

106TH CONGRESS  
1ST SESSION

# S. 1379

To amend the Internal Revenue Code of 1986 to provide broad based tax relief for all taxpaying families, to mitigate the marriage penalty, to expand retirement savings, to phase out gift and estate taxes, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 15, 1999

Mr. DOMENICI introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide broad based tax relief for all taxpaying families, to mitigate the marriage penalty, to expand retirement savings, to phase out gift and estate taxes, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Share the Surplus Tax Reduction and Simplification  
6 Act”.

1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TAX RELIEF

Sec. 11. Broad based tax relief for all taxpaying families.

Sec. 12. Marriage penalty mitigation and tax burden reduction.

TITLE II—SAVING AND INVESTMENT PROVISIONS

Sec. 21. Dividend and interest tax relief.

Sec. 22. Long-term capital gains deduction for individuals.

Sec. 23. Increase in contribution limits for traditional IRAs.

TITLE III—BUSINESS INVESTMENT PROVISIONS

Sec. 31. Repeal of alternative minimum tax on corporations.

Sec. 32. Increase in limit for expensing certain business assets.

TITLE IV—ESTATE AND GIFT TAX RELIEF

Sec. 41. Phaseout of estate and gift taxes.

TITLE V—RESEARCH CREDIT EXTENSION AND MODIFICATION

Sec. 51. Purpose.

Sec. 52. Permanent extension of research credit.

Sec. 53. Improved alternative incremental credit.

Sec. 54. Modifications to credit for basic research.

Sec. 55. Credit for expenses attributable to certain collaborative research consortia.

Sec. 56. Improvement to credit for small businesses and research partnerships.

TITLE VI—ENERGY INDEPENDENCE

Sec. 61. Purposes.

Sec. 62. Tax credit for marginal domestic oil and natural gas well production.

Sec. 63. 10-year carryback for unused minimum tax credit.

Sec. 64. 10-year net operating loss carryback for losses attributable to oil servicing companies and mineral interests of oil and gas producers.

Sec. 65. Waiver of limitations.

Sec. 66. Election to expense geological and geophysical expenditures and delay rental payments.

TITLE VII—REVENUE PROVISION

Sec. 71. 4-year averaging for conversion of traditional IRA to Roth IRA.

# TITLE I—TAX RELIEF

## SEC. 11. BROAD BASED TAX RELIEF FOR ALL TAXPAYING FAMILIES.

(a) PURPOSE.—The purpose of this section is to cut taxes for 120,000,000 taxpaying families by lowering the 15 percent tax rate.

(b) IN GENERAL.—Section 1 of the Internal Revenue Code of 1986 (relating to tax imposed) is amended—

(1) by striking “15%” each place it appears in the tables in subsections (a) through (e) and inserting “The applicable rate”, and

(2) by adding at the end the following:

“(i) APPLICABLE RATE.—For purposes of this section, the applicable rate for any taxable year shall be determined in accordance with the following table:

<b>“In the case of any taxable year beginning in—</b>	<b>The applicable rate is:</b>
2002 .....	14.9 percent
2003 .....	14.8 percent
2004 .....	14.7 percent
2005 .....	14.1 percent
2006 and thereafter .....	13.5 percent.”

(b) CONFORMING AMENDMENTS.—

(1) Section 1(f)(2) of the Internal Revenue Code of 1986 is amended—

(A) by inserting “except as provided in subsection (i),” before “by not changing” in subparagraph (B), and

1 (B) by inserting “and the adjustment in  
2 rates under subsection (i)” after “rate brack-  
3 ets” in subparagraph (C).

4 (2) Section 1(g)(7)(B)(ii)(II) of such Code is  
5 amended by striking “15 percent” and inserting  
6 “the applicable rate”.

7 (3) Section 3402(p)(2) of such Code is amend-  
8 ed by striking “15 percent” and inserting “the ap-  
9 plicable rate in effect under section 1(i) for the tax-  
10 able year”.

11 (c) NEW TABLES.—Not later than 15 days after the  
12 date of enactment of this Act, the Secretary of the  
13 Treasury—

14 (1) shall prescribe tables for taxable years be-  
15 ginning in 2002 which shall reflect the amendments  
16 made by this section and which shall apply in lieu  
17 of the tables prescribed under sections 1(f)(1) and  
18 3(a) of the Internal Revenue Code of 1986 for such  
19 taxable years, and

20 (2) shall modify the withholding tables and pro-  
21 cedures for such taxable years under section  
22 3402(a)(1) of such Code to take effect as if the re-  
23 duction in the rate of tax under section 1 of such  
24 Code (as amended by this section) was attributable

1 to such a reduction effective on such date of enact-  
2 ment.

3 (d) SECTION 15 NOT TO APPLY.—No amendment  
4 made by this section shall be treated as a change in a  
5 rate of tax for purposes of section 15 of the Internal Rev-  
6 enue Code of 1986.

7 (e) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2001.

10 **SEC. 12. MARRIAGE PENALTY MITIGATION AND TAX BUR-**  
11 **DEN REDUCTION.**

12 (a) PURPOSE.—The purposes of this section are to  
13 return 7,000,000 taxpaying families to the 15 percent tax  
14 bracket and to cut taxes for 35,000,000 taxpaying families  
15 who will benefit from a tax cut of up to \$1,300 per family  
16 by eliminating or mitigating the marriage penalty for  
17 many middle class taxpaying families.

18 (b) IN GENERAL.—Section 1(f) of the Internal Rev-  
19 enue Code of 1986 (relating to adjustments in tax tables  
20 so that inflation will not result in tax increases) is  
21 amended—

22 (1) in paragraph (2)—

23 (A) by redesignating subparagraphs (B)  
24 and (C) as subparagraphs (C) and (D),

1 (B) by inserting after subparagraph (A)  
2 the following:

3 “(B) in the case of the tables contained in  
4 subsections (a), (b), (c), and (d), by increasing  
5 the maximum taxable income level for the low-  
6 est rate bracket and the minimum taxable in-  
7 come level for the 28 percent rate bracket oth-  
8 erwise determined under subparagraph (A) for  
9 taxable years beginning in any calendar year  
10 after 2001, by the applicable dollar amount for  
11 such calendar year,” and

12 (C) by striking “subparagraph (A)” in  
13 subparagraph (C) (as so redesignated) and in-  
14 serting “subparagraphs (A) and (B)”, and  
15 (2) by adding at the end the following:

16 “(8) APPLICABLE DOLLAR AMOUNT.—For pur-  
17 poses of paragraph (2)(B), the applicable dollar  
18 amount for any calendar year shall be determined as  
19 follows:

20 “(A) JOINT RETURNS AND SURVIVING  
21 SPOUSES.—In the case of the table contained in  
22 subsection (a)—

<b>“Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2002 .....	\$2,000
2003 .....	\$4,000
2004 .....	\$6,000
2005 .....	\$8,000
2006 and thereafter .....	\$10,000.

1                   “(B) OTHER TABLES.—In the case of the  
2                   table contained in subsection (b), (c), or (d)—

<b>“Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2002 .....	\$1,000
2003 .....	\$2,000
2004 .....	\$3,000
2005 .....	\$4,000
2006 and thereafter .....	\$5,000.”.

3 **SEC. 13. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDI-**  
4 **VIDUALS.**

5           (a) PURPOSES.—The purposes of this section are—

6                   (1) to simplify the tax code so that millions of  
7                   Americans will no longer be required to calculate  
8                   their income taxes under 2 systems; and

9                   (2) to recognize that tax credits should not be  
10                  denied to individuals who are eligible for such credit.

11          (b) IN GENERAL.—Subsection (a) of section 55 of the  
12 Internal Revenue Code of 1986 is amended by adding at  
13 the end the following new flush sentence:

14 “For purposes of this title, the tentative minimum tax on  
15 any taxpayer other than a corporation for any taxable year  
16 beginning after December 31, 2009, shall be zero.”

17          (c) REDUCTION OF TAX ON INDIVIDUALS PRIOR TO  
18 REPEAL.—Section 55 of the Internal Revenue Code of  
19 1986 is amended by adding at the end the following new  
20 subsection:

21           “(f) PHASEOUT OF TAX ON INDIVIDUALS.—

1           “(1) IN GENERAL.—The tax imposed by this  
 2           section on a taxpayer other than a corporation for  
 3           any taxable year beginning after December 31,  
 4           2004, and before January 1, 2010, shall be the ap-  
 5           plicable percentage of the tax which would be im-  
 6           posed but for this subsection.

7           “(2) APPLICABLE PERCENTAGE.—For purposes  
 8           of paragraph (1), the applicable percentage shall be  
 9           determined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2005 .....	80
2006 .....	70
2007 .....	60
2008 or 2009 .....	50.”

