

106TH CONGRESS  
2D SESSION

# S. 3152

To amend the Internal Revenue Code of 1986 to provide tax incentives  
for distressed areas, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 3 (legislative day, SEPTEMBER 22), 2000

Mr. ROTH (for himself, Mr. MOYNIHAN, Mr. GRASSLEY, Mr. BAUCUS, Mr. HATCH, Mr. ROCKEFELLER, Mr. MURKOWSKI, Mr. BREAUX, Mr. JEFFORDS, Mr. CONRAD, Mr. MACK, Mr. GRAHAM, Mr. THOMPSON, Mr. KERREY, Mr. ROBB, and Mr. BRYAN) introduced the following bill; which was read the first time

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
tax incentives for distressed areas, 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; ETC.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5       “Community Renewal and New Markets Act of 2000”.

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

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

3 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—INCENTIVES FOR DISTRESSED COMMUNITIES

Subtitle A—Designation and Treatment of Renewal Zones

Sec. 101. Designation and treatment of renewal zones.

Subtitle B—Modification of Incentives for Empowerment Zones

Sec. 111. Extension of empowerment zone treatment through 2009.

Sec. 112. 15 percent employment credit for all empowerment zones

Sec. 113. Increased expensing under section 179.

Sec. 114. Higher limits on tax-exempt empowerment zone facility bonds.

Sec. 115. Empowerment zone capital gain.

Sec. 116. Funding for Round II empowerment zones.

Subtitle C—Modification of Tax Incentives for DC Zone

Sec. 121. Extension of DC zone through 2006.

Sec. 122. Extension of DC zero percent capital gains rate.

Sec. 123. Gross income test for DC zone businesses.

Sec. 124. Expansion of DC homebuyer tax credit.

Subtitle D—New Markets Tax Credit

Sec. 131. New markets tax credit.

Subtitle E—Modification of Tax Incentives for Puerto Rico

Sec. 141. Modification of Puerto Rico economic activity tax credit.

Subtitle F—Individual Development Accounts

Sec. 151. Definitions.

Sec. 152. Structure and administration of qualified individual development account programs.

Sec. 153. Procedures for opening an individual development account and qualifying for matching funds.

Sec. 154. Contributions to individual development accounts.

Sec. 155. Deposits by qualified individual development account programs.

Sec. 156. Withdrawal procedures.

Sec. 157. Certification and termination of qualified individual development account programs.

Sec. 158. Reporting, monitoring, and evaluation.

Sec. 159. Account funds of program participants disregarded for purposes of certain means-tested Federal programs.

Sec. 160. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.

Sec. 161. Designation of earned income tax credit payments for deposit to individual development accounts.

### Subtitle G—Additional Incentives

- Sec. 171. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program.
- Sec. 172. Extension of enhanced deduction for corporate donations of computer technology.
- Sec. 173. Extension of adoption tax credit.
- Sec. 174. Tax treatment of Alaska Native Settlement Trusts.
- Sec. 175. Treatment of Indian tribal governments under Federal Unemployment Tax Act.
- Sec. 176. Increase in social services block grant for FY 2001.

## TITLE II—TAX INCENTIVES FOR AFFORDABLE HOUSING

### Subtitle A—Low-Income Housing Credit

- Sec. 201. Modification of State ceiling on low-income housing credit.
- Sec. 202. Modification to rules relating to basis of building which is eligible for credit.

### Subtitle B—Historic Homes

- Sec. 211. Tax credit for renovating historic homes.

### Subtitle C—Forgiven Mortgage Obligations

- Sec. 221. Exclusion from gross income for certain forgiven mortgage obligations.

### Subtitle D—Mortgage Revenue Bonds

- Sec. 231. Increase in purchase price limitation under mortgage subsidy bond rules based on median family income.
- Sec. 232. Mortgage financing for residences located in presidentially declared disaster areas.

### Subtitle E—Property and Casualty Insurance

- Sec. 241. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.

## TITLE III—TAX INCENTIVES FOR URBAN AND RURAL INFRASTRUCTURE

- Sec. 301. Increase in State ceiling on private activity bonds.
- Sec. 302. Modifications to expensing of environmental remediation costs.
- Sec. 303. Broadband internet access tax credit.
- Sec. 304. Credit to holders of qualified Amtrak bonds.
- Sec. 305. Clarification of contribution in aid of construction.
- Sec. 306. Recovery period for depreciation of certain leasehold improvements.

## TITLE IV—TAX RELIEF FOR FARMERS

- Sec. 401. Farm, fishing, and ranch risk management accounts.
- Sec. 402. Written agreement relating to exclusion of certain farm rental income from net earnings from self-employment.

- Sec. 403. Treatment of conservation reserve program payments as rentals from real estate.
- Sec. 404. Exemption of agricultural bonds from State volume cap.
- Sec. 405. Modifications to section 512(b)(13).
- Sec. 406. Charitable deduction for contributions of food inventory.
- Sec. 407. Income averaging for farmers and fishermen not to increase alternative minimum tax liability.
- Sec. 408. Cooperative marketing includes value-added processing through animals.
- Sec. 409. Declaratory judgment relief for section 521 cooperatives.
- Sec. 410. Small ethanol producer credit.
- Sec. 411. Payment of dividends on stock of cooperatives without reducing patronage dividends.

#### TITLE V—TAX INCENTIVES FOR THE PRODUCTION OF ENERGY

- Sec. 501. Election to expense geological and geophysical expenditures.
- Sec. 502. Election to expense delay rental payments
- Sec. 503. 5-year net operating loss carryback for losses attributable to operating mineral interests of independent oil and gas producers.
- Sec. 504. Temporary suspension of percentage of depletion deduction limitation based on 65 percent of taxable income.
- Sec. 505. Tax credit for marginal domestic oil and natural gas well production.
- Sec. 506. Natural gas gathering lines treated as 7-year property.
- Sec. 507. Clarification of treatment of pipeline transportation income.

#### TITLE VI—TAX INCENTIVES FOR CONSERVATION

- Sec. 601. Exclusion of 50 percent of gain on sales of land or interests in land or water to eligible entities for conservation purposes.
- Sec. 602. Expansion of estate tax exclusion for real property subject to qualified conservation easement.
- Sec. 603. Tax exclusion for cost-sharing payments under partners for wildlife program.
- Sec. 604. Incentive for certain energy efficient property used in business.
- Sec. 605. Extension and modification of tax credit for electricity produced from biomass.
- Sec. 606. Tax credit for certain energy efficient motor vehicles.

#### TITLE VII—ADDITIONAL TAX PROVISIONS

- Sec. 701. Limitation on use of nonaccrual experience method of accounting.
- Sec. 702. Repeal of section 530(d) of the Revenue Act of 1978.
- Sec. 703. Expansion of exemption from personal holding company tax for lending or finance companies.
- Sec. 704. Charitable contribution deduction for certain expenses incurred in support of Native Alaskan subsistence whaling.
- Sec. 705. Imposition of excise tax on persons who acquire structured settlement payments in factoring transactions.

**TITLE I—INCENTIVES FOR  
DISTRESSED COMMUNITIES  
Subtitle A—Designation and  
Treatment of Renewal Zones**

**SEC. 101. DESIGNATION AND TREATMENT OF RENEWAL  
ZONES.**

(a) IN GENERAL.—Chapter 1 is amended by adding  
at the end the following new subchapter:

**“Subchapter X—Designation and Treatment  
of Renewal Zones**

“Sec. 1400E. Designation and treatment of renewal zones.

**“SEC. 1400E. DESIGNATION AND TREATMENT OF RENEWAL  
ZONES.**

“(a) TREATMENT OF DESIGNATION.—For purposes  
of this title, any area designated as a renewal zone under  
this section shall be treated as an empowerment zone.

“(b) DESIGNATION.—

“(1) RENEWAL ZONE DEFINED.—For purposes  
of this title, the term ‘renewal zone’ means any  
area—

“(A) which is nominated by one or more  
local governments and the State or States in  
which it is located for designation as a renewal  
zone (hereafter in this section referred to as a  
‘nominated area’), and

1           “(B) which the appropriate Secretary des-  
2           ignates as a renewal zone.

3           “(2) NUMBER OF DESIGNATIONS.—

4           “(A) IN GENERAL.—The appropriate Sec-  
5           retaries may designate not more than 30 nomi-  
6           nated areas as renewal zones.

7           “(B) MINIMUM DESIGNATION IN RURAL  
8           AREAS.—Of the areas designated under sub-  
9           paragraph (A), at least 6 must be areas—

10           “(i) which are within a local govern-  
11           ment jurisdiction or jurisdictions with a  
12           population of less than 50,000, or

13           “(ii) which satisfy the requirements of  
14           section 1393(a)(2).

15           “(3) AREAS DESIGNATED BASED ON DEGREE  
16           OF POVERTY, ETC.—

17           “(A) IN GENERAL.—Except as otherwise  
18           provided in this section, the nominated areas  
19           designated as renewal zones under this sub-  
20           section shall be those nominated areas with the  
21           highest average ranking with respect to the cri-  
22           teria described in subparagraphs (B), (C), and  
23           (D) of subsection (d)(3). For purposes of the  
24           preceding sentence, an area shall be ranked  
25           within each such criterion on the basis of the

amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

“(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the appropriate Secretary determines that the course of action described in subsection (e)(2) with respect to such area is inadequate.

“(C) PRIORITY FOR 1 NOMINATED AREA IN EACH STATE.—For purposes of this subchapter, 1 nominated area within each State without any area designated as an empowerment zone under section 1391 or 1400 shall be treated for purposes of this paragraph as having the highest average with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (d)(3).

“(4) LIMITATION ON DESIGNATIONS.—

“(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation not later than 4 months after the date of the enactment

of this section, after consultation with the Secretary of Agriculture—

“(i) the procedures for nominating an area under paragraph (1)(A),

“(ii) the parameters relating to the size and population characteristics of a renewal zone, and

“(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (e).

“(B) TIME LIMITATIONS.—The appropriate Secretaries may designate nominated areas as renewal zones only during the period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed and ending on December 31, 2001.

“(C) PROCEDURAL RULES.—The appropriate Secretary shall not make any designation of a nominated area as a renewal zone under paragraph (2) unless—

“(i) the local governments and the States in which the nominated area is located have the authority—



1 “(I) to nominate such area for  
2 designation as a renewal zone,

3 “(II) to make the State and local  
4 commitments described in subsection  
5 (e), and

6 “(III) to provide assurances sat-  
7 isfactory to the appropriate Secretary  
8 that such commitments will be ful-  
9 filled,

10 “(ii) a nomination regarding such  
11 area is submitted in such a manner and in  
12 such form, and contains such information,  
13 as the appropriate Secretary shall by regu-  
14 lation prescribe, and

15 “(iii) the appropriate Secretary deter-  
16 mines that any information furnished is  
17 reasonably accurate.

18 “(5) NOMINATION PROCESS FOR INDIAN RES-  
19 ERVATIONS.—For purposes of this subchapter, in  
20 the case of a nominated area on an Indian reserva-  
21 tion, the reservation governing body (as determined  
22 by the Secretary of the Interior) shall be treated as  
23 being both the State and local governments with re-  
24 spect to such area.

1       “(c) PERIOD FOR WHICH DESIGNATION IS IN EF-  
2 FECT.—

3               “(1) IN GENERAL.—Any designation of an area  
4 as a renewal zone shall remain in effect during the  
5 period beginning on January 1, 2002, and ending on  
6 the earliest of—

7                       “(A) December 31, 2009,

8                       “(B) the termination date designated by  
9 the State and local governments in their nomi-  
10 nation, or

11                      “(C) the date the appropriate Secretary re-  
12 vokes such designation.

13               “(2) REVOCATION OF DESIGNATION.—The ap-  
14 propriate Secretary may revoke the designation  
15 under this section of an area if such Secretary deter-  
16 mines that the local government or the State in  
17 which the area is located—

18                      “(A) has modified the boundaries of the  
19 area, or

20                      “(B) is not complying substantially with,  
21 or fails to make progress in achieving, the State  
22 or local commitments, respectively, described in  
23 subsection (e).

24       “(d) AREA AND ELIGIBILITY REQUIREMENTS.—

1           “(1) IN GENERAL.—The appropriate Secretary  
2           may designate a nominated area as a renewal zone  
3           under subsection (b) only if the area meets the re-  
4           quirements of paragraphs (2) and (3) of this sub-  
5           section.

6           “(2) AREA REQUIREMENTS.—A nominated area  
7           meets the requirements of this paragraph if—

8                   “(A) the area is within the jurisdiction of  
9                   one or more local governments,

10                   “(B) the boundary of the area is contin-  
11                   uous, and

12                   “(C) the area—

13                           “(i) has a population of not more than  
14                           200,000 and at least—

15                                   “(I) 4,000 if any portion of such  
16                                   area (other than a rural area de-  
17                                   scribed in subsection (b)(2)(B)(i)) is  
18                                   located within a metropolitan statis-  
19                                   tical area (within the meaning of sec-  
20                                   tion 143(k)(2)(B)) which has a popu-  
21                                   lation of 50,000 or greater, or

22                                   “(II) 1,000 in any other case, or

23                                   “(ii) is entirely within an Indian res-  
24                                   ervation (as determined by the Secretary of  
25                                   the Interior).

1           “(3) ELIGIBILITY REQUIREMENTS.—A nomi-  
2           nated area meets the requirements of this paragraph  
3           if the State and the local governments in which it  
4           is located certify in writing (and the appropriate  
5           Secretary, after such review of supporting data as  
6           such Secretary deems appropriate, accepts such cer-  
7           tification) that—

8                   “(A) the area is one of pervasive poverty,  
9                   unemployment, and general distress,

10                   “(B) the unemployment rate in the area,  
11                   as determined by the most recent available  
12                   data, was at least 1½ times the national unem-  
13                   ployment rate for the period to which such data  
14                   relate,

15                   “(C) the poverty rate for each population  
16                   census tract within the nominated area is at  
17                   least 20 percent, and

18                   “(D) in the case of an urban area, at least  
19                   70 percent of the households living in the area  
20                   have incomes below 80 percent of the median  
21                   income of households within the jurisdiction of  
22                   the local government (determined in the same  
23                   manner as under section 119(b)(2) of the  
24                   Housing and Community Development Act of  
25                   1974).

1           “(4) CONSIDERATION OF OTHER FACTORS.—

2           The appropriate Secretary, in selecting any nomi-  
3           nated area for designation as a renewal zone under  
4           this section—

5                   “(A) shall take into account—

6                           “(i) the extent to which such area has  
7                           a high incidence of crime,

8                           “(ii) if such area has census tracts  
9                           identified in the May 12, 1998, report of  
10                          the General Accounting Office regarding  
11                          the identification of economically distressed  
12                          areas, or

13                          “(iii) if such area (or portion thereof)  
14                          has previously been designated as an enter-  
15                          prise community under section 1391, and

16                          “(B) with respect to 1 of the areas to be  
17                          designated under subsection (b)(2)(B), may, in  
18                          lieu of any criteria described in paragraph (3),  
19                          take into account the existence of outmigration  
20                          from the area.

