  
25 new subsection:

1       “(d) CREDIT FOR INCREASING MEDICAL INNOVA-  
2 TION EXPENSES.—

3           “(1) IN GENERAL.—No deduction shall be al-  
4 lowed for that portion of the qualified medical inno-  
5 vation expenses (as defined in section 41A(b)) other-  
6 wise allowable as a deduction for the taxable year  
7 which is equal to the amount of the credit deter-  
8 mined for such taxable year under section 41A(a).

9           “(2) CERTAIN RULES TO APPLY.—Rules similar  
10 to the rules of paragraphs (2), (3), and (4) of sub-  
11 section (c) shall apply for purposes of this sub-  
12 section.”

13       (d) DEDUCTION FOR UNUSED PORTION OF CRED-  
14 IT.—Section 196(c) of such Code (defining qualified busi-  
15 ness credits) is amended by redesignating paragraphs (5)  
16 through (8) as paragraphs (6) through (9), respectively,  
17 and by inserting after paragraph (4) the following new  
18 paragraph:

19           “(5) the medical innovation expenses credit de-  
20 termined under section 41A(a) (other than such  
21 credit determined under the rules of section  
22 280C(d)(2)),”.

23       (e) CLERICAL AMENDMENT.—The table of sections  
24 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by adding after the item relating  
2 to section 41 the following:

“Sec. 41A. Credit for medical innovation expenses.”.

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

6 **SEC. 1003. PERMANENT EXTENSION OF RESEARCH CREDIT.**

7 (a) **CREDIT MADE PERMANENT.**—

8 (1) **IN GENERAL.**—Section 41 of the Internal  
9 Revenue Code of 1986 (relating to credit for increas-  
10 ing research activities) is amended by striking sub-  
11 section (h).

12 (2) **CONFORMING AMENDMENT.**—Paragraph (1)  
13 of section 45C(b) of such Code is amended by strik-  
14 ing subparagraph (D).

15 (b) **INCREASE IN ALTERNATIVE INCREMENTAL**  
16 **CREDIT RATES.**—Subparagraph (A) of section 41(c)(4) of  
17 such Code is amended—

18 (1) by striking “1.65 percent” in clause (i) and  
19 inserting “2.65 percent”,

20 (2) by striking “2.2 percent” in clause (ii) and  
21 inserting “3.2 percent”, and

22 (3) by striking “2.75 percent” in clause (iii)  
23 and inserting “3.75 percent”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to amounts paid or incurred after  
3 June 30, 1999.

4 **TITLE XI—RETIREMENT**  
5 **SECURITY**

6 **SEC. 1101. ADJUSTMENT IN MONTHLY EXEMPT AMOUNT**  
7 **FOR PURPOSES OF THE SOCIAL SECURITY**  
8 **EARNINGS TEST.**

9 (a) INCREASE IN MONTHLY EXEMPT AMOUNT FOR  
10 INDIVIDUALS WHO HAVE ATTAINED RETIREMENT  
11 AGE.—Section 203(f)(8)(D) of the Social Security Act (42  
12 U.S.C. 403(f)(8)(D)) is amended—

13 (1) in clause (iii), by inserting “and” at the  
14 end; and

15 (2) by striking clauses (iv) through (vii) and in-  
16 serting the following new clause:

17 “(iv) for each month of any taxable  
18 year ending after 1999 and before 2001,  
19 \$2,500.”.

20 (b) CONFORMING AMENDMENTS.—

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

23 (A) by striking “after 2001 and before  
24 2003” and inserting “after 1999 and before  
25 2001”; and

1 (B) in subclause (II), by striking “2001”  
2 and inserting “1998”.

3 (2) The second sentence of section 223(d)(4)(A)  
4 of such Act (42 U.S.C. 423(d)(4)(A)) is amended by  
5 inserting “and section 1101 of the Pro-Family, Pro-  
6 Growth, Pro-Reform Tax Reduction Act of 1999”  
7 after “1996”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply with respect to taxable years begin-  
10 ning after 1999.

11 **SEC. 1102. SMALL BUSINESS CREDIT FOR PENSION PLAN**  
12 **START-UP COSTS.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-  
14 chapter A of chapter 1 of the Internal Revenue Code of  
15 1986 (relating to business related credits) is amended by  
16 adding at the end the following new section:

17 **“SEC. 45H. SMALL EMPLOYER PENSION PLAN START-UP**  
18 **COSTS.**

19 “(a) GENERAL RULE.—For purposes of section 38,  
20 in the case of an eligible employer, the small employer pen-  
21 sion plan start-up cost credit determined under this sec-  
22 tion for any taxable year is an amount equal to 50 percent  
23 of the qualified start-up costs paid or incurred by the tax-  
24 payer during the taxable year.