10           (d) NONREFUNDABLE PERSONAL CREDITS FULLY  
 11           ALLOWED AGAINST REGULAR TAX LIABILITY.—

12           (1) IN GENERAL.—Subsection (a) of section 26  
 13           of the Internal Revenue Code of 1986 (relating to  
 14           limitation based on amount of tax) is amended to  
 15           read as follows:

16           “(a) LIMITATION BASED ON AMOUNT OF TAX.—The  
 17           aggregate amount of credits allowed by this subpart for  
 18           the taxable year shall not exceed the taxpayer’s regular  
 19           tax liability for the taxable year.”

20           (2) CHILD CREDIT.—Subsection (d) of section  
 21           24 of such Code is amended by striking paragraph

1 (2) and by redesignating paragraph (3) as para-  
2 graph (2).

3 (e) LIMITATION ON USE OF CREDIT FOR PRIOR  
4 YEAR MINIMUM TAX LIABILITY.—Subsection (c) of sec-  
5 tion 53 of the Internal Revenue Code of 1986 is amended  
6 to read as follows:

7 “(c) LIMITATION.—

8 “(1) IN GENERAL.—Except as otherwise pro-  
9 vided in this subsection, the credit allowable under  
10 subsection (a) for any taxable year shall not exceed  
11 the excess (if any) of—

12 “(A) the regular tax liability of the tax-  
13 payer for such taxable year reduced by the sum  
14 of the credits allowable under subparts A, B, D,  
15 E, and F of this part, over

16 “(B) the tentative minimum tax for the  
17 taxable year.

18 “(2) TAXABLE YEARS BEGINNING AFTER  
19 2009.—In the case of any taxable year beginning  
20 after 2009, the credit allowable under subsection (a)  
21 to a taxpayer other than a corporation for any tax-  
22 able year shall not exceed 90 percent of the excess  
23 (if any) of—

24 “(A) regular tax liability of the taxpayer  
25 for such taxable year, over

1           “(B) the sum of the credits allowable  
2           under subparts A, B, D, E, and F of this  
3           part.”

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

## 7                           **TITLE II—SAVING AND** 8                           **INVESTMENT PROVISIONS**

### 9   **SEC. 21. DIVIDEND AND INTEREST TAX RELIEF.**

10          (a) PURPOSES.—The purposes of this section are—

11               (1) to provide an incremental step toward tax-  
12               ing income that is consumed rather than income  
13               that is earned and saved;

14               (2) to simplify the tax code by eliminating  
15               67,000,000 hours spent on tax preparation;

16               (3) to eliminate all income tax on savings for  
17               more than 30,000,000 middle class families;

18               (4) to reduce income taxes on savings for  
19               37,000,000 individuals; and

20               (5) to allow a \$10,000 nest egg to grow tax-free  
21               and let individuals experience the miracle of com-  
22               pound interest.

23          (b) IN GENERAL.—Part III of subchapter B of chap-  
24          ter 1 of the Internal Revenue Code of 1986 (relating to  
25          amounts specifically excluded from gross income) is

1 amended by inserting after section 115 the following new  
2 section:

3 **“SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTER-**  
4 **EST RECEIVED BY INDIVIDUALS.**

5 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-  
6 come does not include the sum of the amounts received  
7 during the taxable year by an individual as—

8 “(1) dividends from domestic corporations, or

9 “(2) interest.

10 “(b) LIMITATIONS.—

11 “(1) MAXIMUM AMOUNT.—The aggregate  
12 amount excluded under subsection (a) for any tax-  
13 able year shall not exceed \$250 (\$500 in the case of  
14 a joint return).

15 “(2) CERTAIN DIVIDENDS EXCLUDED.—Sub-  
16 section (a)(1) shall not apply to any dividend from  
17 a corporation which, for the taxable year of the cor-  
18 poration in which the distribution is made, or for the  
19 next preceding taxable year of the corporation, is a  
20 corporation exempt from tax under section 501 (re-  
21 lating to certain charitable, etc., organization) or  
22 section 521 (relating to farmers’ cooperative associa-  
23 tions).

24 “(c) INTEREST.—For purposes of this section, the  
25 term ‘interest’ means—

1           “(1) interest on deposits with a bank (as de-  
2           fined in section 581),

3           “(2) amounts (whether or not designated as in-  
4           terest) paid in respect of deposits, investment certifi-  
5           cates, or withdrawable or repurchasable shares, by—

6                   “(A) a mutual savings bank, cooperative  
7                   bank, domestic building and loan association,  
8                   industrial loan association or bank, or credit  
9                   union, or

10                   “(B) any other savings or thrift institution  
11                   which is chartered and supervised under Fed-  
12                   eral or State law,

13           the deposits or accounts in which are insured under  
14           Federal or State law or which are protected and  
15           guaranteed under State law,

16           “(3) interest on—

17                   “(A) evidences of indebtedness (including  
18                   bonds, debentures, notes, and certificates)  
19                   issued by a domestic corporation in registered  
20                   form, and

21                   “(B) to the extent provided in regulations  
22                   prescribed by the Secretary, other evidences of  
23                   indebtedness issued by a domestic corporation  
24                   of a type offered by corporations to the public,

1           “(4) interest on obligations of the United  
2 States, a State, or a political subdivision of a State  
3 (not excluded from gross income of the taxpayer  
4 under any other provision of law), and

5           “(5) interest attributable to participation shares  
6 in a trust established and maintained by a corpora-  
7 tion established pursuant to Federal law.

8           “(d) SPECIAL RULES.—For purposes of this  
9 section—

10           “(1) DISTRIBUTIONS FROM REGULATED IN-  
11 VESTMENT COMPANIES AND REAL ESTATE INVEST-  
12 MENT TRUSTS.—Subsection (a) shall apply with re-  
13 spect to distributions by—

14           “(A) regulated investment companies to  
15 the extent provided in section 854(c), and

16           “(B) real estate investment trusts to the  
17 extent provided in section 857(c).

18           “(2) DISTRIBUTIONS BY A TRUST.—For pur-  
19 poses of subsection (a), the amount of dividends and  
20 interest properly allocable to a beneficiary under sec-  
21 tion 652 or 662 shall be deemed to have been re-  
22 ceived by the beneficiary ratably on the same date  
23 that the dividends and interest were received by the  
24 estate or trust.



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

4           “The proportionate share of each participant in the  
5           amount of dividends or interest received by the common  
6           trust fund and to which section 116 applies shall be con-  
7           sidered for purposes of such section as having been re-  
8           ceived by such participant.”.

9           (4) Subsection (a) of section 643 of such Code  
10          is amended by redesignating paragraph (7) as para-  
11          graph (8) and by inserting after paragraph (6) the  
12          following:

13                 “(7) DIVIDENDS OR INTEREST.—There shall be  
14                 included the amount of any dividends or interest ex-  
15                 cluded from gross income pursuant to section 116.”.

16          (5) Section 854 of such Code is amended by  
17          adding at the end the following:

18                 “(c) TREATMENT UNDER SECTION 116.—

19                         “(1) IN GENERAL.—For purposes of section  
20                         116, in the case of any dividend (other than a divi-  
21                         dend described in subsection (a)) received from a  
22                         regulated investment company which meets the re-  
23                         quirements of section 852 for the taxable year in  
24                         which it paid the dividend—

1           “(A) the entire amount of such dividend  
2 shall be treated as a dividend if the sum of the  
3 aggregate dividends and the aggregate interest  
4 received by such company during the taxable  
5 year equals or exceeds 75 percent of its gross  
6 income, or

7           “(B) if subparagraph (A) does not apply,  
8 there shall be taken into account under section  
9 116 only the portion of such dividend which  
10 bears the same ratio to the amount of such div-  
11 idend as the sum of the aggregate dividends re-  
12 ceived and aggregate interest received bears to  
13 gross income.

14 For purposes of the preceding sentence, gross in-  
15 come and aggregate interest received shall each be  
16 reduced by so much of the deduction allowable by  
17 section 163 for the taxable year as does not exceed  
18 aggregate interest received for the taxable year.

19           “(2) NOTICE TO SHAREHOLDERS.—The amount  
20 of any distribution by a regulated investment com-  
21 pany which may be taken into account as a dividend  
22 for purposes of the exclusion under section 116 shall  
23 not exceed the amount so designated by the com-  
24 pany in a written notice to its shareholders mailed

1 not later than 60 days after the close of its taxable  
2 year.

3 “(3) DEFINITIONS.—For purposes of this  
4 subsection—

5 “(A) GROSS INCOME.—The term ‘gross in-  
6 come’ does not include gain from the sale or  
7 other disposition of stock or securities.

8 “(B) AGGREGATE DIVIDENDS.—The term  
9 ‘aggregate dividends’ includes only dividends re-  
10 ceived from domestic corporations other than  
11 dividends described in section 116(b)(2). In de-  
12 termining the amount of any dividend for pur-  
13 poses of this subparagraph, the rules provided  
14 in section 116(d)(1) (relating to certain dis-  
15 tributions) shall apply.