21           “(e) REQUIRED STATE AND LOCAL COMMIT-  
22           MENTS.—

23                   “(1) IN GENERAL.—The appropriate Secretary  
24                   may designate any nominated area as a renewal  
25                   zone under subsection (b) only if the local govern-

1       ment and the State in which the area is located  
2       agree in writing that, during any period during  
3       which the area is a renewal zone, such governments  
4       will follow a specified course of action which meets  
5       the requirements of paragraph (2) and is designed  
6       to reduce the various burdens borne by employers or  
7       employees in such area.

8               “(2) COURSE OF ACTION.—

9               “(A) IN GENERAL.—A course of action  
10       meets the requirements of this paragraph if  
11       such course of action is a written document,  
12       signed by a State (or local government) and  
13       neighborhood organizations, which evidences a  
14       partnership between such State or government  
15       and community-based organizations and which  
16       commits each signatory to specific and measur-  
17       able goals, actions, and timetables. Such course  
18       of action shall include at least 4 of the fol-  
19       lowing:

20               “(i) A reduction of tax rates or fees  
21       applying within the renewal zone.

22               “(ii) An increase in the level of effi-  
23       ciency of local services within the renewal  
24       zone.

1           “(iii) Crime reduction strategies, such  
2           as crime prevention (including the provi-  
3           sion of crime prevention services by non-  
4           governmental entities).

5           “(iv) Actions to reduce, remove, sim-  
6           plify, or streamline governmental require-  
7           ments applying within the renewal zone.

8           “(v) Involvement in the program by  
9           private entities, organizations, neighbor-  
10          hood organizations, and community  
11          groups, particularly those in the renewal  
12          zone, including a commitment from such  
13          private entities to provide jobs and job  
14          training for, and technical, financial, or  
15          other assistance to, employers, employees,  
16          and residents from the renewal zone.

17          “(vi) The gift (or sale at below fair  
18          market value) of surplus real property  
19          (such as land, homes, and commercial or  
20          industrial structures) in the renewal zone  
21          to neighborhood organizations, community  
22          development corporations, or private com-  
23          panies.

24          “(B) RECOGNITION OF PAST EFFORTS.—

25          For purposes of this section, in evaluating the

1 course of action agreed to by any State or local  
 2 government, the appropriate Secretary shall  
 3 take into account the past efforts of such State  
 4 or local government in reducing the various  
 5 burdens borne by employers and employees in  
 6 the area involved.

7 “(f) COORDINATION WITH TREATMENT OF ENTER-  
 8 PRISE COMMUNITIES.—For purposes of this title, the des-  
 9 ignation under section 1391 of any area as an enterprise  
 10 community shall cease to be in effect as of the date that  
 11 the designation of any portion of such area as a renewal  
 12 zone takes effect.

13 “(g) DEFINITIONS AND SPECIAL RULES.—For pur-  
 14 poses of this subchapter—

15 “(1) APPROPRIATE SECRETARY.—The term ‘ap-  
 16 propriate Secretary’ has the meaning given such  
 17 term by section 1393(a)(1).

18 “(2) GOVERNMENTS.—If more than one govern-  
 19 ment seeks to nominate an area as a renewal zone,  
 20 any reference to, or requirement of, this section shall  
 21 apply to all such governments.

22 “(3) LOCAL GOVERNMENT.—The term ‘local  
 23 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 appropriate Secretary.

7           “(4) APPLICATION OF RULES RELATING TO  
 8           CENSUS TRACTS.—The rules of section 1392(b)(4)  
 9           shall apply.

10          “(5) CENSUS DATA.—Population and poverty  
 11          rate shall be determined by using 1990 census  
 12          data.”.

13          (b) AUDIT AND REPORT.—Not later than January 31  
 14          of 2004, 2007, and 2010, the Comptroller General of the  
 15          United States shall, pursuant to an audit of the renewal  
 16          zone program established under section 1400E of the In-  
 17          ternal Revenue Code of 1986 (as added by subsection (a)),  
 18          report to Congress on such program and its effect on pov-  
 19          erty, unemployment, and economic growth within the des-  
 20          ignated renewal zones.

21          (c) CLERICAL AMENDMENT.—The table of sub-  
 22          chapters for chapter 1 is amended by adding at the end  
 23          the following new item:

“Subchapter X. Designation and Treatment of Renewal Zones.”.

1           **Subtitle B—Modification of**  
 2           **Incentives for Empowerment Zones**

3           **SEC. 111. EXTENSION OF EMPOWERMENT ZONE TREAT-**  
 4                           **MENT THROUGH 2009.**

5           Subparagraph (A) of section 1391(d)(1) (relating to  
 6           period for which designation is in effect) is amended to  
 7           read as follows:

8                           “(A)(i) in the case of an empowerment  
 9                           zone, December 31, 2009, or

10                           “(ii) in the case of an enterprise commu-  
 11                           nity, the close of the 10th calendar year begin-  
 12                           ning on or after such date of designation,”.

13           **SEC. 112. 15 PERCENT EMPLOYMENT CREDIT FOR ALL EM-**  
 14                           **POWERMENT ZONES**

15           (a) 15 PERCENT CREDIT.—Subsection (b) of section  
 16           1396 (relating to empowerment zone employment credit)  
 17           is amended—

18                           (1) by striking paragraph (1) and inserting the  
 19                           following new paragraph:

20                           “(1) IN GENERAL.—Except as provided in para-  
 21                           graph (2), the applicable percentage is 15 percent.”,

22                           (2) by inserting “and thereafter” after “2005”  
 23                           in the table contained in paragraph (2), and

24                           (3) by striking the items relating to calendar  
 25                           years 2006 and 2007 in such table.

1 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR  
 2 CREDIT.—Section 1396 is amended by striking subsection  
 3 (e).

4 (c) CONFORMING AMENDMENT.—Subsection (d) of  
 5 section 1400 is amended to read as follows:

6 “(d) SPECIAL RULE FOR APPLICATION OF EMPLOY-  
 7 MENT CREDIT.—With respect to the DC Zone, section  
 8 1396(d)(1)(B) (relating to empowerment zone employ-  
 9 ment credit) shall be applied by substituting ‘the District  
 10 of Columbia’ for ‘such empowerment zone’.”.

11 (d) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to wages paid or incurred after  
 13 December 31, 2001.

14 **SEC. 113. INCREASED EXPENSING UNDER SECTION 179.**

15 (a) IN GENERAL.—Subparagraph (A) of section  
 16 1397A(a)(1) is amended by striking “\$20,000” and in-  
 17 serting “\$35,000”.

18 (b) EXPENSING FOR PROPERTY USED IN DEVELOP-  
 19 ABLE SITES.—Section 1397A is amended by striking sub-  
 20 section (c).

21 (c) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to taxable years beginning after  
 23 December 31, 2001.

1 **SEC. 114. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT**

2 **ZONE FACILITY BONDS.**

3 (a) IN GENERAL.—Paragraph (3) of section 1394(f)  
4 (relating to bonds for empowerment zones designated  
5 under section 1391(g)) is amended to read as follows:

6 “(3) EMPOWERMENT ZONE FACILITY BOND.—  
7 For purposes of this subsection, the term ‘empower-  
8 ment zone facility bond’ means any bond which  
9 would be described in subsection (a) if—

10 “(A) in the case of obligations issued be-  
11 fore January 1, 2002, only empowerment zones  
12 designated under section 1391(g) were taken  
13 into account under sections 1397C and 1397D,  
14 and

15 “(B) in the case of obligations issued after  
16 December 31, 2001, all empowerment zones  
17 (other than the District of Columbia) were  
18 taken into account under sections 1397C and  
19 1397D.”.

20 (b) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to obligations issued after Decem-  
22 ber 31, 2001.

23 **SEC. 115. EMPOWERMENT ZONE CAPITAL GAIN.**

24 (a) IN GENERAL.—Part III of subchapter U of chap-  
25 ter 1 is amended—

26 (1) by redesignating subpart C as subpart D;

1           (2) by redesignating sections 1397B and 1397C  
 2           as sections 1397C and 1397D, respectively; and  
 3           (3) by inserting after subpart B the following  
 4           new subpart:

5           **“Subpart C—Empowerment Zone Capital Gain**

                  “Sec. 1397B. Empowerment zone capital gain.

6           **“SEC. 1397B. EMPOWERMENT ZONE CAPITAL GAIN.**

7           “(a) GENERAL RULE.—Gross income shall not in-  
 8           clude qualified capital gain from the sale or exchange of  
 9           any qualified empowerment zone asset held for more than  
 10          5 years.

11          “(b) PER TAXPAYER LIMITATION.—

12                  “(1) IN GENERAL.—The amount of eligible gain  
 13                  which may be taken into account under subsection  
 14                  (a) for the taxable year with respect to any taxpayer  
 15                  shall not exceed \$25,000,000, reduced by the aggre-  
 16                  gate amount of eligible gain taken into account  
 17                  under subsection (a) for prior taxable years with re-  
 18                  spect to such taxpayer.

19                  “(2) ELIGIBLE GAIN.—For purposes of this  
 20                  subsection, ‘eligible gain’ means any gain from the  
 21                  sale or exchange of a qualified empowerment zone  
 22                  asset held for more than 5 years.

23                  “(3) TREATMENT OF MARRIED INDIVIDUALS.—

1           “(A) SEPARATE RETURNS.—In the case of  
 2           a separate return by a married individual, para-  
 3           graph (1) shall be applied by substituting  
 4           ‘\$12,500,000’ for ‘\$25,000,000’.

5           “(B) ALLOCATION OF EXCLUSION.—In the  
 6           case of a joint return, the amount of gain taken  
 7           into account under subsection (a) shall be allo-  
 8           cated equally between the spouses for purposes  
 9           of applying this subsection to subsequent tax-  
 10          able years.

11          “(C) MARITAL STATUS.—For purposes of  
 12          this subsection, marital status shall be deter-  
 13          mined under section 7703.

14          “(4) TREATMENT OF CORPORATE TAX-  
 15          PAYERS.—For purposes of this subsection—

16               “(A) all corporations which are members  
 17               of the same controlled group of corporations  
 18               (within the meaning of section 52(a)) shall be  
 19               treated as 1 taxpayer, and

20               “(B) any gain excluded under subsection  
 21               (a) by a predecessor of any C corporation shall  
 22               be treated as having been excluded by such C  
 23               corporation.

24          “(c) QUALIFIED EMPOWERMENT ZONE ASSET.—For  
 25          purposes of this section—

1           “(1) IN GENERAL.—The term ‘qualified em-  
2       powerment zone asset’ means—

3                   “(A) any qualified empowerment zone  
4       stock,

5                   “(B) any qualified empowerment zone  
6       partnership interest, and

7                   “(C) any qualified empowerment zone busi-  
8       ness property.

9           “(2) QUALIFIED EMPOWERMENT ZONE  
10       STOCK.—

11                   “(A) IN GENERAL.—Except as provided in  
12       subparagraph (B), the term ‘qualified empower-  
13       ment zone stock’ means any stock in a domestic  
14       corporation if—

15                           “(i) such stock is acquired by the tax-  
16       payer after the date of the enactment of  
17       this section (December 31, 2001, in the  
18       case of a renewal zone) and before Janu-  
19       ary 1, 2010, at its original issue (directly  
20       or through an underwriter) from the cor-  
21       poration solely in exchange for cash,

22                           “(ii) as of the time such stock was  
23       issued, such corporation was an enterprise  
24       zone business (or, in the case of a new cor-  
25       poration, such corporation was being orga-

1           nized for purposes of being an enterprise  
2           zone business), and

3           “(iii) during substantially all of the  
4           taxpayer’s holding period for such stock,  
5           such corporation qualified as an enterprise  
6           zone business.

7           “(B) REDEMPTIONS.—A rule similar to  
8           the rule of section 1202(c)(3) shall apply for  
9           purposes of this paragraph.

10          “(3) QUALIFIED EMPOWERMENT ZONE PART-  
11          NERSHIP INTEREST.—The term ‘qualified empower-  
12          ment zone partnership interest’ means any capital or  
13          profits interest in a domestic partnership if—

14               “(A) such interest is acquired by the tax-  
15               payer after the date of the enactment of this  
16               section (December 31, 2001, in the case of a  
17               renewal zone) and before January 1, 2010,  
18               from the partnership solely in exchange for  
19               cash,

20               “(B) as of the time such interest was ac-  
21               quired, such partnership was an enterprise zone  
22               business (or, in the case of a new partnership,  
23               such partnership was being organized for pur-  
24               poses of being an enterprise zone business), and



1 “(C) during substantially all of the tax-  
 2 payer’s holding period for such interest, such  
 3 partnership qualified as an enterprise zone  
 4 business.

5 A rule similar to the rule of section 1202(c)(3) shall  
 6 apply for purposes of this paragraph.

7 “(4) QUALIFIED EMPOWERMENT ZONE BUSI-  
 8 NESS PROPERTY.—

9 “(A) IN GENERAL.—The term ‘qualified  
 10 empowerment zone business property’ means  
 11 tangible property if—

12 “(i) such property was acquired by  
 13 the taxpayer by purchase (as defined in  
 14 section 179(d)(2)) after the date of the en-  
 15 actment of this section (December 31,  
 16 2001, in the case of a renewal zone) and  
 17 before January 1, 2010,

18 “(ii) the original use of such property  
 19 in the empowerment zone commences with  
 20 the taxpayer, and

21 “(iii) during substantially all of the  
 22 taxpayer’s holding period for such prop-  
 23 erty, substantially all of the use of such  
 24 property was in an enterprise zone busi-  
 25 ness of the taxpayer.

1           “(B) SPECIAL RULE FOR SUBSTANTIAL IM-  
 2           PROVEMENTS.—The requirements of clauses (i)  
 3           and (ii) of subparagraph (A) shall be treated as  
 4           satisfied with respect to—

5                   “(i) property which is substantially  
 6                   improved by the taxpayer before January  
 7                   1, 2010, and

8                   “(ii) any land on which such property  
 9                   is located.

10           The determination of whether a property is sub-  
 11           stantially improved shall be made under clause  
 12           (ii) of section 1400B(b)(4)(B), except that ‘the  
 13           date of the enactment of this section’ shall be  
 14           substituted for ‘December 31, 1997’ in such  
 15           clause.

16           “(c) QUALIFIED CAPITAL GAIN.—For purposes of  
 17           this section—

18                   “(1) IN GENERAL.—Except as otherwise pro-  
 19                   vided in this subsection, the term ‘qualified capital  
 20                   gain’ means any gain recognized on the sale or ex-  
 21                   change of—

22                           “(A) a capital asset, or

23                           “(B) property used in the trade or busi-  
 24                   ness (as defined in section 1231(b)).