1       “(b) DOLLAR LIMITATION.—The amount of the cred-  
2 it determined under this section for any taxable year shall  
3 not exceed—

4           “(1) \$1,000 for the first taxable year ending  
5 after the date the employer established the qualified  
6 employer plan to which such costs relate,

7           “(2) \$500 for each of the second and third tax-  
8 able years ending after such date, and

9           “(3) zero for each taxable year thereafter.

10       “(c) ELIGIBLE EMPLOYER.—For purposes of this  
11 section—

12           “(1) IN GENERAL.—The term ‘eligible em-  
13 ployer’ has the meaning given such term by section  
14 408(p)(2)(C)(i).

15           “(2) EMPLOYERS MAINTAINING QUALIFIED  
16 PLANS DURING 1998 NOT ELIGIBLE.—Such term  
17 shall not include an employer if such employer (or  
18 any predecessor employer) maintained a qualified  
19 plan (as defined in section 408(p)(2)(D)(ii)) with re-  
20 spect to which contributions were made, or benefits  
21 were accrued, for service in 1998. If only individuals  
22 other than employees described in subparagraph (A)  
23 or (B) of section 410(b)(3) are eligible to participate  
24 in the qualified employer plan referred to in sub-  
25 section (d)(1), then the preceding sentence shall be



1 applied without regard to any qualified plan in  
2 which only employees so described are eligible to  
3 participate.

4 “(d) OTHER DEFINITIONS.—For purposes of this  
5 section—

6 “(1) QUALIFIED START-UP COSTS.—

7 “(A) IN GENERAL.—The term ‘qualified  
8 start-up costs’ means any ordinary and nec-  
9 essary expenses of an eligible employer which—

10 “(i) are paid or incurred in connection  
11 with the establishment of a qualified em-  
12 ployer plan in which at least 2 individuals  
13 are eligible to participate, and

14 “(ii) are of a nonrecurring nature.

15 “(B) PLAN MUST BE ESTABLISHED BE-  
16 FORE JANUARY 1, 2002.—Such term shall not  
17 include any expense in connection with a plan  
18 established after December 31, 2001.

19 “(2) QUALIFIED EMPLOYER PLAN.—The term  
20 ‘qualified employer plan’ has the meaning given to  
21 such term by section 4972(d).

22 “(e) SPECIAL RULES.—For purposes of this  
23 section—

24 “(1) AGGREGATION RULES.—All persons treat-  
25 ed as a single employer under subsection (a) or (b)

1 of section 52, or subsection (n) or (o) of section 414,  
2 shall be treated as 1 person.

3 “(2) DISALLOWANCE OF DEDUCTION.—No de-  
4 duction shall be allowable under this chapter for any  
5 qualified start-up costs for which a credit is deter-  
6 mined under subsection (a).

7 “(3) ELECTION NOT TO CLAIM CREDIT.—This  
8 section shall not apply to a taxpayer for any taxable  
9 year if such taxpayer elects to have this section not  
10 apply for such taxable year.”.

11 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-  
12 NESS CREDIT.—Section 38(b) of such Code (defining cur-  
13 rent year business credit) is amended by striking “plus”  
14 at the end of paragraph (16), by striking the period at  
15 the end of paragraph (17) and inserting “, plus”, and by  
16 adding at the end the following new paragraph:

17 “(18) in the case of an eligible employer (as de-  
18 fined in section 45H(e)), the small employer pension  
19 plan start-up cost credit determined under section  
20 45H(a).”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 39(d) of such Code is amended by  
23 adding at the end the following new paragraph:

24 “(13) NO CARRYBACK OF SMALL EMPLOYER  
25 PENSION PLAN START-UP COST CREDIT BEFORE EF-

1 EFFECTIVE DATE.—No portion of the unused business  
2 credit for any taxable year which is attributable to  
3 the small employer pension plan start-up cost credit  
4 determined under section 45H may be carried back  
5 to a taxable year ending on or before the date of the  
6 enactment of section 45H.”.