16 “(C) INTEREST.—The term ‘interest’ has  
17 the meaning given such term by section  
18 116(c).”.

19 (6) Subsection (e) of section 857 of such Code  
20 is amended to read as follows:

21 “(e) LIMITATIONS APPLICABLE TO DIVIDENDS RE-  
22 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

23 “(1) IN GENERAL.—For purposes of section  
24 116 (relating to an exclusion for dividends and inter-  
25 est received by individuals) and section 243 (relating

1 to deductions for dividends received by corpora-  
2 tions), a dividend received from a real estate invest-  
3 ment trust which meets the requirements of this  
4 part shall not be considered as a dividend.

5 “(2) TREATMENT AS INTEREST.—For purposes  
6 of section 116, in the case of a dividend (other than  
7 a capital gain dividend, as defined in subsection  
8 (b)(3)(C)) received from a real estate investment  
9 trust which meets the requirements of this part for  
10 the taxable year in which it paid the dividend—

11 “(A) such dividend shall be treated as in-  
12 terest if the aggregate interest received by the  
13 real estate investment trust for the taxable year  
14 equals or exceeds 75 percent of its gross in-  
15 come, or

16 “(B) if subparagraph (A) does not apply,  
17 the portion of such dividend which bears the  
18 same ratio to the amount of such dividend as  
19 the aggregate interest received bears to gross  
20 income shall be treated as interest.

21 “(3) ADJUSTMENTS TO GROSS INCOME AND AG-  
22 GREGATE INTEREST RECEIVED.—For purposes of  
23 paragraph (2)—

24 “(A) gross income does not include the net  
25 capital gain,



1           (1) to provide an incremental step toward shift-  
2           ing the Internal Revenue Code away from taxing  
3           savings and investment,

4           (2) to lower the cost of capital so that pros-  
5           perity, better paying jobs, and innovation will con-  
6           tinue in the United States,

7           (3) to eliminate capital gain taxes for  
8           10,000,000 families, 75 percent of whom have an-  
9           nual incomes of \$75,000 or less, and

10          (4) to simplify the tax code and thereby elimi-  
11          nate 70,000,000 hours of tax preparation.

12          (b) GENERAL RULE.—Part I of subchapter P of  
13          chapter 1 of the Internal Revenue Code of 1986 (relating  
14          to treatment of capital gains) is amended by redesignating  
15          section 1202 as section 1203 and by inserting after section  
16          1201 the following:

17          **“SEC. 1202. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.**

18          “(a) IN GENERAL.—In the case of an individual,  
19          there shall be allowed as a deduction for the taxable year  
20          an amount equal to the lesser of—

21                  “(1) the net capital gain of the taxpayer for the  
22                  taxable year, or

23                  “(2) \$5,000.

24          “(b) SALES BETWEEN RELATED PARTIES.—Gains  
25          from sales and exchanges to any related person (within

1 the meaning of section 267(b) or 707(b)(1)) shall not be  
2 taken into account in determining net capital gain.

3 “(c) SPECIAL RULE FOR SECTION 1250 PROP-  
4 ERTY.—Solely for purposes of this section, in applying sec-  
5 tion 1250 to any disposition of section 1250 property, all  
6 depreciation adjustments in respect of the property shall  
7 be treated as additional depreciation.

8 “(d) SECTION NOT TO APPLY TO CERTAIN TAX-  
9 PAYERS.—No deduction shall be allowed under this section  
10 to—

11 “(1) an individual with respect to whom a de-  
12 duction under section 151 is allowable to another  
13 taxpayer for a taxable year beginning in the cal-  
14 endar year in which such individual’s taxable year  
15 begins,

16 “(2) a married individual (within the meaning  
17 of section 7703) filing a separate return for the tax-  
18 able year, or

19 “(3) an estate or trust.

20 “(e) SPECIAL RULE FOR PASS-THRU ENTITIES.—

21 “(1) IN GENERAL.—In applying this section  
22 with respect to any pass-thru entity, the determina-  
23 tion of when the sale or exchange occurs shall be  
24 made at the entity level.

1           “(2) PASS-THRU ENTITY DEFINED.—For pur-  
 2           poses of paragraph (1), the term ‘pass-thru entity’  
 3           means—

4                   “(A) a regulated investment company,

5                   “(B) a real estate investment trust,

6                   “(C) an S corporation,

7                   “(D) a partnership,

8                   “(E) an estate or trust, and

9                   “(F) a common trust fund.”.

10           (c) COORDINATION WITH MAXIMUM CAPITAL GAINS  
 11           RATE.—Paragraph (3) of section 1(h) of the Internal Rev-  
 12           enue Code of 1986 (relating to maximum capital gains  
 13           rate) is amended to read as follows:

14                   “(3) COORDINATION WITH OTHER PROVI-  
 15                   SIONS.—For purposes of this subsection, the amount  
 16                   of the net capital gain shall be reduced (but not  
 17                   below zero) by the sum of—

18                           “(A) the amount of the net capital gain  
 19                           taken into account under section 1202(a) for  
 20                           the taxable year, plus

21                           “(B) the amount which the taxpayer elects  
 22                           to take into account as investment income for  
 23                           the taxable year under section  
 24                           163(d)(4)(B)(iii).”.

1 (d) DEDUCTION ALLOWABLE IN COMPUTING AD-  
2 JUSTED GROSS INCOME.—Subsection (a) of section 62 of  
3 the Internal Revenue Code of 1986 (defining adjusted  
4 gross income) is amended by inserting after paragraph  
5 (17) the following:

6 “(18) LONG-TERM CAPITAL GAINS.—The de-  
7 duction allowed by section 1202.”.

8 (e) TREATMENT OF COLLECTIBLES.—

9 (1) IN GENERAL.—Section 1222 of the Internal  
10 Revenue Code of 1986 (relating to other terms relat-  
11 ing to capital gains and losses) is amended by in-  
12 serting after paragraph (11) the following:

13 “(12) SPECIAL RULE FOR COLLECTIBLES.—

14 “(A) IN GENERAL.—Any gain or loss from  
15 the sale or exchange of a collectible shall be  
16 treated as a short-term capital gain or loss (as  
17 the case may be), without regard to the period  
18 such asset was held. The preceding sentence  
19 shall apply only to the extent the gain or loss  
20 is taken into account in computing taxable in-  
21 come.

22 “(B) TREATMENT OF CERTAIN SALES OF  
23 INTEREST IN PARTNERSHIP, ETC.—For pur-  
24 poses of subparagraph (A), any gain from the  
25 sale or exchange of an interest in a partnership,

1 S corporation, or trust which is attributable to  
2 unrealized appreciation in the value of collect-  
3 ibles held by such entity shall be treated as gain  
4 from the sale or exchange of a collectible. Rules  
5 similar to the rules of section 751(f) shall apply  
6 for purposes of the preceding sentence.

7 “(C) COLLECTIBLE.—For purposes of this  
8 paragraph, the term ‘collectible’ means any cap-  
9 ital asset which is a collectible (as defined in  
10 section 408(m) without regard to paragraph (3)  
11 thereof).”.

12 (2) CHARITABLE DEDUCTION NOT AF-  
13 FECTED.—

14 (A) Paragraph (1) of section 170(e) of  
15 such Code is amended by adding at the end the  
16 following: “For purposes of this paragraph, sec-  
17 tion 1222 shall be applied without regard to  
18 paragraph (12) thereof (relating to special rule  
19 for collectibles).”.

20 (B) Clause (iv) of section 170(b)(1)(C) of  
21 such Code is amended by inserting before the  
22 period at the end the following: “and section  
23 1222 shall be applied without regard to para-  
24 graph (12) thereof (relating to special rule for  
25 collectibles)”.

1 (f) CONFORMING AMENDMENTS.—

2 (1) Section 57(a)(7) of the Internal Revenue  
3 Code of 1986 is amended by striking “1202” and in-  
4 sserting “1203”.

5 (2) Clause (iii) of section 163(d)(4)(B) of such  
6 Code is amended to read as follows:

7 “(iii) the sum of—

8 “(I) the portion of the net capital  
9 gain referred to in clause (ii)(II) (or,  
10 if lesser, the net capital gain referred  
11 to in clause (ii)(I)) taken into account  
12 under section 1202, reduced by the  
13 amount of the deduction allowed with  
14 respect to such gain under section  
15 1202, plus

16 “(II) so much of the gain de-  
17 scribed in subclause (I) which is not  
18 taken into account under section 1202  
19 and which the taxpayer elects to take  
20 into account under this clause.”.

21 (3) Subparagraph (B) of section 172(d)(2) of  
22 such Code is amended to read as follows:

23 “(B) the deduction under section 1202 and  
24 the exclusion under section 1203 shall not be  
25 allowed.”.

1           (4) Section 642(c)(4) of such Code is amended  
2 by striking “1202” and inserting “1203”.