1           “(2) GAIN BEFORE EFFECTIVE DATE OR AFTER  
 2           2014 NOT QUALIFIED.—The term ‘qualified capital  
 3           gain’ shall not include any gain attributable to peri-  
 4           ods before the date of the enactment of this section  
 5           (January 1, 2002, in the case of a renewal zone) or  
 6           after December 31, 2014.

7           “(3) CERTAIN RULES TO APPLY.—Rules similar  
 8           to the rules of paragraphs (3), (4), and (5) of sec-  
 9           tion 1400B(e) shall apply for purposes of this sub-  
 10          section.

11          “(d) CERTAIN RULES TO APPLY.—For purposes of  
 12          this section, rules similar to the rules of paragraphs (5),  
 13          (6), and (7) of subsection (b), and subsections (f) and  
 14          (g), of section 1400B shall apply; except that for such pur-  
 15          poses section 1400B(g)(2) shall be applied by  
 16          substituting—

17                 “(1) ‘the day after the date of the enactment of  
 18                 section 1397B’ for ‘January 1, 1998’, and

19                 “(2) ‘December 31, 2014’ for ‘December 31,  
 20                 2011’.

21          “(e) REGULATIONS.—The Secretary shall prescribe  
 22          such regulations as may be appropriate to carry out the  
 23          purposes of this section, including regulations to prevent  
 24          the avoidance of the purposes of this section.”.

25          (b) CONFORMING AMENDMENTS.—

1           (1) Paragraph (2) of section 1394(b) is  
2 amended—

3           (A) by striking “section 1397C” and in-  
4 serting “section 1397D”; and

5           (B) by striking “section 1397C(a)(2)” and  
6 inserting “section 1397D(a)(2)”.

7           (2) Paragraph (3) of section 1394(b) is  
8 amended—

9           (A) by striking “section 1397B” each place  
10 it appears and inserting “section 1397C”; and

11           (B) by striking “section 1397B(d)” and in-  
12 serting “section 1397C(d)”.

13           (3) Sections 1400(e) and 1400B(c) are each  
14 amended by striking “section 1397B” each place it  
15 appears and inserting “section 1397C”.

16           (4) The table of subparts for part III of sub-  
17 chapter U of chapter 1 is amended by striking the  
18 last item and inserting the following new items:

“Subpart C. Empowerment zone capital gain.  
“Subpart D. General provisions.”.

19           (5) The table of sections for subpart D of such  
20 part III is amended to read as follows:

“Sec. 1397C. Enterprise zone business defined.  
“Sec. 1397D. Qualified zone property defined.”.

21           (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to qualified empowerment zone as-  
23 sets acquired after the date of the enactment of this Act.

1 **SEC. 116. FUNDING FOR ROUND II EMPOWERMENT ZONES.**

2 (a) ENTITLEMENT.—Section 2007(a)(1) of the Social  
3 Security Act (42 U.S.C. 1397f(a)(1)) is amended—

4 (1) in subparagraph (A), by striking “in the  
5 State; and” and inserting “that is in the State and  
6 is designated pursuant to section 1391(b) of the In-  
7 ternal Revenue Code of 1986;”; and

8 (2) by adding after subparagraph (B) the fol-  
9 lowing new subparagraphs:

10 “(C)(i) 1 grant under this section for each  
11 qualified empowerment zone that is in an urban  
12 area in the State and is designated pursuant to  
13 section 1391(g) of such Code; and

14 “(ii) 1 grant under this section for each  
15 qualified empowerment zone that is in a rural  
16 area in the State and is designated pursuant to  
17 section 1391(g) of such Code; and

18 “(D) 1 grant under this section for each  
19 qualified enterprise community that is in the  
20 State, is designated pursuant to section  
21 1391(b)(1) of such Code, and is in existence on  
22 the date of enactment of this subparagraph.”.

23 (b) AMOUNT OF GRANTS.—Section 2007(a)(2) of the  
24 Social Security Act (42 U.S.C. 1397f(a)(2)) is amended—

25 (1) in the heading of subparagraph (A), by in-  
26 serting “ORIGINAL” before “EMPOWERMENT”;

1           (2) in subparagraph (A), in the matter pre-  
 2           ceding clause (i), by inserting “referred to in para-  
 3           graph (1)(A)” after “empowerment zone”;

4           (3) by redesignating subparagraph (C) as sub-  
 5           paragraph (F); and

6           (4) by inserting after subparagraph (B) the fol-  
 7           lowing new subparagraphs:

8                   “(C)       ADDITIONAL       EMPOWERMENT  
 9                   GRANTS.—The amount of the grant to a State  
 10                  under this section for a qualified empowerment  
 11                  zone referred to in paragraph (1)(C) shall be—

12                           “(i) if the zone is in an urban area,  
 13                           \$5,000,000 for fiscal year 2001; or

14                           “(ii) if the zone is in a rural area,  
 15                           \$2,000,000 for fiscal year 2001.

16                   “(D)   ADDITIONAL   ENTERPRISE   COMMU-  
 17                   NITY GRANTS.—The amount of the grant to a  
 18                   State under this section for a qualified enter-  
 19                   prise community referred to in paragraph  
 20                   (1)(D) shall be \$250,000.”.

21           (c) TIMING OF GRANTS.—Section 2007(a)(3) of the  
 22           Social Security Act (42 U.S.C. 1397f(a)(3)) is amended—

23                   (1) in the heading of subparagraph (A), by in-  
 24                   serting “ORIGINAL” before “QUALIFIED”;

(2) in subparagraph (A), in the matter preceding clause (i), by inserting “referred to in paragraph (1)(A)” after “empowerment zone”; and

(3) by adding after subparagraph (B) the following new subparagraphs:

“(C) ADDITIONAL QUALIFIED EMPOWERMENT ZONES.—With respect to each qualified empowerment zone referred to in paragraph (1)(C), the Secretary shall make 1 grant under this section to the State in which the zone lies, on January 1, 2002.

“(D) ADDITIONAL QUALIFIED ENTERPRISE COMMUNITIES.—With respect to each qualified enterprise community referred to in paragraph (1)(D), the Secretary shall make 1 grant under this section to the State in which the community lies on January 1, 2002.”.

(d) FUNDING.—Section 2007(a)(4) of the Social Security Act (42 U.S.C. 1397f(a)(4)) is amended—

(1) by striking “(4) FUNDING.—\$1,000,000,000” and inserting the following:

“(4) FUNDING.—

“(A) ORIGINAL GRANTS.—\$1,000,000,000”;

1           (2) by inserting “for empowerment zones and  
 2       enterprise communities described in subparagraphs  
 3       (A) and (B) of paragraph (1)” before the period;  
 4       and

5           (3) by adding after and below the end the fol-  
 6       lowing new subparagraphs:

7                   “(B) ADDITIONAL EMPOWERMENT ZONE  
 8       GRANTS.—\$85,000,000 shall be made available  
 9       to the Secretary for grants under this section  
 10      for empowerment zones referred to in para-  
 11      graph (1)(C).

12                   “(C) ADDITIONAL ENTERPRISE COMMU-  
 13      NITY GRANTS.—\$22,000,000 shall be made  
 14      available to the Secretary for grants under this  
 15      section for enterprise communities referred to  
 16      in paragraph (1)(D).”.

17       (e) DIRECT FUNDING FOR INDIAN TRIBES.—

18           (1) IN GENERAL.—Section 2007(a) of the So-  
 19      cial Security Act (42 U.S.C. 1397f(a)) is amended  
 20      by adding at the end the following new paragraph:

21                   “(5) DIRECT FUNDING FOR INDIAN TRIBES.—

22                   “(A) IN GENERAL.—The Secretary may  
 23      make a grant under this section directly to the  
 24      governing body of an Indian tribe if—



1 “(i) the tribe is identified in the stra-  
 2 tegic plan of a qualified empowerment zone  
 3 or qualified enterprise community as the  
 4 entity that assumes sole or primary re-  
 5 sponsibility for carrying out activities and  
 6 projects under the grant; and

7 “(ii) the grant is to be used for activi-  
 8 ties and projects that are—

9 “(I) included in the strategic  
 10 plan of the qualified empowerment  
 11 zone or qualified enterprise commu-  
 12 nity, consistent with this section; and

13 “(II) approved by the Secretary  
 14 of Agriculture, in the case of a quali-  
 15 fied empowerment zone or qualified  
 16 enterprise community in a rural area,  
 17 or the Secretary of Housing and  
 18 Urban Development, in the case of a  
 19 qualified empowerment zone or quali-  
 20 fied enterprise community in an urban  
 21 area.

22 “(B) RULES OF INTERPRETATION.—

23 “(i) If grant under this section is  
 24 made directly to the governing body of an  
 25 Indian tribe under subparagraph (A), the

1           tribe shall be considered a State for pur-  
2           poses of this section.

3           “(ii) This subparagraph shall not be  
4           construed as making applicable to this sec-  
5           tion the provisions of the Indian Self-De-  
6           termination and Education Assistance  
7           Act.”.

8           (2) DEFINITIONS.—Section 2007(f) of such Act  
9           (42 U.S.C. 1397f(f)) is amended by adding at the  
10          end the following new paragraph:

11          “(7) INDIAN TRIBE.—The term ‘Indian tribe’  
12          means any Indian tribe, band, nation, or other orga-  
13          nized group or community, including any Alaska Na-  
14          tive village or regional or village corporation as de-  
15          fined in or established pursuant to the Alaska Na-  
16          tive Claims Settlement Act, which is recognized as  
17          eligible for the special programs and services pro-  
18          vided by the United States to Indians because of  
19          their status as Indians.”.

## 20       **Subtitle C—Modification of Tax** 21       **Incentives for DC Zone**

### 22       **SEC. 121. EXTENSION OF DC ZONE THROUGH 2006.**

23          (a) IN GENERAL.—The following provisions are  
24          amended by striking “2002” each place it appears and  
25          inserting “2006”:

1 (1) Section 1400(f).

2 (2) Section 1400A(b).

3 (b) ZERO CAPITAL GAINS RATE.—Section 1400B  
4 (relating to zero percent capital gains rate) is amended—

5 (1) by striking “2003” each place it appears  
6 and inserting “2007”, and

7 (2) by striking “2007” each place it appears  
8 and inserting “2011”.

9 **SEC. 122. EXTENSION OF DC ZERO PERCENT CAPITAL**  
10 **GAINS RATE.**

11 (a) IN GENERAL.—Section 1400B (relating to zero  
12 percent capital gains rate) is amended by adding at the  
13 end the following new subsection:

14 “(h) EXTENSION TO ENTIRE DISTRICT OF COLUM-  
15 BIA.—In applying this section to any stock or partnership  
16 interest which is originally issued after December 31,  
17 2000, or any tangible property acquired by the taxpayer  
18 by purchase after December 31, 2000—

19 “(1) subsection (d) shall be applied without re-  
20 gard to paragraph (2) thereof, and

21 “(2) subsections (e)(2) and (g)(2) shall be ap-  
22 plied by substituting ‘January 1, 2001’ for ‘January  
23 1, 1998’.”.

24 (b) EFFECTIVE DATE.—The amendment made by  
25 this section shall take effect on January 1, 2001.

1 **SEC. 123. GROSS INCOME TEST FOR DC ZONE BUSINESSES.**

2 (a) IN GENERAL.—Section 1400B(c) (defining DC  
3 Zone business) is amended by adding “and” at the end  
4 of paragraph (1), by striking paragraph (2), and by redes-  
5 ignating paragraph (3) as paragraph (2).

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to stock and partnership interests  
8 originally issued after, and property originally acquired by  
9 the taxpayer after, December 31, 2000.

10 **SEC. 124. EXPANSION OF DC HOMEBUYER TAX CREDIT.**

11 (a) EXTENSION.—Section 1400C(i) (relating to ap-  
12 plication of section) is amended by striking “2002” and  
13 inserting “2004”.

14 (b) EXPANSION OF INCOME LIMITATION.—Section  
15 1400C(b)(1) (relating to limitation based on modified ad-  
16 justed gross income) is amended—

17 (1) by striking “\$110,000” in subparagraph  
18 (A)(i) and inserting “\$140,000”, and

19 (2) by inserting “(\$40,000 in the case of a joint  
20 return)” after “\$20,000” in subparagraph (B).

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 2000.

1       **Subtitle D—New Markets Tax**  
 2                   **Credit**

3   **SEC. 131. NEW MARKETS TAX CREDIT.**

4       (a) IN GENERAL.—Subpart D of part IV of sub-  
 5 chapter A of chapter 1 (relating to business-related cred-  
 6 its) is amended by adding at the end the following new  
 7 section:

8   **“SEC. 45D. NEW MARKETS TAX CREDIT.**

9       “(a) ALLOWANCE OF CREDIT.—

10           “(1) IN GENERAL.—For purposes of section 38,  
 11 in the case of a taxpayer who holds a qualified eq-  
 12 uity investment on a credit allowance date of such  
 13 investment which occurs during the taxable year, the  
 14 new markets tax credit determined under this sec-  
 15 tion for such taxable year is an amount equal to the  
 16 applicable percentage of the amount paid to the  
 17 qualified community development entity for such in-  
 18 vestment at its original issue.

19           “(2) APPLICABLE PERCENTAGE.—For purposes  
 20 of paragraph (1), the applicable percentage is—

21           “(A) 5 percent with respect to the first  
 22 three credit allowance dates, and

23           “(B) 6 percent with respect to the remain-  
 24 der of the credit allowance dates.

1           “(3) CREDIT ALLOWANCE DATE.—For purposes  
 2           of paragraph (1), the term ‘credit allowance date’  
 3           means, with respect to any qualified equity  
 4           investment—

5                   “(A) the date on which such investment is  
 6                   initially made, and

7                   “(B) each of the six anniversary dates of  
 8                   such date thereafter.

9           “(b) QUALIFIED EQUITY INVESTMENT.—For pur-  
 10          poses of this section—

11                   “(1) IN GENERAL.—The term ‘qualified equity  
 12                   investment’ means any equity investment in a quali-  
 13                   fied community development entity if—

14                           “(A) such investment is acquired by the  
 15                           taxpayer at its original issue (directly or  
 16                           through an underwriter) solely in exchange for  
 17                           cash,

18                           “(B) substantially all of such cash is used  
 19                           by the qualified community development entity  
 20                           to make qualified low-income community invest-  
 21                           ments, and

22                           “(C) such investment is designated for  
 23                           purposes of this section by the qualified com-  
 24                           munity development entity.

1       Such term shall not include any equity investment  
 2       issued by a qualified community development entity  
 3       more than 5 years after the date that such entity re-  
 4       ceives an allocation under subsection (f). Any alloca-  
 5       tion not used within such 5-year period may be re-  
 6       allocated by the Secretary under subsection (f).

7           “(2) LIMITATION.—The maximum amount of  
 8       equity investments issued by a qualified community  
 9       development entity which may be designated under  
 10      paragraph (1)(C) by such entity shall not exceed the  
 11      portion of the limitation amount allocated under  
 12      subsection (f) to such entity.