7 (2) The table of sections for subpart D of part  
8 IV of subchapter A of chapter 1 of such Code is  
9 amended by adding at the end the following new  
10 item:

“Sec. 45H. Small employer pension plan start-up costs.”.

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to costs paid or incurred in taxable  
13 years ending after the date of the enactment of this Act.

14 **SEC. 1103. INCREASE IN TAXPAYER IRA CONTRIBUTIONS.**

15 (a) INCREASE IN MAXIMUM AMOUNT OF DEDUC-  
16 TION.—Subparagraph (A) of section 219(b)(1) of the In-  
17 ternal Revenue Code of 1986 (relating to maximum  
18 amount of deduction) is amended by striking “\$2,000”  
19 and inserting “\$5,000”.

20 (b) CONFORMING AMENDMENTS.—Subsections  
21 (a)(1), (b)(2), (j), and (p)(8) of section 408 of such Code  
22 are each amended by striking “\$2,000” each place it ap-  
23 pears and inserting “\$5,000”.

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

4 **TITLE XII—NATIONAL COMMIS-**  
5 **SION ON TAX SIMPLIFICA-**  
6 **TION AND REFORM**

7 **SEC. 1201. ESTABLISHMENT.**

8 (a) There is established the National Commission on  
9 Tax Simplification and Reform. The Commission shall be  
10 composed of 15 members appointed or designated by the  
11 President and selected as follows:

12 (1) Five members selected by the President  
13 from among officers or employees of the Executive  
14 branch, private citizens of the United States, or  
15 both. Not more than three of the members selected  
16 by the President shall be members of the same polit-  
17 ical party.

18 (2) Five members selected by the Majority  
19 Leader of the Senate from among members of the  
20 Senate, private citizens of the United States, or  
21 both. Not more than three of the members selected  
22 by the Majority Leader shall be members of the  
23 same political party.

24 (3) Five members selected by the Speaker of  
25 the House of Representatives from among members

1 of the House, private citizens of the United States,  
2 or both. Not more than three of the members se-  
3 lected by the Speaker shall be members of the same  
4 political party.

5 (b) The President shall designate a Chairman from  
6 among the members of the Commission.

7 **SEC. 1202. FUNCTIONS.**

8 (a) The Commission shall review the Internal Rev-  
9 enue Code of 1986, identify areas where such Code is over-  
10 ly complex and can be simplified, analyze potential solu-  
11 tions to such Code's complexities, and make appropriate  
12 recommendations to the Secretary of the Treasury, the  
13 President, and to Congress.

14 (b) The Commission shall make its report to the  
15 President not later than 1 year after the date of the enact-  
16 ment of this Act.

17 **SEC. 1203. ADMINISTRATION.**

18 (a) The heads of Executive agencies shall, to the ex-  
19 tent permitted by law, provide the Commission such infor-  
20 mation as it may require for the purpose of carrying out  
21 its functions.

22 (b) Members of the Commission shall serve without  
23 any additional compensation for their work on the Com-  
24 mission. However, members appointed from among private  
25 citizens of the United States may be allowed travel ex-

1 penses, including per diem in lieu of subsistence, as au-  
2 thorized by law for persons serving intermittently in the  
3 government service (5 U.S.C. 5701–5707), to the extent  
4 funds are available therefor.

5 (c) The Commission shall have a staff headed by an  
6 Executive Director. Any expenses of the Commission shall  
7 be paid from such funds as may be available to the Sec-  
8 retary of the Treasury.

9 **SEC. 1204. GENERAL.**

10 (a) Notwithstanding any Executive order, the respon-  
11 sibilities of the President under the Federal Advisory  
12 Committee Act, as amended, except that of reporting an-  
13 nually to the Congress, which are applicable to the Com-  
14 mission, shall be performed by the Secretary of the Treas-  
15 ury in accordance with the guidelines and procedures es-  
16 tablished by the Administrator of General Services.

17 (b) The Commission shall terminate thirty days after  
18 submitting its report.

1 **TITLE XIII—AMOUNT OF REVE-**  
2 **NUES RESERVED FOR SOCIAL**  
3 **SECURITY AND MEDICARE**

4 **SEC. 1301. AMOUNT OF REVENUES RESERVED FOR SOCIAL**  
5 **SECURITY AND MEDICARE.**

6 This Act reserves 77 percent of the combined on- and  
7 off-budget surpluses for the purposes of ensuring Social  
8 Security and Medicare solvency and longevity.