3           (5) Section 643(a)(3) of such Code is amended  
4 by striking “1202” and inserting “1203”.

5           (6) Paragraph (4) of section 691(c) of such  
6 Code is amended inserting “1203,” after “1202,”.

7           (7) The second sentence of section 871(a)(2) of  
8 such Code is amended by inserting “or 1203” after  
9 “section 1202”.

10          (8) The last sentence of section 1044(d) of such  
11 Code is amended by striking “1202” and inserting  
12 “1203”.

13          (9) Paragraph (1) of section 1402(i) of such  
14 Code is amended by inserting “, and the deduction  
15 provided by section 1202 and the exclusion provided  
16 by section 1203 shall not apply” before the period  
17 at the end.

18          (10) Section 121 of such Code is amended by  
19 adding at the end the following:

20          “(h) CROSS REFERENCE.—

**“For treatment of eligible gain not excluded under  
subsection (a), see section 1202.”.**

21          (11) Section 1203 of such Code, as redesign-  
22 nated by subsection (a), is amended by adding at the  
23 end the following:

1 “(l) CROSS REFERENCE.—

**“For treatment of eligible gain not excluded under  
subsection (a), see section 1202.”.**

2 (12) The table of sections for part I of sub-  
3 chapter P of chapter 1 of such Code is amended by  
4 striking the item relating to section 1202 and by in-  
5 serting after the item relating to section 1201 the  
6 following:

“Sec. 1202. Capital gains deduction.

“Sec. 1203. 50-percent exclusion for gain from certain small  
business stock.”.

7 (g) EFFECTIVE DATES.—

8 (1) IN GENERAL.—Except as provided in para-  
9 graph (2), the amendments made by this section  
10 shall apply to taxable years beginning after Decem-  
11 ber 31, 2000.

12 (2) COLLECTIBLES.—The amendments made by  
13 subsection (d) shall apply to sales and exchanges  
14 after December 31, 2000.

15 **SEC. 23. INCREASE IN CONTRIBUTION LIMITS FOR TRADI-**  
16 **TIONAL IRAS.**

17 (a) PURPOSES.—The purposes of this section are—

18 (1) to increase the savings rate for all Ameri-  
19 cans by reforming the tax system to favorably treat  
20 income that is invested for retirement, and

21 (2) to provide targeted incentives to middle  
22 class families to increase their retirement savings in

1 a traditional IRA by \$1,000 per working member of  
2 the family per taxable year.

3 (b) INCREASE IN CONTRIBUTION LIMIT.—Paragraph  
4 (1)(A) of section 219(b) of the Internal Revenue Code of  
5 1986 (relating to maximum amount of deduction) is  
6 amended by striking “\$2,000” and inserting “\$3,000”.

7 (c) INFLATION ADJUSTMENT.—Section 219 of the  
8 Internal Revenue Code of 1986 (relating to deduction for  
9 retirement savings) is amended by redesignating sub-  
10 section (h) as subsection (i) and by inserting after sub-  
11 section (g) the following:

12 “(h) COST-OF-LIVING ADJUSTMENT.—

13 “(1) DEDUCTIBLE AMOUNTS.—In the case of  
14 any taxable year beginning in a calendar year after  
15 2009, the \$3,000 amount under subsection (b)(1)(A)  
16 shall be increased by an amount equal to—

17 “(A) such dollar amount, multiplied by

18 “(B) the cost-of-living adjustment deter-  
19 mined under section 1(f)(3) for the calendar  
20 year in which the taxable year begins, deter-  
21 mined by substituting ‘calendar year 2008’ for  
22 ‘calendar year 1992’ in subparagraph (B)  
23 thereof.

24 “(2) ROUNDING RULES.—If any amount after  
25 adjustment under paragraph (1) is not a multiple of

1       \$100, such amount shall be rounded to the next  
2       lower multiple of \$100.”.

3       (d) CONFORMING AMENDMENTS.—

4           (1) Section 408(a)(1) of the Internal Revenue  
5       Code of 1986 is amended by striking “in excess of  
6       \$2,000 on behalf of any individual” and inserting  
7       “on behalf of any individual in excess of the amount  
8       in effect for such taxable year under section  
9       219(b)(1)(A)”.

10          (2) Section 408(b)(2)(B) of such Code is  
11       amended by striking “\$2,000” and inserting “the  
12       dollar amount in effect under section 219(b)(1)(A)”.

13          (3) Section 408(b) of such Code is amended by  
14       striking “\$2,000” in the matter following paragraph  
15       (4) and inserting “the dollar amount in effect under  
16       section 219(b)(1)(A)”.

17          (4) Section 408(j) of such Code is amended by  
18       striking “\$2,000”.

19          (5) Section 408(p)(8) of such Code is amended  
20       by striking “\$2,000” and inserting “the dollar  
21       amount in effect under section 219(b)(1)(A)”.

22          (6) Section 408A(c)(2)(A) of such Code is  
23       amended to read as follows:

24           “(A) \$2,000, over”.

1 (e) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2000.

4 **TITLE III—BUSINESS**  
 5 **INVESTMENT PROVISIONS**

6 **SEC. 31. REPEAL OF ALTERNATIVE MINIMUM TAX ON COR-**  
 7 **PORATIONS.**

8 (a) PURPOSE.—The purpose of this section is to  
 9 eliminate one of the most misguided, anti-growth, anti-in-  
 10 vestment tax schemes ever devised.

11 (b) IN GENERAL.—The last sentence of section 55(a)  
 12 of the Internal Revenue Code of 1986, as amended by sec-  
 13 tion 13, is amended by striking “on any taxpayer other  
 14 than a corporation”.

15 (c) REPEAL OF 90 PERCENT LIMITATION ON FOR-  
 16 EIGN TAX CREDIT.—

17 (1) IN GENERAL.—Section 59(a) of the Internal  
 18 Revenue Code of 1986 (relating to alternative min-  
 19 imum tax foreign tax credit) is amended by striking  
 20 paragraph (2) and by redesignating paragraphs (3)  
 21 and (4) as paragraphs (2) and (3), respectively.

22 (2) CONFORMING AMENDMENT.—Section  
 23 53(d)(1)(B)(i)(II) of such Code is amended by strik-  
 24 ing “and if section 59(a)(2) did not apply”.

1 (d) LIMITATION ON USE OF CREDIT FOR PRIOR  
 2 YEAR MINIMUM TAX LIABILITY.—

3 (1) IN GENERAL.—Subsection (c) of section 53  
 4 of the Internal Revenue Code of 1986, as amended  
 5 by section 13, is amended by redesignating para-  
 6 graph (2) as paragraph (3) and by inserting after  
 7 paragraph (1) the following new paragraph:

8 “(2) CORPORATIONS FOR TAXABLE YEARS BE-  
 9 GINNING AFTER 2004.—In the case of corporation for  
 10 any taxable year beginning after 2004 and before  
 11 2010, the limitation under paragraph (1) shall be in-  
 12 creased by the applicable percentage (determined in  
 13 accordance with the following table) of the tentative  
 14 minimum tax for the taxable year.

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2005 .....	20
2006 .....	30
2007 .....	40
2008 or 2009 .....	50.

15 In no event shall the limitation determined under  
 16 this paragraph be greater than the sum of the tax  
 17 imposed by section 55 and the regular tax reduced  
 18 by the sum of the credits allowed under subparts A,  
 19 B, D, E, and F of this part.”

20 (2) CONFORMING AMENDMENTS.—

21 (A) Section 55(e) of such Code is amended  
 22 by striking paragraph (5).

1 (B) Paragraph (3) of section 53(e) of such  
 2 Code, as redesignated by paragraph (1), is  
 3 amended by striking “to a taxpayer other than  
 4 a corporation”.

5 (e) EFFECTIVE DATE.—

6 (1) IN GENERAL.—Except as provided in para-  
 7 graphs (2) and (3), the amendments made by this  
 8 section shall apply to taxable years beginning after  
 9 December 31, 2004.

10 (2) REPEAL OF 90 PERCENT LIMITATION ON  
 11 FOREIGN TAX CREDIT.—The amendments made by  
 12 subsection (c) shall apply to taxable years beginning  
 13 after December 31, 2003.

14 (3) SUBSECTION (d)(2)(A).—The amendment  
 15 made by subsection (d)(2)(A) shall apply to taxable  
 16 years beginning after December 31, 2009.

17 **SEC. 32. INCREASE IN LIMIT FOR ELECTION TO EXPENSE**  
 18 **CERTAIN BUSINESS ASSETS.**

19 (a) IN GENERAL.—Section 179(b)(1) of the Internal  
 20 Revenue Code of 1986 (relating to dollar limitation) is  
 21 amended by striking the last item in the table and insert-  
 22 ing the following new items:

“2003 or 2004 .....	25,000
“2005 or thereafter .....	250,000.”