13          “(3) SAFE HARBOR FOR DETERMINING USE OF  
 14      CASH.—The requirement of paragraph (1)(B) shall  
 15      be treated as met if at least 85 percent of the aggre-  
 16      gate gross assets of the qualified community devel-  
 17      opment entity are invested in qualified low-income  
 18      community investments.

19          “(4) TREATMENT OF SUBSEQUENT PUR-  
 20      CHASERS.—The term ‘qualified equity investment’  
 21      includes any equity investment which would (but for  
 22      paragraph (1)(A)) be a qualified equity investment  
 23      in the hands of the taxpayer if such investment was  
 24      a qualified equity investment in the hands of a prior  
 25      holder.

1           “(5) REDEMPTIONS.—A rule similar to the rule  
2           of section 1202(c)(3) shall apply for purposes of this  
3           subsection.

4           “(6) EQUITY INVESTMENT.—The term ‘equity  
5           investment’ means—

6                   “(A) any stock (other than nonqualified  
7                   preferred stock as defined in section 351(g)(2))  
8                   in an entity which is a corporation, and

9                   “(B) any capital interest in an entity  
10                  which is a partnership.

11          “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTI-  
12          TY.—For purposes of this section—

13               “(1) IN GENERAL.—The term ‘qualified com-  
14               munity development entity’ means any domestic cor-  
15               poration or partnership if—

16                   “(A) the primary mission of the entity is  
17                   serving, or providing investment capital for,  
18                   low-income communities or low-income persons,

19                   “(B) the entity maintains accountability to  
20                   residents of low-income communities through  
21                   their representation on any governing board of  
22                   the entity or on any advisory boards to the enti-  
23                   ty, and



1           “(C) the entity is certified by the Secretary  
 2           for purposes of this section as being a qualified  
 3           community development entity.

4           “(2) SPECIAL RULES FOR CERTAIN ORGANIZA-  
 5           TIONS.—The requirements of paragraph (1) shall be  
 6           treated as met by—

7           “(A) any specialized small business invest-  
 8           ment company (as defined in section  
 9           1044(c)(3)), and

10           “(B) any community development financial  
 11           institution (as defined in section 103 of the  
 12           Community Development Banking and Finan-  
 13           cial Institutions Act of 1994 (12 U.S.C. 4702)).

14           “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-  
 15           MENTS.—For purposes of this section—

16           “(1) IN GENERAL.—The term ‘qualified low-in-  
 17           come community investment’ means—

18           “(A) any capital or equity investment in,  
 19           or loan to, any qualified active low-income com-  
 20           munity business,

21           “(B) the purchase from another commu-  
 22           nity development entity of any loan made by  
 23           such entity which is a qualified low-income com-  
 24           munity investment,

1           “(C) financial counseling and other serv-  
 2           ices specified in regulations prescribed by the  
 3           Secretary to businesses located in, and resi-  
 4           dents of, low-income communities, and

5           “(D) any equity investment in, or loan to,  
 6           any qualified community development entity.

7           “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-  
 8           NITY BUSINESS.—

9           “(A) IN GENERAL.—For purposes of para-  
 10          graph (1), the term ‘qualified active low-income  
 11          community business’ means, with respect to any  
 12          taxable year, any corporation (including a non-  
 13          profit corporation) or partnership if for such  
 14          year—

15               “(i) at least 50 percent of the total  
 16               gross income of such entity is derived from  
 17               the active conduct of a qualified business  
 18               within any low-income community,

19               “(ii) a substantial portion of the use  
 20               of the tangible property of such entity  
 21               (whether owned or leased) is within any  
 22               low-income community,

23               “(iii) a substantial portion of the serv-  
 24               ices performed for such entity by its em-

1            ployees are performed in any low-income  
2            community,

3            “(iv) less than 5 percent of the aver-  
4            age of the aggregate unadjusted bases of  
5            the property of such entity is attributable  
6            to collectibles (as defined in section  
7            408(m)(2)) other than collectibles that are  
8            held primarily for sale to customers in the  
9            ordinary course of such business, and

10           “(v) less than 5 percent of the aver-  
11           age of the aggregate unadjusted bases of  
12           the property of such entity is attributable  
13           to nonqualified financial property (as de-  
14           fined in section 1397C(e)).

15           “(B) PROPRIETORSHIP.—Such term shall  
16           include any business carried on by an individual  
17           as a proprietor if such business would meet the  
18           requirements of subparagraph (A) were it incor-  
19           porated.

20           “(C) PORTIONS OF BUSINESS MAY BE  
21           QUALIFIED ACTIVE LOW-INCOME COMMUNITY  
22           BUSINESS.—The term ‘qualified active low-in-  
23           come community business’ includes any trades  
24           or businesses which would qualify as a qualified  
25           active low-income community business if such

1 trades or businesses were separately incor-  
 2 porated.

3 “(3) QUALIFIED BUSINESS.—For purposes of  
 4 this subsection, the term ‘qualified business’ has the  
 5 meaning given to such term by section 1397C(d); ex-  
 6 cept that—

7 “(A) in lieu of applying paragraph (2)(B)  
 8 thereof, the rental to others of real property lo-  
 9 cated in any low-income community shall be  
 10 treated as a qualified business if there are sub-  
 11 stantial improvements located on such property,  
 12 and

13 “(B) paragraph (3) thereof shall not apply.

14 “(e) LOW-INCOME COMMUNITY.—For purposes of  
 15 this section—

16 “(1) IN GENERAL.—The term ‘low-income com-  
 17 munity’ means any population census tract if—

18 “(A) the poverty rate for such tract is at  
 19 least 20 percent, or

20 “(B)(i) in the case of a tract not located  
 21 within a metropolitan area, the median family  
 22 income for such tract does not exceed 80 per-  
 23 cent of statewide median family income, or

24 “(ii) in the case of a tract located within  
 25 a metropolitan area, the median family income

1           for such tract does not exceed 80 percent of the  
 2           greater of statewide median family income or  
 3           the metropolitan area median family income.

4           “(2) TARGETED AREAS.—The Secretary may  
 5           designate any area within any census tract as a low-  
 6           income community if—

7                   “(A) the boundary of such area is contin-  
 8           uous,

9                   “(B) the area would satisfy the require-  
 10          ments of paragraph (1) if it were a census  
 11          tract, and

12                  “(C) an inadequate access to investment  
 13          capital exists in such area.

14          “(3) AREAS NOT WITHIN CENSUS TRACTS.—In  
 15          the case of an area which is not tracted for popu-  
 16          lation census tracts, the equivalent county divisions  
 17          (as defined by the Bureau of the Census for pur-  
 18          poses of defining poverty areas) shall be used for  
 19          purposes of determining poverty rates and median  
 20          family income.

21          “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-  
 22          MENTS DESIGNATED.—

23                  “(1) IN GENERAL.—There is a new markets tax  
 24          credit limitation for each calendar year. Such limita-  
 25          tion is—

1 “(A) \$1,000,000,000 for 2002, and

2 “(B) \$1,500,000,000 for 2003, 2004,  
3 2005, and 2006.

4 “(2) ALLOCATION OF LIMITATION.—The limita-  
5 tion under paragraph (1) shall be allocated by the  
6 Secretary among qualified community development  
7 entities selected by the Secretary. In making alloca-  
8 tions under the preceding sentence, the Secretary  
9 shall give priority to any entity—

10 “(A) with a record of having successfully  
11 provided capital or technical assistance to dis-  
12 advantaged businesses or communities, or

13 “(B) which intends to satisfy the require-  
14 ment under subsection (b)(1)(B) by making  
15 qualified low-income community investments in  
16 1 or more businesses in which persons unre-  
17 lated to such entity (within the meaning of sec-  
18 tion 267(b) or 707(b)(1)) hold the majority eq-  
19 uity interest.

20 “(3) CARRYOVER OF UNUSED LIMITATION.—If  
21 the new markets tax credit limitation for any cal-  
22 endar year exceeds the aggregate amount allocated  
23 under paragraph (2) for such year, such limitation  
24 for the succeeding calendar year shall be increased  
25 by the amount of such excess. No amount may be

1 carried under the preceding sentence to any calendar  
2 year after 2013.

3 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

4 “(1) IN GENERAL.—If, at any time during the  
5 7-year period beginning on the date of the original  
6 issue of a qualified equity investment in a qualified  
7 community development entity, there is a recapture  
8 event with respect to such investment, then the tax  
9 imposed by this chapter for the taxable year in  
10 which such event occurs shall be increased by the  
11 credit recapture amount.

12 “(2) CREDIT RECAPTURE AMOUNT.—For pur-  
13 poses of paragraph (1), the credit recapture amount  
14 is an amount equal to the sum of—

15 “(A) the aggregate decrease in the credits  
16 allowed to the taxpayer under section 38 for all  
17 prior taxable years which would have resulted if  
18 no credit had been determined under this sec-  
19 tion with respect to such investment, plus

20 “(B) interest at the underpayment rate es-  
21 tablished under section 6621 on the amount de-  
22 termined under subparagraph (A) for each  
23 prior taxable year for the period beginning on  
24 the due date for filing the return for the prior  
25 taxable year involved.

1 No deduction shall be allowed under this chapter for  
 2 interest described in subparagraph (B).

3 “(3) RECAPTURE EVENT.—For purposes of  
 4 paragraph (1), there is a recapture event with re-  
 5 spect to an equity investment in a qualified commu-  
 6 nity development entity if—

7 “(A) such entity ceases to be a qualified  
 8 community development entity,

9 “(B) the proceeds of the investment cease  
 10 to be used as required of subsection (b)(1)(B),  
 11 or

12 “(C) such investment is redeemed by such  
 13 entity.

14 “(4) SPECIAL RULES.—

15 “(A) TAX BENEFIT RULE.—The tax for  
 16 the taxable year shall be increased under para-  
 17 graph (1) only with respect to credits allowed  
 18 by reason of this section which were used to re-  
 19 duce tax liability. In the case of credits not so  
 20 used to reduce tax liability, the carryforwards  
 21 and carrybacks under section 39 shall be appro-  
 22 priately adjusted.

23 “(B) NO CREDITS AGAINST TAX.—Any in-  
 24 crease in tax under this subsection shall not be  
 25 treated as a tax imposed by this chapter for



1           purposes of determining the amount of any  
2           credit under this chapter or for purposes of sec-  
3           tion 55.

4           “(h) BASIS REDUCTION.—The basis of any qualified  
5 equity investment shall be reduced by the amount of any  
6 credit determined under this section with respect to such  
7 investment. This subsection shall not apply for purposes  
8 of sections 1202, 1397B, and 1400B.

9           “(i) REGULATIONS.—The Secretary shall prescribe  
10 such regulations as may be appropriate to carry out this  
11 section, including regulations—

12           “(1) which limit the credit for investments  
13 which are directly or indirectly subsidized by other  
14 Federal tax benefits (including the credit under sec-  
15 tion 42 and the exclusion from gross income under  
16 section 103),

17           “(2) which prevent the abuse of the purposes of  
18 this section,

19           “(3) which provide rules for determining wheth-  
20 er the requirement of subsection (b)(1)(B) is treated  
21 as met,

22           “(4) which impose appropriate reporting re-  
23 quirements, and

24           “(5) which apply the provisions of this section  
25 to newly formed entities.”.

1 (b) CREDIT MADE PART OF GENERAL BUSINESS  
2 CREDIT.—

3 (1) IN GENERAL.—Subsection (b) of section 38  
4 is amended by striking “plus” at the end of para-  
5 graph (11), by striking the period at the end of  
6 paragraph (12) and inserting “, plus”, and by add-  
7 ing at the end the following new paragraph:

8 “(13) the new markets tax credit determined  
9 under section 45D(a).”.

10 (2) LIMITATION ON CARRYBACK.—Subsection  
11 (d) of section 39 is amended by adding at the end  
12 the following new paragraph:

13 “(9) NO CARRYBACK OF NEW MARKETS TAX  
14 CREDIT BEFORE JANUARY 1, 2002.—No portion of  
15 the unused business credit for any taxable year  
16 which is attributable to the credit under section 45D  
17 may be carried back to a taxable year ending before  
18 January 1, 2002.”.

19 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection  
20 (c) of section 196 is amended by striking “and” at the  
21 end of paragraph (7), by striking the period at the end  
22 of paragraph (8) and inserting “, and”, and by adding  
23 at the end the following new paragraph:

24 “(9) the new markets tax credit determined  
25 under section 45D(a).”.

1 (d) CLERICAL AMENDMENT.—The table of sections  
 2 for subpart D of part IV of subchapter A of chapter 1  
 3 is amended by adding at the end the following new item:

“Sec. 45D. New markets tax credit.”.

4 (e) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to investments made after Decem-  
 6 ber 31, 2001.

7 (f) REGULATIONS ON ALLOCATION OF NATIONAL  
 8 LIMITATION.—Not later than 120 days after the date of  
 9 the enactment of this Act, the Secretary of the Treasury  
 10 or the Secretary’s delegate shall prescribe regulations  
 11 which specify—

12 (1) how entities shall apply for an allocation  
 13 under section 45D(f)(2) of the Internal Revenue  
 14 Code of 1986, as added by this section;

15 (2) the competitive procedure through which  
 16 such allocations are made; and

17 (3) the actions that such Secretary or delegate  
 18 shall take to ensure that such allocations are prop-  
 19 erly made to appropriate entities.

20 (g) AUDIT AND REPORT.—Not later than January 31  
 21 of 2004 and 2007, the Comptroller General of the United  
 22 States shall, pursuant to an audit of the new markets tax  
 23 credit program established under section 45D of the Inter-  
 24 nal Revenue Code of 1986 (as added by subsection (a)),  
 25 report to Congress on such program, including all quali-

1 fied community development entities that receive an allo-  
 2 cation under the new markets credit under such section.

### 3       **Subtitle E—Modification of Tax** 4       **Incentives for Puerto Rico**

#### 5       **SEC. 141. MODIFICATION OF PUERTO RICO ECONOMIC AC-** 6       **TIVITY TAX CREDIT.**

7       (a) CORPORATIONS ELIGIBLE TO CLAIM CREDIT.—  
 8       Section 30A(a)(2) (defining qualified domestic corpora-  
 9       tion) is amended to read as follows:

10               “(2) QUALIFIED DOMESTIC CORPORATION.—

11       For purposes of paragraph (1)—

12               “(A) IN GENERAL.—A domestic corpora-  
 13       tion shall be treated as a qualified domestic cor-  
 14       poration for a taxable year if it is actively con-  
 15       ducting within Puerto Rico during the taxable  
 16       year—

17               “(i) a line of business with respect to  
 18       which the domestic corporation is an exist-  
 19       ing credit claimant under section  
 20       936(j)(9), or

21               “(ii) with respect to taxable years  
 22       ending after December 31, 2000, an eligi-  
 23       ble line of business not described in clause  
 24       (i) with respect to which the domestic cor-  
 25       poration is an existing credit claimant

1 under section 936(j)(9) (determined with-  
 2 out regard to subparagraph (B) thereof).