1 (b) INDEX.—Section 179(b) of the Internal Revenue  
 2 Code of 1986 is amended by adding at the end the fol-  
 3 lowing new paragraph:

4 “(5) INFLATION ADJUSTMENT.—In the case of  
 5 a taxable year beginning after 2005, the \$25,000  
 6 amount under paragraph (1) shall be increased by  
 7 an amount equal to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment deter-  
 10 mined under section 1(f)(3) for the calendar  
 11 year in which the taxable year begins, deter-  
 12 mined by substituting ‘calendar year 2004’ for  
 13 ‘calendar year 1992’ in subparagraph (B)  
 14 thereof.”

15 (c) INCREASE IN LIMITATION ON COST OF PROPERTY  
 16 PLACED IN SERVICE.—Section 179(b)(2) of the Internal  
 17 Revenue Code of 1986 (relating to reduction in limitation)  
 18 is amended by striking “\$200,000” and inserting  
 19 “\$4,000,000”.

20 **TITLE IV—ESTATE AND GIFT TAX**  
 21 **RELIEF**

22 **SEC. 41. PHASEOUT OF ESTATE AND GIFT TAXES.**

23 (a) PURPOSE.—The purpose of this section is to  
 24 begin phasing out the confiscatory gift and estate tax by  
 25 reducing the rate of tax.

1 (b) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle  
2 B of the Internal Revenue Code of 1986 (relating to estate  
3 and gift taxes) is repealed effective with respect to estates  
4 of decedents dying, and gifts made, after December 31,  
5 2009.

6 (c) PHASEOUT OF TAX.—Subsection (c) of section  
7 2001 of the Internal Revenue Code of 1986 (relating to  
8 imposition and rate of tax) is amended by adding at the  
9 end the following:

10 “(3) PHASEOUT OF TAX.—In the case of es-  
11 tates of decedents dying, and gifts made, during any  
12 calendar year after 1999 and before 2010—

13 “(A) IN GENERAL.—The tentative tax  
14 under this subsection shall be determined by  
15 using a table prescribed by the Secretary (in  
16 lieu of using the table contained in paragraph  
17 (1)) which is the same as such table; except  
18 that—

19 “(i) each of the rates of tax shall be  
20 reduced (but not below zero) by the num-  
21 ber of percentage points determined under  
22 subparagraph (B), and

23 “(ii) the amounts setting forth the tax  
24 shall be adjusted to the extent necessary to  
25 reflect the adjustments under clause (i).

1                   “(B) PERCENTAGE POINTS OF REDUC-  
 2                   TION.—

<b>“For calendar year:</b>	<b>The number of percentage points is:</b>
2001 .....	1
2002 .....	2
2003 .....	3
2004 .....	4
2005 .....	5
2006 .....	7
2007 .....	9
2008 .....	11
2009 .....	15.

3                   “(C) COORDINATION WITH PARAGRAPH  
 4                   (2).—Paragraph (2) shall be applied by reduc-  
 5                   ing the 55 percent percentage contained therein  
 6                   by the number of percentage points determined  
 7                   for such calendar year under subparagraph (B).

8                   “(D) COORDINATION WITH CREDIT FOR  
 9                   STATE DEATH TAXES.—Rules similar to the  
 10                  rules of subparagraph (A) shall apply to the  
 11                  table contained in section 2011(b) except that  
 12                  the number of percentage points referred to in  
 13                  subparagraph (A)(i) shall be determined under  
 14                  the following table:

<b>“For calendar year:</b>	<b>The number of percentage points is:</b>
2001 .....	1
2002 .....	2
2003 .....	3
2004 .....	4
2005 .....	5
2006 .....	7
2007 .....	9
2008 .....	11
2009 .....	15.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to estates of decedents dying, and  
3 gifts made, after December 31, 2000.

4 **TITLE V—RESEARCH CREDIT**  
5 **EXTENSION AND MODIFICATION**

6 **SEC. 51. PURPOSE.**

7 The purpose of this title is to make the research cred-  
8 it permanent and make certain modifications to the credit.

9 **SEC. 52. PERMANENT EXTENSION OF RESEARCH CREDIT.**

10 (a) IN GENERAL.—Section 41 of the Internal Rev-  
11 enue Code of 1986 (relating to credit for increasing re-  
12 search activities) is amended by striking subsection (h).

13 (b) CONFORMING AMENDMENT.—Section 45C(b)(1)  
14 of the Internal Revenue Code of 1986 is amended by strik-  
15 ing subparagraph (D).

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to amounts paid or incurred after  
18 December 31, 2000.

19 **SEC. 53. IMPROVED ALTERNATIVE INCREMENTAL CREDIT.**

20 (a) IN GENERAL.—Section 41 of the Internal Rev-  
21 enue Code of 1986 (relating to credit for increasing re-  
22 search activities), as amended by section 52, is amended  
23 by adding at the end the following:

24 “(h) ELECTION OF ALTERNATIVE INCREMENTAL  
25 CREDIT.—

1           “(1) IN GENERAL.—At the election of the tax-  
2           payer, the credit under subsection (a)(1) shall be de-  
3           termined under this section by taking into account  
4           the modifications provided by this subsection.

5           “(2) DETERMINATION OF BASE AMOUNT.—

6           “(A) IN GENERAL.—In computing the base  
7           amount under subsection (c)—

8           “(i) notwithstanding subsection (c)(3),  
9           the fixed-base percentage shall be equal to  
10           80 percent of the percentage which the ag-  
11           gregate qualified research expenses of the  
12           taxpayer for the base period is of the ag-  
13           gregate gross receipts of the taxpayer for  
14           the base period, and

15           “(ii) the minimum base amount under  
16           subsection (c)(2) shall not apply.

17           “(B) START-UP AND SMALL TAXPAYERS.—

18           In computing the base amount under subsection  
19           (c), the gross receipts of a taxpayer for any tax-  
20           able year in the base period shall be treated as  
21           at least equal to \$1,000,000.

22           “(C) BASE PERIOD.—For purposes of this  
23           subsection, the base period is the 8-taxable year  
24           period preceding the taxable year (or, if shorter,



1 section (a)(2) shall be determined in accordance with  
2 this subsection.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 41(a)(2) of the Internal Rev-  
5 enue Code of 1986 is amended by striking “de-  
6 termined under subsection (e)(1)(A)” and in-  
7 serting “for the taxable year”.

8 (B) Section 41(e) of such Code is amended  
9 by striking paragraphs (3), (4), and (5) and by  
10 redesignating paragraphs (6) and (7) as para-  
11 graphs (3) and (4), respectively.

12 (C) Section 41(e)(4) of such Code, as re-  
13 designated by subparagraph (B), is amended by  
14 striking subparagraph (B) and by redesignating  
15 subparagraphs (C), (D), and (E) as subpara-  
16 graphs (B), (C), and (D), respectively.

17 (D) Clause (i) of section 170(e)(4)(B) of  
18 such Code is amended by striking “section  
19 41(e)(6)” and inserting “section 41(e)(3)”.

20 (b) BASIC RESEARCH.—

21 (1) SPECIFIC COMMERCIAL OBJECTIVE.—Sec-  
22 tion 41(e)(4) of the Internal Revenue Code of 1986  
23 (relating to definitions and special rules), as redesi-  
24 gnated by subsection (a)(2)(B), is amended by adding  
25 at the end the following:

1           “(E) SPECIFIC COMMERCIAL OBJECTIVE.—  
2           For purposes of subparagraph (A), research  
3           shall not be treated as having a specific com-  
4           mercial objective if the results of such research  
5           are to be published in a timely manner as to be  
6           available to the general public prior to their use  
7           for a commercial purpose.”.

8           (2) EXCLUSIONS FROM BASIC RESEARCH.—  
9           Clause (ii) of section 41(e)(4)(A) of such Code (re-  
10          lating to definitions and special rules), as redesigng-  
11          nated by subsection (a), is amended to read as fol-  
12          lows:

13                   “(ii) basic research in the arts and  
14                   humanities.”.

15          (c) EXPANSION OF CREDIT TO RESEARCH DONE AT  
16          FEDERAL LABORATORIES.—Section 41(e)(3) of the Inter-  
17          nal Revenue Code of 1986, as redesignated by subsection  
18          (a), is amended by adding at the end the following new  
19          subparagraph:

20                   “(E) FEDERAL LABORATORIES.—Any or-  
21                   ganization which is a Federal laboratory (as de-  
22                   fined in section 4(6) of the Stevenson-Wydler  
23                   Technology Innovation Act of 1980 (15 U.S.C.  
24                   3703(6)).”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2004.