3 “(B) LIMITATION TO LINES OF BUSI-  
 4 NESS.—A domestic corporation shall be treated  
 5 as a qualified domestic corporation under sub-  
 6 paragraph (A) only with respect to the lines of  
 7 business described in subparagraph (A) which it  
 8 is actively conducting in Puerto Rico during the  
 9 taxable year.

10 “(C) EXCEPTION FOR CORPORATIONS  
 11 ELECTING REDUCED CREDIT.—A domestic cor-  
 12 poration shall not be treated as a qualified do-  
 13 mestic corporation if such corporation (or any  
 14 predecessor) had an election in effect under sec-  
 15 tion 936(a)(4)(B)(iii) for any taxable year be-  
 16 ginning after December 31, 1996.”.

17 (b) APPLICATION ON SEPARATE LINE OF BUSINESS  
 18 BASIS; ELIGIBLE LINE OF BUSINESS.—Section 30A is  
 19 amended by redesignating subsection (g) as subsection (h)  
 20 and by inserting after subsection (f) the following new  
 21 subsection:

22 “(g) APPLICATION ON LINE OF BUSINESS BASIS; EL-  
 23 IGIBLE LINES OF BUSINESS.—For purposes of this  
 24 section—

1           “(1) APPLICATION TO SEPARATE LINE OF BUSI-  
2       NESS.—

3           “(A) IN GENERAL.—In determining the  
4       amount of the credit under subsection (a), this  
5       section shall be applied separately with respect  
6       to each substantial line of business of the quali-  
7       fied domestic corporation described in sub-  
8       section (a)(2)(A)(ii).

9           “(B) ALLOCATION.—The Secretary shall  
10      prescribe rules necessary to carry out the pur-  
11      poses of this paragraph, including rules—

12           “(i) for the allocation of items of in-  
13      come, gain, deduction, and loss for pur-  
14      poses of determining taxable income under  
15      subsection (a), and

16           “(ii) for the allocation of wages, fringe  
17      benefit expenses, and depreciation allow-  
18      ances for purposes of applying the limita-  
19      tions under subsection (d).

20           “(2) ELIGIBLE LINE OF BUSINESS.—The term  
21      ‘eligible line of business’ means a substantial line of  
22      business established by a qualified domestic corpora-  
23      tion described in subsection (a)(2)(A)(ii) after De-  
24      cember 31, 2000.”.

1 (c) MODIFICATION OF BASE PERIOD CAP FOR EXIST-  
 2 ING CLAIMANTS.—The last sentence of section 30A(a)(1)  
 3 (relating to allowance of credit) is amended—

4 (1) by striking “In” and inserting “With re-  
 5 spect to any qualified domestic corporation described  
 6 in paragraph (2)(A)(i), in”,

7 (2) by inserting “the greater of” after “ex-  
 8 ceed”, and

9 (3) by inserting “, or such income multiplied by  
 10 the ratio of the average number of full-time employ-  
 11 ees of such taxpayers during the taxable year to the  
 12 average number of such full-time employees in 1995  
 13 and 1996” after “section 936(j)”.

14 (d) CREDIT TAKEN OVER 5-YEAR PERIOD.—Section  
 15 30A, as amended by subsection (b), is amended by redes-  
 16 ignating subsection (h) as subsection (i) and by inserting  
 17 after subsection (g) the following new subsection:

18 “(h) CREDIT TAKEN OVER 5-YEAR PERIOD.—In the  
 19 case of any qualified domestic corporation described in  
 20 paragraph (2)(A)(ii), the aggregate amount of the credit  
 21 otherwise determined under subsection (a) for any taxable  
 22 year shall be allowed ratably over the 5-taxable year period  
 23 beginning with such taxable year.”.

24 (e) CONFORMING AMENDMENTS.—

1           (1) Section 30A(a)(3) is amended by striking  
2           “an existing credit claimant” and inserting “a quali-  
3           fied domestic corporation”.

4           (2) Section 30A(b) is amended by striking  
5           “within a possession” each place it appears and in-  
6           serting “within Puerto Rico”.

7           (3) Section 30A(d) is amended by striking  
8           “possession” each place it appears.

9           (4) Section 30A(f) is amended to read as fol-  
10          lows:

11          “(f) DEFINITIONS.—For purposes of this section—

12               “(1) QUALIFIED INCOME TAXES.—The qualified  
13               income taxes for any taxable year allocable to non-  
14               sheltered income shall be determined in the same  
15               manner as under section 936(i)(3).

16               “(2) QUALIFIED WAGES.—The qualified wages  
17               for any taxable year shall be determined in the same  
18               manner as under section 936(i)(1).

19               “(3) OTHER TERMS.—Any term used in this  
20               section which is also used in section 936 shall have  
21               the same meaning given such term by section 936.”.

22          (f) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to taxable years ending after De-  
24          cember 31, 2000.



## **Subtitle F—Individual Development Accounts**

### **SEC. 151. DEFINITIONS.**

As used in this subtitle:

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term “eligible individual” means an individual who—

(i) has attained the age of 18 years;

(ii) is a citizen or legal resident of the United States; and

(iii) is a member of a household—

(I) the gross income of which does not exceed 60 percent of the national median family income (as published by the Bureau of the Census), as adjusted for family size; and

(II) the net worth of which does not exceed \$10,000.

(B) HOUSEHOLD.—The term “household” means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(C) DETERMINATION OF NET WORTH.—

(i) IN GENERAL.—For purposes of subparagraph (A)(iii)(II), the net worth of a household is the amount equal to—

(I) the aggregate fair market value of all assets that are owned in whole or in part by any member of a household, minus

(II) the obligations or debts of any member of the household.

(ii) CERTAIN ASSETS DISREGARDED.—For purposes of determining the net worth of a household, a household’s assets shall not be considered to include—

(I) the primary dwelling unit;

(II) 1 motor vehicle owned by the household; and

(III) the sum of all contributions by an eligible individual (including earnings thereon) to any Individual Development Account, plus the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

The term “Individual Development Account” means

1 an account established for an eligible individual as  
2 part of a qualified individual development account  
3 program, but only if the written governing instru-  
4 ment creating the account meets the following re-  
5 quirements:

6 (A) The sole owner of the account is the  
7 eligible individual.

8 (B) No contribution will be accepted unless  
9 it is in cash, by check, by electronic fund trans-  
10 fer, or by electronic money order.

11 (C) The holder of the account is a quali-  
12 fied financial institution, a qualified nonprofit  
13 organization, or an Indian tribe.

14 (D) The assets of the account will not be  
15 commingled with other property except in a  
16 common trust fund or common investment  
17 fund.

18 (E) Except as provided in section 156(b),  
19 any amount in the account may be paid out  
20 only for the purpose of paying the qualified ex-  
21 penses of the eligible individual.

22 (3) PARALLEL ACCOUNT.—The term “parallel  
23 account” means a separate, parallel individual or  
24 pooled account for all matching funds and earnings  
25 dedicated to an eligible individual as part of a quali-

1       fied individual development account program, the  
2       sole owner of which is a qualified financial institu-  
3       tion, a qualified nonprofit organization, or an Indian  
4       tribe.

5           (4) QUALIFIED FINANCIAL INSTITUTION.—

6           (A) IN GENERAL.—The term “qualified fi-  
7       nancial institution” means any person author-  
8       ized to be a trustee of any individual retirement  
9       account under section 408(a)(2).

10          (B) RULE OF CONSTRUCTION.—Nothing in  
11       this paragraph shall be construed as preventing  
12       a person described in subparagraph (A) from  
13       collaborating with 1 or more contractual affili-  
14       ates, qualified nonprofit organizations, or In-  
15       dian tribes to carry out an individual develop-  
16       ment account program established under sec-  
17       tion 152.

18          (5) QUALIFIED NONPROFIT ORGANIZATION.—

19       The term “qualified nonprofit organization”  
20       means—

21           (A) any organization described in section  
22       501(c)(3) of the Internal Revenue Code of 1986  
23       and exempt from taxation under section 501(a)  
24       of such Code;

1 (B) any community development financial  
 2 institution certified by the Community Develop-  
 3 ment Financial Institution Fund; or

4 (C) any credit union chartered under Fed-  
 5 eral or State law and certified by the National  
 6 Credit Union Administration,  
 7 that meets standards for financial management and  
 8 fiduciary responsibility as defined by the Secretary  
 9 or an organization designated by the Secretary.

10 (6) INDIAN TRIBE.—The term “Indian tribe”  
 11 means any Indian tribe as defined in section 4(12)  
 12 of the Native American Housing Assistance and  
 13 Self-Determination Act of 1996 (25 U.S.C.  
 14 4103(12), and includes any tribal subsidiary, sub-  
 15 division, or other wholly owned tribal entity.

16 (7) QUALIFIED INDIVIDUAL DEVELOPMENT AC-  
 17 COUNT PROGRAM.—The term “qualified individual  
 18 development account program” means a program es-  
 19 tablished under section 152 under which—

20 (A) Individual Development Accounts and  
 21 parallel accounts are held by a qualified finan-  
 22 cial institution, a qualified nonprofit organiza-  
 23 tion, or an Indian tribe; and

24 (B) additional activities determined by the  
 25 Secretary, or an organization designated by the

Secretary, as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to account holders, and regular program monitoring, are carried out by such qualified financial institution, qualified nonprofit organization, or Indian tribe.

(8) QUALIFIED EXPENSE DISTRIBUTION.—

(A) IN GENERAL.—The term “qualified expense distribution” means any amount paid (including through electronic payments) or distributed out of an Individual Development Account and a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of such individual or such individual’s spouse or dependents;

(ii) is paid by the qualified financial institution, qualified nonprofit organization, or Indian tribe directly to the person to whom the amount is due or to another Individual Development Account; and

(iii) is paid after the holder of the Individual Development Account has com-

1           pleted a financial education course as re-  
2           quired under section 153(b).

3           (B) QUALIFIED EXPENSES.—

4                 (i) IN GENERAL.—The term “qualified  
5           expenses” means any of the following:

6                         (I) Qualified higher education ex-  
7                         penses.

8                         (II) Qualified first-time home-  
9                         buyer costs.

10                        (III) Qualified business capital-  
11                        ization or expansion costs.

12                        (IV) Qualified rollovers.

13                 (ii) QUALIFIED HIGHER EDUCATION  
14           EXPENSES.—

15                        (I) IN GENERAL.—The term  
16                        “qualified higher education expenses”  
17                        has the meaning given such term by  
18                        section 72(t)(7) of the Internal Rev-  
19                        enue Code of 1986, determined by  
20                        treating postsecondary vocational edu-  
21                        cational schools as eligible educational  
22                        institutions.

23                        (II) POSTSECONDARY VOCA-  
24                        TIONAL EDUCATION SCHOOL.—The  
25                        term “postsecondary vocational edu-

1           cational school” means an area voca-  
 2           tional education school (as defined in  
 3           subparagraph (C) or (D) of section  
 4           521(4) of the Carl D. Perkins Voca-  
 5           tional and Applied Technology Edu-  
 6           cation Act (20 U.S.C. 2471(4)))  
 7           which is in any State (as defined in  
 8           section 521(33) of such Act), as such  
 9           sections are in effect on the date of  
 10          the enactment of this Act.

11                   (III)       COORDINATION       WITH  
 12           OTHER BENEFITS.—The amount of  
 13           qualified higher education expenses  
 14           for any taxable year shall be reduced  
 15           as provided in section 25A(g)(2) of  
 16           such Code and by the amount of such  
 17           expenses for which a credit or exclu-  
 18           sion is allowed under chapter 1 of  
 19           such Code for such taxable year.

20                   (iii)   QUALIFIED FIRST-TIME HOME-  
 21           BUYER COSTS.—The term “qualified first-  
 22           time homebuyer costs” means qualified ac-  
 23           quisition costs (as defined in section  
 24           72(t)(8) of such Code without regard to  
 25           subparagraph (B) thereof) with respect to



1 a principal residence (within the meaning  
2 of section 121 of such Code) for a qualified  
3 first-time homebuyer (as defined in section  
4 72(t)(8) of such Code).

5 (iv) QUALIFIED BUSINESS CAPITAL-  
6 IZATION OR EXPANSION COSTS.—

7 (I) IN GENERAL.—The term  
8 “qualified business capitalization or  
9 expansion costs” means qualified ex-  
10 penditures for the capitalization or ex-  
11 pansion of a qualified business pursu-  
12 ant to a qualified business plan.

13 (II) QUALIFIED EXPENDI-  
14 TURES.—The term “qualified expendi-  
15 tures” means expenditures included in  
16 a qualified business plan, including  
17 capital, plant, equipment, working  
18 capital, inventory expenses, attorney  
19 and accounting fees, and other costs  
20 normally associated with starting or  
21 expanding a business.

22 (III) QUALIFIED BUSINESS.—  
23 The term “qualified business” means  
24 any business that does not contravene  
25 any law.

## 1 (IV) QUALIFIED BUSINESS

2 PLAN.—The term “qualified business  
3 plan” means a business plan which  
4 meets such requirements as the Sec-  
5 retary or an organization designated  
6 by the Secretary may specify.

7 (v) QUALIFIED ROLLOVERS.—The  
8 term “qualified rollover” means, with re-  
9 spect to any distribution from an Indi-  
10 vidual Development Account, the payment,  
11 within 120 days of such distribution, of all  
12 or a portion of such distribution to such  
13 account or to another Individual Develop-  
14 ment Account established in another quali-  
15 fied financial institution, qualified non-  
16 profit organization, or Indian tribe for the  
17 benefit of the eligible individual, or, if such  
18 individual is deceased, the spouse, any de-  
19 pendent, or other named beneficiary of the  
20 deceased. Rules similar to the rules of sec-  
21 tion 408(d)(3) of such Code (other than  
22 subparagraph (C) thereof) shall apply for  
23 purposes of this clause.

24 (9) SECRETARY.—The term “Secretary” means  
25 the Secretary of the Treasury.

1 **SEC. 152. STRUCTURE AND ADMINISTRATION OF QUALI-**  
2 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**  
3 **PROGRAMS.**

4 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-  
5 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-  
6 cial institution, qualified nonprofit organization, or Indian  
7 tribe may establish 1 or more qualified individual develop-  
8 ment account programs which meet the requirements of  
9 this subtitle.

10 (b) BASIC PROGRAM STRUCTURE.—

11 (1) IN GENERAL.—All qualified individual de-  
12 velopment account programs shall consist of the fol-  
13 lowing 2 components:

14 (A) An Individual Development Account to  
15 which an eligible individual may contribute  
16 money in accordance with section 154.

17 (B) A parallel account to which all match-  
18 ing funds shall be deposited in accordance with  
19 section 155.

20 (2) TAILORED IDA PROGRAMS.—A qualified fi-  
21 nancial institution, qualified nonprofit organization,  
22 or Indian tribe may tailor its qualified individual de-  
23 velopment account program to allow matching funds  
24 to be spent on 1 or more of the categories of quali-  
25 fied expenses.

1 (c) TAX TREATMENT OF ACCOUNTS.—Any account  
 2 described in subparagraph (B) of subsection (b)(1) is ex-  
 3 empt from taxation under the Internal Revenue Code of  
 4 1986 unless such account has ceased to be such an ac-  
 5 count by reason of section 156(c) or the termination of  
 6 the qualified individual development account program  
 7 under section 157(b).

8 **SEC. 153. PROCEDURES FOR OPENING AN INDIVIDUAL DE-**  
 9 **VELOPMENT ACCOUNT AND QUALIFYING FOR**  
 10 **MATCHING FUNDS.**

11 (a) OPENING AN ACCOUNT.—An eligible individual  
 12 must open an Individual Development Account with a  
 13 qualified financial institution, qualified nonprofit organi-  
 14 zation, or Indian tribe and contribute money in accordance  
 15 with section 154 to qualify for matching funds in a par-  
 16 allel account.

17 (b) REQUIRED COMPLETION OF FINANCIAL EDU-  
 18 CATION COURSE.—

19 (1) IN GENERAL.—Before becoming eligible to  
 20 withdraw matching funds to pay for qualified ex-  
 21 penses, holders of Individual Development Accounts  
 22 must complete a financial education course offered  
 23 by a qualified financial institution, a qualified non-  
 24 profit organization, an Indian tribe, or a government  
 25 entity.

1           (2) STANDARD AND APPLICABILITY OF  
 2 COURSE.—The Secretary or an organization des-  
 3 ignated by the Secretary, in consultation with rep-  
 4 resentatives of qualified individual development ac-  
 5 count programs and financial educators, shall estab-  
 6 lish minimum performance standards for financial  
 7 education courses offered under paragraph (1) and  
 8 a protocol to exempt eligible individuals from the re-  
 9 quirement under paragraph (1) because of hardship  
 10 or lack of need.

11 **SEC. 154. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT**  
 12 **ACCOUNTS.**

13       (a) IN GENERAL.—Except in the case of a qualified  
 14 rollover, individual contributions to an Individual Develop-  
 15 ment Account will not be accepted for the taxable year  
 16 in excess of the lesser of—

17           (1) \$2,000; or

18           (2) an amount equal to the sum of—

19               (A) the compensation (as defined in section  
 20 219(f)(1) of the Internal Revenue Code of  
 21 1986) includible in the individual's gross in-  
 22 come for such taxable year; and

23               (B) in the case of an eligible individual  
 24 who has retired on disability (within the mean-  
 25 ing of section 22 of the Internal Revenue Code

1 of 1986) before the close of the taxable year,  
2 any amount received as a disability benefit and  
3 excluded from the individual's gross income for  
4 such taxable year.

5 (b) PROOF OF COMPENSATION AND STATUS AS AN  
6 ELIGIBLE INDIVIDUAL.—Federal W-2 forms and other  
7 forms specified by the Secretary proving the eligible indi-  
8 vidual's wages and other compensation (including amounts  
9 described in subsection (a)(2)(B)) and the status of the  
10 individual as an eligible individual shall be presented at  
11 the time of the establishment of the Individual Develop-  
12 ment Account and at least once annually thereafter.

13 (c) DEEMED WITHDRAWALS OF EXCESS CONTRIBU-  
14 TIONS.—If the individual for whose benefit an Individual  
15 Development Account is established contributes an  
16 amount in excess of the amount allowed under subsection  
17 (a) and fails to withdraw the excess contribution plus the  
18 amount of net income attributable to such excess contribu-  
19 tion on or before the day prescribed by law (including ex-  
20 tensions of time) for filing such individual's return of tax  
21 for the taxable year, such excess contribution and net in-  
22 come shall be deemed to have been withdrawn on such day  
23 by such individual for purposes other than to pay qualified  
24 expenses.

1 (d) CROSS REFERENCE.—

**For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.**

2 **SEC. 155. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**  
 3 **MENT ACCOUNT PROGRAMS.**

4 (a) PARALLEL ACCOUNTS.—The qualified financial  
 5 institution, qualified nonprofit organization, or Indian  
 6 tribe shall deposit all matching funds for each Individual  
 7 Development Account into a parallel account at a qualified  
 8 financial institution, qualified nonprofit organization, or  
 9 Indian tribe.

10 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

11 (1) IN GENERAL.—Subject to paragraph (2),  
 12 the qualified financial institution, qualified nonprofit  
 13 organization, or Indian tribe shall not less than an-  
 14 nually (or upon a proper withdrawal request under  
 15 section 156, if necessary) deposit into the parallel  
 16 account with respect to each eligible individual the  
 17 following:

18 (A) A dollar-for-dollar match for the first  
 19 \$300 contributed by the eligible individual into  
 20 an Individual Development Account with re-  
 21 spect to any taxable year.

1 (B) Any matching funds provided by State,  
 2 local, or private sources in accordance to the  
 3 matching ratio set by those sources.

4 (2) CROSS REFERENCE.—

**For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.**

5 (c) FORFEITURE OF MATCHING FUNDS.—Matching  
 6 funds that are forfeited under section 156(b) shall be used  
 7 by the qualified financial institution, qualified nonprofit  
 8 organization, or Indian tribe to pay matches for other In-  
 9 dividual Development Account contributions by eligible in-  
 10 dividuals.

11 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-  
 12 sure proper recordkeeping and determination of the tax  
 13 credit under section 30C of the Internal Revenue Code of  
 14 1986, the Secretary shall prescribe regulations with re-  
 15 spect to accounting for matching funds from all possible  
 16 sources in the parallel accounts.

17 (e) REGULAR REPORTING OF ACCOUNTS.—Any  
 18 qualified financial institution, qualified nonprofit organi-  
 19 zation, or Indian tribe shall report the balances in any  
 20 Individual Development Account and parallel account of  
 21 an eligible individual on not less than an annual basis.



1 **SEC. 156. WITHDRAWAL PROCEDURES.**

2 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To  
3 withdraw money from an eligible individual's Individual  
4 Development Account to pay qualified expenses of such  
5 individual or such individual's spouse or dependents, the  
6 qualified financial institution, qualified nonprofit organi-  
7 zation, or Indian tribe shall directly transfer such funds  
8 from the Individual Development Account, and, if applica-  
9 ble, from the parallel account electronically to the vendor  
10 or other Individual Development Account. If the vendor  
11 is not equipped to receive funds electronically, the quali-  
12 fied financial institution, qualified nonprofit organization,  
13 or Indian tribe may issue such funds by paper check to  
14 the vendor.

15 (b) WITHDRAWALS FOR NONQUALIFIED EX-  
16 PENSES.—An Individual Development Account holder may  
17 unilaterally withdraw funds from the Individual Develop-  
18 ment Account for purposes other than to pay qualified ex-  
19 penses, but shall forfeit the corresponding matching funds  
20 and interest earned on the matching funds by doing so,  
21 unless such withdrawn funds are recontributed to such Ac-  
22 count by September 30 following the withdrawal.

23 (c) DEEMED WITHDRAWALS FROM ACCOUNTS OF  
24 NONELIGIBLE INDIVIDUALS.—If the individual for whose  
25 benefit an Individual Development Account is established  
26 ceases to be an eligible individual, such account shall cease

1 to be an Individual Development Account as of the first  
 2 day of the taxable year of such individual and any balance  
 3 in such account shall be deemed to have been withdrawn  
 4 on such first day by such individual for purposes other  
 5 than to pay qualified expenses.

6 (d) TAX TREATMENT OF MATCHING FUNDS.—Any  
 7 amount withdrawn from a parallel account shall not be  
 8 includible in an eligible individual's gross income.

9 **SEC. 157. CERTIFICATION AND TERMINATION OF QUALI-**  
 10 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**  
 11 **PROGRAMS.**

12 (a) CERTIFICATION PROCEDURES.—Upon estab-  
 13 lishing a qualified individual development account pro-  
 14 gram under section 152, a qualified financial institution,  
 15 qualified nonprofit organization, or Indian tribe shall cer-  
 16 tify to the Secretary, or an organization designated by the  
 17 Secretary, on forms prescribed by the Secretary or such  
 18 organization and accompanied by any documentation re-  
 19 quired by the Secretary or such organization, that—

20 (1) the accounts described in subparagraphs

21 (A) and (B) of section 152(b)(1) are operating pur-  
 22 suant to all the provisions of this subtitle; and

23 (2) the qualified financial institution, qualified  
 24 nonprofit organization, or Indian tribe agrees to im-  
 25 plement an information system necessary to monitor

1 the cost and outcomes of the qualified individual de-  
2 velopment account program.

3 (b) AUTHORITY TO TERMINATE QUALIFIED IDA  
4 PROGRAM.—If the Secretary, or an organization des-  
5 igned by the Secretary, determines that a qualified fi-  
6 nancial institution, qualified nonprofit organization, or In-  
7 dian tribe under this subtitle is not operating a qualified  
8 individual development account program in accordance  
9 with the requirements of this subtitle (and has not imple-  
10 mented any corrective recommendations directed by the  
11 Secretary or such organization), the Secretary or such or-  
12 ganization shall terminate such institution's, nonprofit or-  
13 ganization's, or Indian tribe's authority to conduct the  
14 program. If the Secretary, or an organization designated  
15 by the Secretary, is unable to identify a qualified financial  
16 institution, qualified nonprofit organization, or Indian  
17 tribe to assume the authority to conduct such program,  
18 then any account established for the benefit of any eligible  
19 individual under such program shall cease to be an Indi-  
20 vidual Development Account as of the first day of such  
21 termination and any balance in such account shall be  
22 deemed to have been withdrawn on such first day by such  
23 individual for purposes other than to pay qualified ex-  
24 penses.

1 **SEC. 158. REPORTING, MONITORING, AND EVALUATION.**

2 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-  
 3 STITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS,  
 4 AND INDIAN TRIBES.—Each qualified financial institu-  
 5 tion, qualified nonprofit organization, or Indian tribe that  
 6 establishes a qualified individual development account pro-  
 7 gram under section 152 shall report annually to the Sec-  
 8 retary, directly or through an organization designated by  
 9 the Secretary, within 90 days after the end of each cal-  
 10 endar year on—

11 (1) the number of eligible individuals making  
 12 contributions into Individual Development Accounts;

13 (2) the amounts contributed into Individual De-  
 14 velopment Accounts and deposited into parallel ac-  
 15 counts for matching funds;

16 (3) the amounts withdrawn from Individual De-  
 17 velopment Accounts and parallel accounts, and the  
 18 purposes for which such amounts were withdrawn;

19 (4) the balances remaining in Individual Devel-  
 20 opment Accounts and parallel accounts; and

21 (5) such other information needed to help the  
 22 Secretary, or an organization designated by the Sec-  
 23 retary, monitor the cost and outcomes of the quali-  
 24 fied individual development account program.

25 (b) RESPONSIBILITIES OF THE SECRETARY OR DES-  
 26 IGNATED ORGANIZATION.—

1           (1) MONITORING PROTOCOL.—Not later than  
2       12 months after the date of the enactment of this  
3       Act, the Secretary, or an organization designated by  
4       the Secretary, shall develop and implement a pro-  
5       tocol and process to monitor the cost and outcomes  
6       of the qualified individual development account pro-  
7       grams established under section 152.

8           (2) ANNUAL REPORTS.—In each year after the  
9       date of the enactment of this Act, the Secretary, or  
10      an organization designated by the Secretary, shall  
11      submit a progress report to Congress on the status  
12      of such qualified individual development account  
13      programs. Such report shall include from a rep-  
14      resentative sample of qualified financial institutions,  
15      qualified nonprofit organizations, and Indian tribes  
16      a report on—

17           (A) the characteristics of participants, in-  
18           cluding age, gender, race or ethnicity, marital  
19           status, number of children, employment status,  
20           and monthly income;

21           (B) individual level data on deposits, with-  
22           drawals, balances, uses of Individual Develop-  
23           ment Accounts, and participant characteristics;

24           (C) the characteristics of qualified indi-  
25           vidual development account programs, including

match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs; and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

**SEC. 159. ACCOUNT FUNDS OF PROGRAM PARTICIPANTS  
DISREGARDED FOR PURPOSES OF CERTAIN  
MEANS-TESTED FEDERAL PROGRAMS.**

Notwithstanding any other provision of Federal law that requires consideration of 1 or more financial circumstances of an individual, for the purposes of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, an amount equal to the sum of—

(1) all contributions by an eligible individual (including earnings thereon) to any Individual Development Account; plus

(2) the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account,

1 shall be disregarded for such purpose with respect to any  
 2 period during which the individual participates in a quali-  
 3 fied individual development account program established  
 4 under section 152.

5 **SEC. 160. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**  
 6 **MENT ACCOUNTS PROVIDED THROUGH A TAX**  
 7 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**  
 8 **TIONS.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-  
 10 chapter A of chapter 1 (relating to other credits) is  
 11 amended by inserting after section 30A the following new  
 12 section:

13 **“SEC. 30B. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**  
 14 **MENT CREDIT FOR QUALIFIED FINANCIAL IN-**  
 15 **STITUTIONS.**

16 “(a) DETERMINATION OF AMOUNT.—There shall be  
 17 allowed as a credit against the applicable tax for the tax-  
 18 able year an amount equal to the individual development  
 19 account investment provided by a qualified financial insti-  
 20 tution during the taxable year under an individual develop-  
 21 ment account program established under section 152 of  
 22 the Community Renewal and New Markets Act of 2000.

23 “(b) APPLICABLE TAX.—For the purposes of this  
 24 section, the term ‘applicable tax’ means the excess (if any)  
 25 of—

1           “(1) the tax imposed under this chapter (other  
 2           than the taxes imposed under the provisions de-  
 3           scribed in subparagraphs (C) through (Q) of section  
 4           26(b)(2)), over

5           “(2) the credits allowable under subpart B  
 6           (other than this section) and subpart D of this part.

7           “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-  
 8           MENT.—For purposes of this section, the term ‘individual  
 9           development account investment’ means, with respect to  
 10          an individual development account program of a qualified  
 11          financial institution in any taxable year, an amount equal  
 12          to the sum of—

13           “(1) 90 percent of the aggregate amount of dol-  
 14          lar-for-dollar matches under such program by such  
 15          institution under section 155(b)(1)(A) of the Com-  
 16          munity Renewal and New Markets Act of 2000 for  
 17          such taxable year, plus

18           “(2) an amount equal to the sum of the costs  
 19          incurred, directly or indirectly, with respect to each  
 20          Individual Development Account opened after the  
 21          date of the enactment of this section, not to exceed  
 22          \$100 per Account.