4 **SEC. 55. CREDIT FOR EXPENSES ATTRIBUTABLE TO CER-**  
5 **TAIN COLLABORATIVE RESEARCH CON-**  
6 **SORTIA.**

7 (a) CREDIT FOR EXPENSES ATTRIBUTABLE TO CER-  
8 TAIN COLLABORATIVE RESEARCH CONSORTIA.—Sub-  
9 section (a) of section 41 of the Internal Revenue Code of  
10 1986 (relating to credit for increasing research activities)  
11 is amended by striking “and” at the end of paragraph (1),  
12 striking the period at the end of paragraph (2) and insert-  
13 ing “, and ”, and by adding at the end the following:

14 “(3) 20 percent of the amounts paid or in-  
15 curred by the taxpayer in carrying on any trade or  
16 business of the taxpayer during the taxable year (in-  
17 cluding as contributions) to a qualified research con-  
18 sortium.”.

19 (b) QUALIFIED RESEARCH CONSORTIUM DE-  
20 FINED.—Subsection (f) of section 41 of the Internal Rev-  
21 enue Code of 1986 is amended by adding at the end the  
22 following:

23 “(6) QUALIFIED RESEARCH CONSORTIUM.—The  
24 term ‘qualified research consortium’ means any  
25 organization—

1 “(A) which is—

2 “(i) described in section 501(c)(3) and  
3 is exempt from tax under section 501(a)  
4 and is organized and operated primarily to  
5 conduct scientific or engineering research,  
6 or

7 “(ii) organized and operated primarily  
8 to conduct scientific or engineering re-  
9 search in the public interest (within the  
10 meaning of section 501(c)(3)),

11 “(B) which is not a private foundation,

12 “(C) to which at least 5 unrelated persons  
13 paid or incurred during the calendar year in  
14 which the taxable year of the organization be-  
15 gins amounts (including as contributions) to  
16 such organization for scientific or engineering  
17 research, and

18 “(D) to which no single person paid or in-  
19 curred (including as contributions) during such  
20 calendar year an amount equal to more than 50  
21 percent of the total amounts received by such  
22 organization during such calendar year for sci-  
23 entific or engineering research.

24 All persons treated as a single employer under sub-  
25 section (a) or (b) of section 52 shall be treated as

1 related persons for purposes of subparagraph (C)  
2 and as a single person for purposes of subparagraph  
3 (D).”.

4 (c) CONFORMING AMENDMENT.—Paragraph (3) of  
5 section 41(b) of the Internal Revenue Code of 1986 is  
6 amended by striking subparagraph (C).

7 (d) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2004.

10 **SEC. 56. IMPROVEMENT TO CREDIT FOR SMALL BUSI-**  
11 **NESSES AND RESEARCH PARTNERSHIPS.**

12 (a) ASSISTANCE TO SMALL AND START-UP BUSI-  
13 NESSES.—The Secretary of the Treasury or the Sec-  
14 retary’s delegate shall take such actions as are appropriate  
15 to—

16 (1) provide assistance to small and start-up  
17 businesses in complying with the requirements of  
18 section 41 of the Internal Revenue Code of 1986,

19 and

20 (2) reduce the costs of such compliance.

21 (b) REPEAL OF LIMITATION ON CONTRACT RE-  
22 SEARCH EXPENSES PAID TO SMALL BUSINESSES, UNI-  
23 VERSITIES, AND FEDERAL LABORATORIES.—Section  
24 41(b)(3) of the Internal Revenue Code of 1986, as amend-

1 ed by section 55(c), is amended by adding at the end the  
2 following:

3 “(C) AMOUNTS PAID TO ELIGIBLE SMALL  
4 BUSINESSES, UNIVERSITIES, AND FEDERAL  
5 LABORATORIES.—

6 “(i) IN GENERAL.—In the case of  
7 amounts paid by the taxpayer to an eligible  
8 small business, an institution of higher  
9 education (as defined in section 3304(f)),  
10 or an organization which is a Federal lab-  
11 oratory (as defined in subsection  
12 (e)(3)(E)), subparagraph (A) shall be ap-  
13 plied by substituting ‘100 percent’ for ‘65  
14 percent’.

15 “(ii) ELIGIBLE SMALL BUSINESS.—  
16 For purposes of this subparagraph, the  
17 term ‘eligible small business’ means a  
18 small business with respect to which the  
19 taxpayer does not own (within the meaning  
20 of section 318) 50 percent or more of—

21 “(I) in the case of a corporation,  
22 the outstanding stock of the corpora-  
23 tion (either by vote or value), and

24 “(II) in the case of a small busi-  
25 ness which is not a corporation, the

1 capital and profits interests of the  
2 small business.

3 “(iii) SMALL BUSINESS.—For pur-  
4 poses of this subparagraph—

5 “(I) IN GENERAL.—The term  
6 ‘small business’ means, with respect  
7 to any calendar year, any person if  
8 the annual average number of employ-  
9 ees employed by such person during  
10 either of the 2 preceding calendar  
11 years was 500 or fewer. For purposes  
12 of the preceding sentence, a preceding  
13 calendar year may be taken into ac-  
14 count only if the person was in exist-  
15 ence throughout the year.

16 “(II) STARTUPS, CONTROLLED  
17 GROUPS, AND PREDECESSORS.—Rules  
18 similar to the rules of subparagraphs  
19 (B) and (D) of section 220(c)(4) shall  
20 apply for purposes of this clause.”.

21 (c) CREDIT FOR PATENT FILING FEES.—Section  
22 41(a) of the Internal Revenue Code of 1986, as amended  
23 by section 55(a), is amended by striking “and” at the end  
24 of paragraph (2), by striking the period at the end of para-

1 graph (3) and inserting “, and”, and by adding at the  
2 end the following:

3 “(4) 20 percent of the patent filing fees paid or  
4 incurred by a small business (as defined in sub-  
5 section (b)(3)(C)(iii)) to the United States or to any  
6 foreign government in carrying on any trade or busi-  
7 ness.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 2004.

## 11 **TITLE VI—ENERGY** 12 **INDEPENDENCE**

### 13 **SEC. 61. PURPOSES.**

14 The purposes of this title are—

15 (1) to prevent the abandonment of marginal oil  
16 and gas wells owned and operated by independent oil  
17 and gas producers, which are responsible for half of  
18 the United States’ domestic production, and

19 (2) to transform earned tax credits and other  
20 benefits into working capital for the cash-strapped  
21 domestic oil and gas producers and service compa-  
22 nies.

1 **SEC. 62. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND**  
2 **NATURAL GAS WELL PRODUCTION.**

3 (a) CREDIT FOR PRODUCING OIL AND GAS FROM  
4 MARGINAL WELLS.—Subpart D of part IV of subchapter  
5 A of chapter 1 of the Internal Revenue Code of 1986 (re-  
6 lating to business credits) is amended by adding at the  
7 end the following:

8 **“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM**  
9 **MARGINAL WELLS.**

10 “(a) GENERAL RULE.—For purposes of section 38,  
11 the marginal well production credit for any taxable year  
12 is an amount equal to the product of—

13 “(1) the credit amount, and

14 “(2) the qualified crude oil production and the  
15 qualified natural gas production which is attrib-  
16 utable to the taxpayer.

17 “(b) CREDIT AMOUNT.—For purposes of this  
18 section—

19 “(1) IN GENERAL.—The credit amount is—

20 “(A) \$3 per barrel of qualified crude oil  
21 production, and

22 “(B) 50 cents per 1,000 cubic feet of  
23 qualified natural gas production.

24 “(2) REDUCTION AS OIL AND GAS PRICES IN-  
25 CREASE.—

1           “(A) IN GENERAL.—The \$3 and 50 cents  
2 amounts under paragraph (1) shall each be re-  
3 duced (but not below zero) by an amount which  
4 bears the same ratio to such amount (deter-  
5 mined without regard to this paragraph) as—

6                   “(i) the excess (if any) of the applica-  
7 ble reference price over \$14 (\$1.56 for  
8 qualified natural gas production), bears to

9                   “(ii) \$3 (\$0.33 for qualified natural  
10 gas production).

11           The applicable reference price for a taxable  
12 year is the reference price for the calendar year  
13 preceding the calendar year in which the tax-  
14 able year begins.

15           “(B) INFLATION ADJUSTMENT.—In the  
16 case of any taxable year beginning in a calendar  
17 year after 2000, each of the dollar amounts  
18 contained in subparagraph (A) shall be in-  
19 creased to an amount equal to such dollar  
20 amount multiplied by the inflation adjustment  
21 factor for such calendar year (determined under  
22 section 43(b)(3)(B) by substituting ‘1999’ for  
23 ‘1990’).

1           “(C) REFERENCE PRICE.—For purposes of  
2 this paragraph, the term ‘reference price’  
3 means, with respect to any calendar year—

4           “(i) in the case of qualified crude oil  
5 production, the reference price determined  
6 under section 29(d)(2)(C), and

7           “(ii) in the case of qualified natural  
8 gas production, the Secretary’s estimate of  
9 the annual average wellhead price per  
10 1,000 cubic feet for all domestic natural  
11 gas.

12       “(c) QUALIFIED CRUDE OIL AND NATURAL GAS  
13 PRODUCTION.—For purposes of this section—

14       “(1) IN GENERAL.—The terms ‘qualified crude  
15 oil production’ and ‘qualified natural gas production’  
16 mean domestic crude oil or natural gas which is pro-  
17 duced from a marginal well.

18       “(2) LIMITATION ON AMOUNT OF PRODUCTION  
19 WHICH MAY QUALIFY.—

20       “(A) IN GENERAL.—Crude oil or natural  
21 gas produced during any taxable year from any  
22 well shall not be treated as qualified crude oil  
23 production or qualified natural gas production  
24 to the extent production from the well during

1 the taxable year exceeds 1,095 barrels or barrel  
2 equivalents.

3 “(B) PROPORTIONATE REDUCTIONS.—

4 “(i) SHORT TAXABLE YEARS.—In the  
5 case of a short taxable year, the limitations  
6 under this paragraph shall be proportion-  
7 ately reduced to reflect the ratio which the  
8 number of days in such taxable year bears  
9 to 365.

10 “(ii) WELLS NOT IN PRODUCTION EN-  
11 TIRE YEAR.—In the case of a well which is  
12 not capable of production during each day  
13 of a taxable year, the limitations under  
14 this paragraph applicable to the well shall  
15 be proportionately reduced to reflect the  
16 ratio which the number of days of produc-  
17 tion bears to the total number of days in  
18 the taxable year.

19 “(3) DEFINITIONS.—

20 “(A) MARGINAL WELL.—The term ‘mar-  
21 ginal well’ means a domestic well—

22 “(i) the production from which during  
23 the taxable year is treated as marginal  
24 production under section 613A(c)(6), or

25 “(ii) which, during the taxable year—

1                   “(I) has average daily production  
2                   of not more than 25 barrel equiva-  
3                   lents, and

4                   “(II) produces water at a rate  
5                   not less than 95 percent of total well  
6                   effluent.

7                   “(B) CRUDE OIL, ETC.—The terms ‘crude  
8                   oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have  
9                   the meanings given such terms by section  
10                  613A(e).

11                  “(C) BARREL EQUIVALENT.—The term  
12                  ‘barrel equivalent’ means, with respect to nat-  
13                  ural gas, a conversion ratio of 6,000 cubic feet  
14                  of natural gas to 1 barrel of crude oil.

15                  “(d) OTHER RULES.—

16                  “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-  
17                  PAYER.—In the case of a marginal well in which  
18                  there is more than one owner of operating interests  
19                  in the well and the crude oil or natural gas produc-  
20                  tion exceeds the limitation under subsection (c)(2),  
21                  qualifying crude oil production or qualifying natural  
22                  gas production attributable to the taxpayer shall be  
23                  determined on the basis of the ratio which tax-  
24                  payer’s revenue interest in the production bears to

1 the aggregate of the revenue interests of all oper-  
2 ating interest owners in the production.

3 “(2) OPERATING INTEREST REQUIRED.—Any  
4 credit under this section may be claimed only on  
5 production which is attributable to the holder of an  
6 operating interest.

7 “(3) PRODUCTION FROM NONCONVENTIONAL  
8 SOURCES EXCLUDED.—In the case of production  
9 from a marginal well which is eligible for the credit  
10 allowed under section 29 for the taxable year, no  
11 credit shall be allowable under this section unless  
12 the taxpayer elects not to claim the credit under sec-  
13 tion 29 with respect to the well.”.

14 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
15 tion 38(b) of the Internal Revenue Code of 1986 is amend-  
16 ed by striking “plus” at the end of paragraph (11), by  
17 striking the period at the end of paragraph (12) and in-  
18 serting “, plus”, and by adding at the end the following:

19 “(13) the marginal oil and gas well production  
20 credit determined under section 45D(a).”.

21 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-  
22 IMUM TAX.—

23 (1) IN GENERAL.—Subsection (c) of section 38  
24 of the Internal Revenue Code of 1986 (relating to  
25 limitation based on amount of tax) is amended by

1 redesignating paragraph (3) as paragraph (4) and  
2 by inserting after paragraph (2) the following:

3 “(3) SPECIAL RULES FOR MARGINAL OIL AND  
4 GAS WELL PRODUCTION CREDIT.—

5 “(A) IN GENERAL.—In the case of the  
6 marginal oil and gas well production credit—

7 “(i) this section and section 39 shall  
8 be applied separately with respect to the  
9 credit, and

10 “(ii) in applying paragraph (1) to the  
11 credit—

12 “(I) subparagraphs (A) and (B)  
13 thereof shall not apply, and

14 “(II) the limitation under para-  
15 graph (1) (as modified by subclause  
16 (I)) shall be reduced by the credit al-  
17 lowed under subsection (a) for the  
18 taxable year (other than the marginal  
19 oil and gas well production credit).

20 “(B) MARGINAL OIL AND GAS WELL PRO-  
21 Duction CREDIT.—For purposes of this sub-  
22 section, the term ‘marginal oil and gas well pro-  
23 duction credit’ means the credit allowable under  
24 subsection (a) by reason of section 45D(a).”.

1           (2) CONFORMING AMENDMENT.—Subclause (II)  
2           of section 38(c)(2)(A)(ii) of such Code is amended  
3           by inserting “or the marginal oil and gas well pro-  
4           duction credit” after “employment credit”.

5           (d) CARRYBACK.—Subsection (a) of section 39 of the  
6 Internal Revenue Code of 1986 (relating to carryback and  
7 carryforward of unused credits generally) is amended by  
8 adding at the end the following:

9           “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL  
10          AND GAS WELL PRODUCTION CREDIT.—In the case  
11          of the marginal oil and gas well production credit—

12                 “(A) this section shall be applied sepa-  
13                 rately from the business credit (other than the  
14                 marginal oil and gas well production credit),

15                 “(B) paragraph (1) shall be applied by  
16                 substituting ‘10 taxable years’ for ‘1 taxable  
17                 years’ in subparagraph (A) thereof, and

18                 “(C) paragraph (2) shall be applied—

19                         “(i) by substituting ‘31 taxable years’  
20                         for ‘21 taxable years’ in subparagraph (A)  
21                         thereof, and

22                         “(ii) by substituting ‘30 taxable years’  
23                         for ‘20 taxable years’ in subparagraph (B)  
24                         thereof.”.

1 (e) COORDINATION WITH SECTION 29.—Section  
 2 29(a) of the Internal Revenue Code of 1986 is amended  
 3 by striking “There” and inserting “At the election of the  
 4 taxpayer, there”.

5 (f) CLERICAL AMENDMENT.—The table of sections  
 6 for subpart D of part IV of subchapter A of chapter 1  
 7 of the Internal Revenue Code of 1986 is amended by add-  
 8 ing at the end the following:

“45D. Credit for producing oil and gas from marginal wells.”.

9 (g) EFFECTIVE DATE.—The amendments made by  
 10 this section shall apply to production after December 31,  
 11 2000.

12 **SEC. 63. 10-YEAR CARRYBACK FOR UNUSED MINIMUM TAX**  
 13 **CREDIT.**

14 (a) IN GENERAL.—Section 53(c) of the Internal Rev-  
 15 enue Code of 1986 (relating to limitation) is amended by  
 16 adding at the end the following:

17 “(2) SPECIAL RULE FOR TAXPAYERS WITH UN-  
 18 USED ENERGY MINIMUM TAX CREDITS.—

19 “(A) IN GENERAL.—If, during the 10-tax-  
 20 able year period ending with the current taxable  
 21 year, a taxpayer has an unused energy min-  
 22 imum tax credit for any taxable year in such  
 23 period (determined without regard to the appli-  
 24 cation of this paragraph to the current taxable  
 25 year)—

1           “(i) paragraph (1) shall not apply to  
2           each of the taxable years in such period for  
3           which the taxpayer has an unused energy  
4           minimum tax credit (as so determined),  
5           and

6           “(ii) the credit allowable under sub-  
7           section (a) for each of such taxable years  
8           shall be equal to the excess (if any) of—

9                   “(I) the sum of the regular tax  
10                  liability and the net minimum tax for  
11                  such taxable year, over

12                   “(II) the sum of the credits al-  
13                  lowable under subparts A, B, D, E,  
14                  and F of this part.

15           “(B) ENERGY MINIMUM TAX CREDIT.—For  
16           purposes of this paragraph, the term ‘energy  
17           minimum tax credit’ means the minimum tax  
18           credit which would be computed with respect to  
19           any taxable year if the adjusted net minimum  
20           tax were computed by only taking into account  
21           items attributable to—

22                   “(i) the taxpayer’s mineral interests  
23                  in oil and gas property, and

24                   “(ii) the taxpayer’s active conduct of  
25                  a trade or business of providing tools,

1 products, personnel, and technical solu-  
2 tions on a contractual basis to persons en-  
3 gaged in oil and gas exploration and pro-  
4 duction.”.