23          “(d) OTHER DEFINITIONS.—For purposes of this  
 24          section, the terms ‘Individual Development Account’ and  
 25          ‘qualified financial institution’ have the meanings given



1 such terms by section 151 of the Community Renewal and  
 2 New Markets Act of 2000.

3 “(e) REGULATIONS.—The Secretary may prescribe  
 4 such regulations as may be necessary or appropriate to  
 5 carry out this section, including regulations providing for  
 6 a recapture of the credit allowed under this section in  
 7 cases where there is a forfeiture under section 156(b) of  
 8 the Community Renewal and New Markets Act of 2000  
 9 in a subsequent taxable year of any amount which was  
 10 taken into account in determining the amount of such  
 11 credit.

12 “(f) TERMINATION.—This section shall not apply to  
 13 any taxable year beginning after December 31, 2005.”.

14 (b) CONFORMING AMENDMENT.—The table of sec-  
 15 tions for subpart B of part IV of subchapter A of chapter  
 16 1 is amended by inserting after the item relating to section  
 17 30A the following new item:

“Sec. 30B. Individual development account investment credit for qualified finan-  
 cial institutions.”.

18 (c) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply to taxable years beginning after  
 20 December 31, 2001.

1 **SEC. 161. DESIGNATION OF EARNED INCOME TAX CREDIT**  
2 **PAYMENTS FOR DEPOSIT TO INDIVIDUAL DE-**  
3 **VELOPMENT ACCOUNTS.**

4 (a) IN GENERAL.—Section 32 (relating to earned in-  
5 come credit) is amended by adding at the end the following  
6 new subsection:

7 “(o) DESIGNATION OF CREDIT FOR DEPOSIT TO IN-  
8 DIVIDUAL DEVELOPMENT ACCOUNT.—

9 “(1) IN GENERAL.—With respect to the return  
10 of any eligible individual (as defined in section  
11 151(1) of the Community Renewal and New Mar-  
12 kets Act of 2000) for the taxable year of the tax im-  
13 posed by this chapter, such individual may designate  
14 that a specified portion (not less than \$1) of any  
15 overpayment of tax for such taxable year which is  
16 attributable to the credit allowed under this section  
17 shall be deposited by the Secretary into an Indi-  
18 vidual Development Account (as defined in section  
19 151(2) of such Act) of such individual. The Sec-  
20 retary shall so deposit such portion designated under  
21 this paragraph.

22 “(2) MANNER AND TIME OF DESIGNATION.—A  
23 designation under paragraph (1) may be made with  
24 respect to any taxable year—

1           “(A) at the time of filing the return of the  
2           tax imposed by this chapter for such taxable  
3           year, or

4           “(B) at any other time (after the time of  
5           filing the return of the tax imposed by this  
6           chapter for such taxable year) specified in regu-  
7           lations prescribed by the Secretary.

8           Such designation shall be made in such manner as  
9           the Secretary prescribes by regulations.

10           “(3) PORTION ATTRIBUTABLE TO EARNED IN-  
11           COME TAX CREDIT.—For purposes of paragraph (1),  
12           an overpayment for any taxable year shall be treated  
13           as attributable to the credit allowed under this sec-  
14           tion for such taxable year to the extent that such  
15           overpayment does not exceed the credit so allowed.

16           “(4) OVERPAYMENTS TREATED AS RE-  
17           FUNDED.—For purposes of this title, any portion of  
18           an overpayment of tax designated under paragraph  
19           (1) shall be treated as being refunded to the tax-  
20           payer as of the last date prescribed for filing the re-  
21           turn of tax imposed by this chapter (determined  
22           without regard to extensions) or, if later, the date  
23           the return is filed.

1           “(5) TERMINATION.—This subsection shall not  
2           apply to any taxable year beginning after December  
3           31, 2005.”.

4           (b) EFFECTIVE DATE.—The amendment made by  
5           this section shall apply to taxable years beginning after  
6           December 31, 2001.

## 7       **Subtitle G—Additional Incentives**

### 8       **SEC. 171. EXCLUSION OF CERTAIN AMOUNTS RECEIVED** 9                               **UNDER THE NATIONAL HEALTH SERVICE** 10                              **CORPS SCHOLARSHIP PROGRAM AND THE F.** 11                              **EDWARD HEBERT ARMED FORCES HEALTH** 12                              **PROFESSIONS SCHOLARSHIP AND FINANCIAL** 13                              **ASSISTANCE PROGRAM.**

14           (a) IN GENERAL.—Section 117(c) (relating to the ex-  
15           clusion from gross income amounts received as a qualified  
16           scholarship) is amended—

17                       (1) by striking “Subsections (a)” and inserting  
18           the following:

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

21                       (2) by adding at the end the following new  
22           paragraph:

23                       “(2) EXCEPTIONS.—Paragraph (1) shall not  
24           apply to any amount received by an individual  
25           under—

1           “(A) the National Health Service Corps  
 2           Scholarship Program under section  
 3           338A(g)(1)(A) of the Public Health Service  
 4           Act, or

5           “(B) the Armed Forces Health Professions  
 6           Scholarship and Financial Assistance program  
 7           under subchapter I of chapter 105 of title 10,  
 8           United States Code.”.

9           (b) EFFECTIVE DATE.—The amendments made by  
 10          subsection (a) shall apply to amounts received in taxable  
 11          years beginning after December 31, 1993.

12   **SEC. 172. EXTENSION OF ENHANCED DEDUCTION FOR COR-**  
 13                   **PORATE DONATIONS OF COMPUTER TECH-**  
 14                   **NOLOGY.**

15          (a) EXPANSION OF COMPUTER TECHNOLOGY DONA-  
 16          TIONS TO PUBLIC LIBRARIES.—

17           (1) IN GENERAL.—Paragraph (6) of section  
 18          170(e) (relating to special rule for contributions of  
 19          computer technology and equipment for elementary  
 20          or secondary school purposes) is amended by strik-  
 21          ing “qualified elementary or secondary educational  
 22          contribution” each place it occurs in the headings  
 23          and text and inserting “qualified computer contribu-  
 24          tion”.

1           (2) EXPANSION OF ELIGIBLE DONEES.—Clause  
 2           (i) of section 170(e)(6)(B) (relating to qualified ele-  
 3           mentary or secondary educational contribution) is  
 4           amended by striking “or” at the end of subclause  
 5           (I), by adding “or” at the end of subclause (II), and  
 6           by inserting after subclause (II) the following new  
 7           subclause:

8                               “(III) a public library (within the  
 9                               meaning of section 213(2)(A) of the  
 10                              Library Services and Technology Act  
 11                              (20 U.S.C. 9122(2)(A)), as in effect  
 12                              on the date of the enactment of the  
 13                              Community Renewal and New Mar-  
 14                              kets Act of 2000, established and  
 15                              maintained by an entity described in  
 16                              subsection (c)(1),”.

17       (b) CONFORMING AMENDMENTS.—

18           (1) Section 170(e)(6)(B)(iv) is amended by  
 19           striking “in any grades of the K–12”.

20           (2) The heading of paragraph (6) of section  
 21           170(e) is amended by striking “ELEMENTARY OR  
 22           SECONDARY SCHOOL PURPOSES” and inserting  
 23           “EDUCATIONAL PURPOSES”.

24       (c) EXTENSION OF DEDUCTION.—Section  
 25       170(e)(6)(F) (relating to termination) is amended by

1 striking “December 31, 2000” and inserting “December  
2 31, 2003”.

3 (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to contributions made on and after  
5 the date of the enactment of this Act.

6 **SEC. 173. EXTENSION OF ADOPTION TAX CREDIT.**

7 Section 23(d)(2)(B) (defining eligible child) is  
8 amended by striking “2001” and inserting “2003”.

9 **SEC. 174. TAX TREATMENT OF ALASKA NATIVE SETTLE-**  
10 **MENT TRUSTS.**

11 (a) TREATMENT OF ALASKA NATIVE SETTLEMENT  
12 TRUSTS.—Subpart A of part I of subchapter J of chapter  
13 1 (relating to general rules for taxation of trusts and es-  
14 tates) is amended by adding at the end the following new  
15 section:

16 **“SEC. 646. TAX TREATMENT OF ALASKA NATIVE SETTLE-**  
17 **MENT TRUSTS.**

18 “(a) IN GENERAL.—Except as otherwise provided in  
19 this section, the provisions of this subchapter and section  
20 1(e) shall apply to all Settlement Trusts.

21 “(b) TAXATION OF INCOME OF TRUST.—Except as  
22 provided in subsection (f)(1)(B)(ii)—

23 “(1) IN GENERAL.—The amount of tax imposed  
24 on an electing Settlement Trust under section 1(e)  
25 shall be determined using the rate of 15 percent.

1           “(2) CAPITAL GAIN.—In the case of an electing  
 2       Settlement Trust with a net capital gain for the tax-  
 3       able year, a tax is imposed on such gain at the rate  
 4       of tax which would apply to such gain if the tax-  
 5       payer were subject to a tax on ordinary income at  
 6       a rate of 15 percent.

7           “(c) ONE TIME ELECTION.—

8           “(1) IN GENERAL.—A Settlement Trust may  
 9       elect to have the provisions of this section apply to  
 10      the trust and its beneficiaries.

11          “(2) TIME AND METHOD OF ELECTION.—An  
 12      election under paragraph (1) shall be made by the  
 13      trustee of such trust—

14               “(A) on or before the due date (including  
 15               extensions) for filing the Settlement Trust’s re-  
 16               turn of tax for the first taxable year of such  
 17               trust ending after the date of the enactment of  
 18               this section, and

19               “(B) by attaching to such return of tax a  
 20               statement specifically providing for such elec-  
 21               tion.

22          “(3) PERIOD ELECTION IN EFFECT.—Except as  
 23      provided in subsection (f), an election under this  
 24      subsection—



1           “(A) shall apply to the first taxable year  
2           described in paragraph (2)(A) and all subse-  
3           quent taxable years, and

4           “(B) may not be revoked once it is made.

5           “(d) CONTRIBUTIONS TO TRUST.—

6           “(1) BENEFICIARIES OF ELECTING TRUST NOT  
7           TAXED ON CONTRIBUTIONS.—In the case of an  
8           electing Settlement Trust, no amount shall be in-  
9           cludible in gross income of a beneficiary of such  
10          trust by reason of a contribution to such trust made  
11          during the taxable year.

12          “(2) EARNINGS AND PROFITS.—The earnings  
13          and profits of the sponsoring Native Corporation of  
14          a Settlement Trust shall not be reduced on account  
15          of any contribution to such Settlement Trust.

16          “(e) TAX TREATMENT OF DISTRIBUTIONS TO BENE-  
17          FICIARIES.—Amounts distributed by an electing Settle-  
18          ment Trust during any taxable year shall be considered  
19          as having the following characteristics in the hands of the  
20          recipient beneficiary:

21               “(1) First, as amounts excludable from gross  
22               income for the taxable year to the extent of the tax-  
23               able income of such trust for such taxable year (de-  
24               creased by any income tax paid by the trust with re-

1       spect to the income) plus any amount excluded from  
2       gross income of the trust under section 103.

3           “(2) Second, as amounts excludable from gross  
4       income to the extent of the amount described in  
5       paragraph (1) for all taxable years for which an elec-  
6       tion was in effect under subsection (c) with respect  
7       to the trust, and not previously taken into account  
8       under paragraph (1).

9           “(3) Third, for purposes of this title other than  
10       subsections (b) and (d) of section 301 and section  
11       311(b), as amounts distributed by the sponsoring  
12       Native Corporation with respect to its stock (within  
13       the meaning of section 301(a)) during such taxable  
14       year and taxable to the recipient beneficiary as  
15       amounts described in section 301(c)(1), to the extent  
16       of current and accumulated earnings and profits of  
17       the sponsoring Native Corporation as of the close of  
18       such taxable year after proper adjustment is made  
19       for all distributions made by the sponsoring Native  
20       Corporation during such taxable year.

21           “(4) Fourth, as amounts distributed by the  
22       trust in excess of the distributable net income of  
23       such trust for such taxable year.

24       “(f) SPECIAL RULES WHERE TRANSFER RESTRIC-  
25       TIONS MODIFIED.—

1           “(1) TRANSFER OF BENEFICIAL INTERESTS.—

2           If, at any time, a beneficial interest in an electing  
3           Settlement Trust may be disposed of to a person in  
4           a manner which would not be permitted by section  
5           7(h) of the Alaska Native Claims Settlement Act (43  
6           U.S.C. 1606(h)) if the interest were Settlement  
7           Common Stock—

8                   “(A) no election may be made under sub-  
9                   section (c) with respect to such trust, and

10                   “(B) if such an election is in effect as of  
11                   such time—

12                           “(i) such election shall cease to apply  
13                           as of the first day of the taxable year in  
14                           which such disposition is first permitted,

15                           “(ii) the provisions of this section  
16                           shall not apply to such trust for such tax-  
17                           able year and all taxable years thereafter,  
18                           and

19                           “(iii) the distributable net income of  
20                           such trust shall be increased by the cur-  
21                           rent and accumulated earnings and profits  
22                           of the sponsoring Native Corporation as of  
23                           the close of such taxable year after proper  
24                           adjustment is made for all distributions

1           made by the sponsoring Native Corpora-  
2           tion during such taxable year.

3           In no event shall the increase under clause (iii)  
4           exceed the fair market value of the trust's as-  
5           sets as of the date the beneficial interest of the  
6           trust first becomes disposable. The earnings  
7           and profits of the sponsoring Native Corpora-  
8           tion shall be adjusted as of the last day of such  
9           taxable year by the amount of earnings and  
10          profits so included in the distributable net in-  
11          come of the trust.

12          “(2) STOCK IN CORPORATION.—If—

13               “(A) the Settlement Common Stock in the  
14               sponsoring Native Corporation may be disposed  
15               of to a person in any manner not permitted by  
16               section 7(h) of the Alaska Native Claims Settle-  
17               ment Act (43 U.S.C. 1606(h)), and

18               “(B) at any time after such disposition of  
19               stock is first permitted, such corporation trans-  
20               fers assets to a Settlement Trust,  
21          paragraph (1)(B) shall be applied to such trust on  
22          and after the date of the transfer in the same man-  
23          ner as if the trust permitted dispositions of bene-  
24          ficial interests in the trust in a manner not per-  
25          mitted by such section 7(h).

1           “(3) CERTAIN DISTRIBUTIONS.—For purposes  
 2           of this section, the surrender of an interest in a Na-  
 3           tive Corporation or an electing Settlement Trust in  
 4           order to accomplish the whole or partial redemption  
 5           of the interest of a shareholder or beneficiary in  
 6           such corporation or trust, or to accomplish the whole  
 7           or partial liquidation of such corporation or trust,  
 8           shall be deemed to be a disposition permitted by sec-  
 9           tion 7(h) of the Alaska Native Claims Settlement  
 10          Act (43 U.S.C. 1606(h)).