5 (b) CONFORMING AMENDMENTS.—Section 53(c) of  
6 the Internal Revenue Code of 1986 (as in effect before  
7 the amendment made by subsection (a)) is amended—

8 (1) by striking “The” and inserting:

9 “(1) IN GENERAL.—Except as provided in para-  
10 graph (2), the ”, and

11 (2) by redesignating paragraphs (1) and (2) as  
12 subparagraphs (A) and (B).

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2000, and to any taxable year beginning  
16 on or before such date to the extent necessary to apply  
17 section 53(c)(2) of the Internal Revenue Code of 1986 (as  
18 added by subsection (a)).

19 **SEC. 64. 10-YEAR NET OPERATING LOSS CARRYBACK FOR**  
20 **LOSSES ATTRIBUTABLE TO OIL SERVICING**  
21 **COMPANIES AND MINERAL INTERESTS OF**  
22 **OIL AND GAS PRODUCERS.**

23 (a) IN GENERAL.—Paragraph (1) of section 172(b)  
24 of the Internal Revenue Code of 1986 (relating to years

1 to which loss may be carried) is amended by adding at  
2 the end the following:

3           “(H) LOSSES ON OPERATING MINERAL IN-  
4           TERESTS OF OIL AND GAS PRODUCERS AND  
5           OILFIELD SERVICING COMPANIES.—In the case  
6           of a taxpayer which has an eligible oil and gas  
7           loss (as defined in subsection (j)) for a taxable  
8           year, such eligible oil and gas loss shall be a net  
9           operating loss carryback to each of the 10 tax-  
10          able years preceding the taxable year of such  
11          loss.”.

12          (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 of  
13 the Internal Revenue Code of 1986 is amended by redesignig-  
14 nating subsection (j) as subsection (k) and by inserting  
15 after subsection (i) the following:

16          “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of  
17 this section—

18           “(1) IN GENERAL.—The term ‘eligible oil and  
19           gas loss’ means the lesser of—

20           “(A) the amount which would be the net  
21           operating loss for the taxable year if only in-  
22           come and deductions attributable to—

23           “(i) mineral interests in oil and gas  
24           wells, and

1                   “(ii) the active conduct of a trade or  
2                   business of providing tools, products, per-  
3                   sonnel, and technical solutions on a con-  
4                   tractual basis to persons engaged in oil  
5                   and gas exploration and production,  
6                   are taken into account, and

7                   “(B) the amount of the net operating loss  
8                   for such taxable year.

9                   “(2) COORDINATION WITH SUBSECTION  
10                  (b)(2).—For purposes of applying subsection (b)(2),  
11                  an eligible oil and gas loss for any taxable year shall  
12                  be treated in a manner similar to the manner in  
13                  which a specified liability loss is treated.

14                  “(3) ELECTION.—Any taxpayer entitled to a  
15                  10-year carryback under subsection (b)(1)(H) from  
16                  any loss year may elect to have the carryback period  
17                  with respect to such loss year determined without re-  
18                  gard to subsection (b)(1)(H). Such election shall be  
19                  made in such manner as may be prescribed by the  
20                  Secretary and shall be made by the due date (includ-  
21                  ing extensions of time) for filing the taxpayer’s re-  
22                  turn for the taxable year of the net operating loss.  
23                  Such election, once made for any taxable year, shall  
24                  be irrevocable for such taxable year.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to net operating losses for taxable  
3 years beginning after December 31, 1999, and to any tax-  
4 able year beginning on or before such date to the extent  
5 necessary to apply section 172(b)(1)(H) of the Internal  
6 Revenue Code of 1986 (as added by subsection (a)).

7 **SEC. 65. WAIVER OF LIMITATIONS.**

8 If refund or credit of any overpayment of tax result-  
9 ing from the application of the amendments made by sec-  
10 tions 63 and 64 is prevented at any time before the close  
11 of the 1-year period beginning on the date of the enact-  
12 ment of this Act by the operation of any law or rule of  
13 law (including res judicata), such refund or credit may  
14 nevertheless be made or allowed if claim therefor is filed  
15 before the close of such period.

16 **SEC. 66. ELECTION TO EXPENSE GEOLOGICAL AND GEO-**  
17 **PHYSICAL EXPENDITURES AND DELAY RENT-**  
18 **AL PAYMENTS.**

19 (a) PURPOSE.—The purpose of this section is to rec-  
20 ognize that geological and geophysical expenditures and  
21 delay rentals are ordinary and necessary business expenses  
22 that should be deducted in the year the expense is in-  
23 curred.

24 (b) ELECTION TO EXPENSE GEOLOGICAL AND GEO-  
25 PHYSICAL EXPENDITURES.—

1           (1) IN GENERAL.—Section 263 of the Internal  
2           Revenue Code of 1986 (relating to capital expendi-  
3           tures) is amended by adding at the end the fol-  
4           lowing:

5           “(j) GEOLOGICAL AND GEOPHYSICAL EXPENDI-  
6           TURES FOR DOMESTIC OIL AND GAS WELLS.—Notwith-  
7           standing subsection (a), a taxpayer may elect to treat geo-  
8           logical and geophysical expenses incurred in connection  
9           with the exploration for, or development of, oil or gas with-  
10          in the United States (as defined in section 638) as ex-  
11          penses which are not chargeable to capital account. Any  
12          expenses so treated shall be allowed as a deduction in the  
13          taxable year in which paid or incurred.”.

14          (2) CONFORMING AMENDMENT.—Section  
15          263A(c)(3) of such Code is amended by inserting  
16          “263(j),” after “263(i),”.

17          (3) EFFECTIVE DATE.—

18                (A) IN GENERAL.—The amendments made  
19                by this subsection shall apply to expenses paid  
20                or incurred after December 31, 2000.

21                (B) TRANSITION RULE.—In the case of  
22                any expenses described in section 263(j) of the  
23                Internal Revenue Code of 1986, as added by  
24                this subsection, which were paid or incurred on  
25                or before December 31, 2000, the taxpayer may

1 elect, at such time and in such manner as the  
2 Secretary of the Treasury may prescribe, to  
3 amortize the unamortized portion of such ex-  
4 penses over the 36-month period beginning with  
5 the month of January, 2001. For purposes of  
6 this subparagraph, the unamortized portion of  
7 any expense is the amount remaining  
8 unamortized as of the first day of the 36-month  
9 period.

10 (c) ELECTION TO EXPENSE DELAY RENTAL PAY-  
11 MENTS.—

12 (1) IN GENERAL.—Section 263 of the Internal  
13 Revenue Code of 1986 (relating to capital expendi-  
14 tures), as amended by subsection (b)(1), is amended  
15 by adding at the end the following:

16 “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL  
17 AND GAS WELLS.—

18 “(1) IN GENERAL.—Notwithstanding subsection  
19 (a), a taxpayer may elect to treat delay rental pay-  
20 ments incurred in connection with the development  
21 of oil or gas within the United States (as defined in  
22 section 638) as payments which are not chargeable  
23 to capital account. Any payments so treated shall be  
24 allowed as a deduction in the taxable year in which  
25 paid or incurred.

1           “(2) DELAY RENTAL PAYMENTS.—For purposes  
2 of paragraph (1), the term ‘delay rental payment’  
3 means an amount paid for the privilege of deferring  
4 development of an oil or gas well.”.

5           (2) CONFORMING AMENDMENT.—Section  
6 263A(c)(3) of the Internal Revenue Code of 1986,  
7 as amended by subsection (b)(2), is amended by in-  
8 serting “263(k),” after “263(j),”.

9           (3) EFFECTIVE DATE.—

10           (A) IN GENERAL.—The amendments made  
11 by this subsection shall apply to payments made  
12 or incurred after December 31, 2000.

13           (B) TRANSITION RULE.—In the case of  
14 any payments described in section 263(k) of the  
15 Internal Revenue Code of 1986, as added by  
16 this subsection, which were made or incurred on  
17 or before December 31, 2000, the taxpayer may  
18 elect, at such time and in such manner as the  
19 Secretary of the Treasury may prescribe, to  
20 amortize the unamortized portion of such pay-  
21 ments over the 36-month period beginning with  
22 the month of January, 2001. For purposes of  
23 this subparagraph, the unamortized portion of  
24 any payment is the amount remaining

1 unamortized as of the first day of the 36-month  
2 period.

3 **TITLE VII—REVENUE PROVISION**

4 **SEC. 71. 4-YEAR AVERAGING FOR CONVERSION OF TRADI-**  
5 **TIONAL IRA TO ROTH IRA.**

6 (a) **IN GENERAL.**—Section 408A(d)(3)(A)(iii) of the  
7 Internal Revenue Code of 1986 is amended by striking  
8 “January 1, 1999,” and inserting “January 1, 2004,”.

9 (b) **EFFECTIVE DATE.**—The amendment made by  
10 subsection (a) shall apply to distributions made after De-  
11 cember 31, 2000.

○