11          “(g) TAXABLE INCOME.—For purposes of this title,  
 12          the taxable income of an electing Settlement Trust shall  
 13          be determined under section 641(b) without regard to any  
 14          deduction under section 651 or 661.

15          “(h) DEFINITIONS.—For purposes of this section—

16               “(1) ELECTING SETTLEMENT TRUST.—The  
 17               term ‘electing Settlement Trust’ means a Settlement  
 18               Trust which has made the election, effective for the  
 19               taxable year, described in subsection (c).

20               “(2) NATIVE CORPORATION.—The term ‘Native  
 21               Corporation’ has the meaning given such term by  
 22               section 3(m) of the Alaska Native Claims Settlement  
 23               Act (43 U.S.C. 1602(m)).

24               “(3) SETTLEMENT COMMON STOCK.—The term  
 25               ‘Settlement Common Stock’ has the meaning given

1 such term by section 3(p) of the Alaska Native  
 2 Claims Settlement Act (43 U.S.C. 1602(p)).

3 “(4) SETTLEMENT TRUST.—The term ‘Settle-  
 4 ment Trust’ has the meaning given such term by  
 5 section 3(t) of the Alaska Native Claims Settlement  
 6 Act (43 U.S.C. 1602(t)).

7 “(5) SPONSORING NATIVE CORPORATION.—The  
 8 term ‘sponsoring Native Corporation’ means the Na-  
 9 tive Corporation which transfers assets to an elect-  
 10 ing Settlement Trust.

11 “(i) CROSS REFERENCE.—

**“For information required with respect to electing  
 Settlement Trusts and sponsoring Native Corpora-  
 tions, see section 6039H.”**

12 (b) REPORTING.—Subpart A of part III of sub-  
 13 chapter A of chapter 61 of subtitle F (relating to informa-  
 14 tion concerning persons subject to special provisions) is  
 15 amended by inserting after section 6039G the following  
 16 new section:

17 **“SEC. 6039H. INFORMATION WITH RESPECT TO ALASKA NA-**  
 18 **TIVE SETTLEMENT TRUSTS AND SPON-**  
 19 **SORING NATIVE CORPORATIONS.**

20 “(a) REQUIREMENT.—The fiduciary of an electing  
 21 Settlement Trust (as defined in section 646(h)(1)) shall  
 22 include with the return of income of the trust a statement  
 23 containing the information required under subsection (c).

1       “(b) APPLICATION WITH OTHER REQUIREMENTS.—

2   The filing of any statement under this section shall be in  
3   lieu of the reporting requirement under section 6034A to  
4   furnish any statement to a beneficiary regarding amounts  
5   distributed to such beneficiary (and such other reporting  
6   requirements as the Secretary deems appropriate).

7       “(c) REQUIRED INFORMATION.—The information re-  
8   quired under this subsection shall include—

9           “(1) the amount of distributions made during  
10   the taxable year to each beneficiary,

11          “(2) the treatment of such distribution under  
12   the applicable provision of section 646, including the  
13   amount that is excludable from the recipient bene-  
14   ficiary’s gross income under section 646, and

15          “(3) the amount (if any) of any distribution  
16   during such year that is deemed to have been made  
17   by the sponsoring Native Corporation (as defined in  
18   section 646(h)(5)).

19       “(d) SPONSORING NATIVE CORPORATION.—

20          “(1) IN GENERAL.—The electing Settlement  
21   Trust shall, on or before the date on which the  
22   statement under subsection (a) is required to be  
23   filed, furnish such statement to the sponsoring Na-  
24   tive Corporation (as so defined).

1           “(2) DISTRIBUTEES.—The sponsoring Native  
 2           Corporation shall furnish each recipient of a dis-  
 3           tribution described in section 646(e)(3) a statement  
 4           containing the amount deemed to have been distrib-  
 5           uted to such recipient by such corporation for the  
 6           taxable year.”.

7           (c) CLERICAL AMENDMENT.—

8           (1) The table of sections for subpart A of part  
 9           I of subchapter J of chapter 1 is amended by adding  
 10          at the end the following new item:

          “Sec. 646. Electing Alaska Native Settlement Trusts.”.

11          (2) The table of sections for subpart A of part  
 12          III of subchapter A of chapter 61 of subtitle F is  
 13          amended by inserting after the item relating to sec-  
 14          tion 6039G the following new item:

          “Sec. 6039H. Information with respect to Alaska Native Settle-  
           ment Trusts and sponsoring Native Corporations.”.

15          (d) EFFECTIVE DATE.—The amendments made by  
 16          this section shall apply to taxable years ending after the  
 17          date of the enactment of this Act and to contributions  
 18          made to electing Settlement Trusts for such year or any  
 19          subsequent year.

20       **SEC. 175. TREATMENT OF INDIAN TRIBAL GOVERNMENTS**

21                       **UNDER FEDERAL UNEMPLOYMENT TAX ACT.**

22          (a) IN GENERAL.—Section 3306(c)(7) (defining em-  
 23          ployment) is amended—



1           (1) by inserting “or in the employ of an Indian  
2       tribe,” after “service performed in the employ of a  
3       State, or any political subdivision thereof,”; and

4           (2) by inserting “or Indian tribes” after “whol-  
5       ly owned by one or more States or political subdivi-  
6       sions”.

7       (b) PAYMENTS IN LIEU OF CONTRIBUTIONS.—Sec-  
8       tion 3309 (relating to State law coverage of services per-  
9       formed for nonprofit organizations or governmental enti-  
10      ties) is amended—

11           (1) in subsection (a)(2) by inserting “, includ-  
12      ing an Indian tribe,” after “the State law shall pro-  
13      vide that a governmental entity”;

14           (2) in subsection (b)(3)(B) by inserting “, or of  
15      an Indian tribe” after “of a State or political sub-  
16      division thereof”;

17           (3) in subsection (b)(3)(E) by inserting “or  
18      tribal” after “the State”; and

19           (4) in subsection (b)(5) by inserting “or of an  
20      Indian tribe” after “an agency of a State or political  
21      subdivision thereof”.

22       (c) STATE LAW COVERAGE.—Section 3309 (relating  
23      to State law coverage of services performed for nonprofit  
24      organizations or governmental entities) is amended by  
25      adding at the end the following new subsection:

1       “(d) ELECTION BY INDIAN TRIBE.—The State law  
2 shall provide that an Indian tribe may make contributions  
3 for employment as if the employment is within the mean-  
4 ing of section 3306 or make payments in lieu of contribu-  
5 tions under this section, and shall provide that an Indian  
6 tribe may make separate elections for itself and each sub-  
7 division, subsidiary, or business enterprise wholly owned  
8 by such Indian tribe. State law may require a tribe to post  
9 a payment bond or take other reasonable measures to as-  
10 sure the making of payments in lieu of contributions under  
11 this section. Notwithstanding the requirements of section  
12 3306(a)(6), if, within 90 days of having received a notice  
13 of delinquency, a tribe fails to make contributions, pay-  
14 ments in lieu of contributions, or payment of penalties or  
15 interest (at amounts or rates comparable to those applied  
16 to all other employers covered under the State law) as-  
17 sessed with respect to such failure, or if the tribe fails  
18 to post a required payment bond, then service for the tribe  
19 shall not be excepted from employment under section  
20 3306(c)(7) until any such failure is corrected. This sub-  
21 section shall apply to an Indian tribe within the meaning  
22 of section 4(e) of the Indian Self-Determination and Edu-  
23 cation Assistance Act (25 U.S.C. 450b(e)).”.

1 (d) DEFINITIONS.—Section 3306 (relating to defini-  
 2 tions) is amended by adding at the end the following new  
 3 subsection:

4 “(u) INDIAN TRIBE.—For purposes of this chapter,  
 5 the term ‘Indian tribe’ has the meaning given to such term  
 6 by section 4(e) of the Indian Self-Determination and Edu-  
 7 cation Assistance Act (25 U.S.C. 450b(e)), and includes  
 8 any subdivision, subsidiary, or business enterprise wholly  
 9 owned by such an Indian tribe.”.

10 (e) EFFECTIVE DATE; TRANSITION RULE.—

11 (1) EFFECTIVE DATE.—The amendments made  
 12 by this section shall apply to service performed on  
 13 or after the date of the enactment of this Act.

14 (2) TRANSITION RULE.—For purposes of the  
 15 Federal Unemployment Tax Act, service performed  
 16 in the employ of an Indian tribe (as defined in sec-  
 17 tion 3306(u) of the Internal Revenue Code of 1986  
 18 (as added by this section)) shall not be treated as  
 19 employment (within the meaning of section 3306 of  
 20 such Code) if—

21 (A) it is service which is performed before  
 22 the date of the enactment of this Act and with  
 23 respect to which the tax imposed under the  
 24 Federal Unemployment Tax Act has not been  
 25 paid, and

1 (B) such Indian tribe reimburses a State  
2 unemployment fund for unemployment benefits  
3 paid for service attributable to such tribe for  
4 such period.

5 **SEC. 176. INCREASE IN SOCIAL SERVICES BLOCK GRANT**  
6 **FOR FY 2001.**

7 (a) IN GENERAL.—Section 2003(c) of the Social Se-  
8 curity Act (42 U.S.C. 1397b(c)) is amended—

9 (1) in paragraph (10), by striking “and” at the  
10 end;

11 (2) in paragraph (11), by striking “2001” and  
12 inserting “2002”;

13 (3) by redesignating paragraph (11) (as so  
14 amended) as paragraph (12); and

15 (4) by inserting after paragraph (10), the fol-  
16 lowing new paragraph:

17 “(11) \$2,400,000,000 for the fiscal year 2001;  
18 and”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 subsection (a) take effect October 1, 2000.

1   **TITLE II—TAX INCENTIVES FOR**  
 2       **AFFORDABLE HOUSING**  
 3   **Subtitle A—Low-Income Housing**  
 4       **Credit**

5   **SEC. 201. MODIFICATION OF STATE CEILING ON LOW-IN-**  
 6       **COME HOUSING CREDIT.**

7       (a) IN GENERAL.—Clauses (i) and (ii) of section  
 8   42(h)(3)(C) (relating to State housing credit ceiling) are  
 9   amended to read as follows:

10                   “(i) the unused State housing credit  
 11                   ceiling (if any) of such State for the pre-  
 12                   ceding calendar year,

13                   “(ii) the greater of—

14                           “(I) \$1.75 multiplied by the  
 15                           State population, or

16                           “(II) \$2,000,000,”.

17       (b) ADJUSTMENT OF STATE CEILING FOR IN-  
 18   CREASES IN COST-OF-LIVING.—Paragraph (3) of section  
 19   42(h) (relating to housing credit dollar amount for agen-  
 20   cies) is amended by adding at the end the following new  
 21   subparagraph:

22                   “(H) COST-OF-LIVING ADJUSTMENT.—In  
 23                   the case of a calendar year after 2001, each of  
 24                   the dollar amounts contained in subparagraph

1 (C)(ii) shall be increased by an amount equal  
2 to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-  
5 termined under section 1(f)(3) for such  
6 calendar year by substituting ‘calendar  
7 year 2000’ for ‘calendar year 1992’ in sub-  
8 paragraph (B) thereof.

9 If any increase determined under the preceding  
10 sentence is not a multiple of 5 cents (\$5,000 in  
11 the case of the dollar amount in subparagraph  
12 (C)(ii)(II)), such increase shall be rounded to  
13 the nearest multiple thereof.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Section 42(h)(3)(C), as amended by sub-  
16 section (a), is amended—

17 (A) by striking “clause (ii)” in the matter  
18 following clause (iv) and inserting “clause (i)”,  
19 and

20 (B) by striking “clauses (i)” in the matter  
21 following clause (iv) and inserting “clauses  
22 (ii)”.

23 (2) Section 42(h)(3)(D)(ii) is amended—

24 (A) by striking “subparagraph (C)(ii)” and  
25 inserting “subparagraph (C)(i)”, and

1 (B) by striking “clauses (i)” in subclause  
 2 (II) and inserting “clauses (ii)”.

3 (d) EFFECTIVE DATE.—The amendments made by  
 4 this section shall apply to calendar years after 2000.

5 **SEC. 202. MODIFICATION TO RULES RELATING TO BASIS OF**  
 6 **BUILDING WHICH IS ELIGIBLE FOR CREDIT.**

7 (a) CERTAIN NATIVE AMERICAN HOUSING ASSIST-  
 8 ANCE DISREGARDED IN DETERMINING WHETHER BUILD-  
 9 ING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE  
 10 LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of  
 11 section 42(i)(2) (relating to determination of whether  
 12 building is federally subsidized) is amended—

13 (1) in clause (i), by inserting “or the Native  
 14 American Housing Assistance and Self-Determina-  
 15 tion Act of 1996 (25 U.S.C. 4101 et seq.) (as in ef-  
 16 fect on October 1, 1997)” after “this subpara-  
 17 graph)”, and

18 (2) in the subparagraph heading, by inserting  
 19 “OR NATIVE AMERICAN HOUSING ASSISTANCE” after  
 20 “HOME ASSISTANCE”.

21 (b) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to—

23 (1) housing credit dollar amounts allocated  
 24 after December 31, 2000, and

1           (2) buildings placed in service after such date  
 2           to the extent paragraph (1) of section 42(h) of the  
 3           Internal Revenue Code of 1986 does not apply to  
 4           any building by reason of paragraph (4) thereof, but  
 5           only with respect to bonds issued after such date.

## 6           **Subtitle B—Historic Homes**

### 7   **SEC. 211. TAX CREDIT FOR RENOVATING HISTORIC HOMES.**

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

### 12   **“SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION** 13           **CREDIT.**

14          “(a) GENERAL RULE.—In the case of an individual,  
 15          there shall be allowed as a credit against the tax imposed  
 16          by this chapter for the taxable year an amount equal to  
 17          20 percent of the qualified rehabilitation expenditures  
 18          made by the taxpayer with respect to a qualified historic  
 19          home.

20          “(b) DOLLAR LIMITATION.—The credit allowed by  
 21          subsection (a) with respect to any residence of a taxpayer  
 22          shall not exceed \$20,000 (\$10,000 in the case of a married  
 23          individual filing a separate return).

24          “(c) CARRYFORWARD OF CREDIT UNUSED BY REA-  
 25          SON OF LIMITATION BASED ON TAX LIABILITY.—If the



1 credit allowable under subsection (a) for any taxable year  
 2 exceeds the limitation imposed by section 26(a) for such  
 3 taxable year reduced by the sum of the credits allowable  
 4 under this subpart (other than this section), such excess  
 5 shall be carried to the succeeding taxable year (but not  
 6 for more than 10 taxable years succeeding the first taxable  
 7 year in which the credit under this section is allowed to  
 8 the taxpayer) and added to the credit allowable under sub-  
 9 section (a) for such succeeding taxable year.

10 “(d) QUALIFIED REHABILITATION EXPENDITURE.—

11 For purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified reha-  
 13 bilitation expenditure’ means any amount properly  
 14 chargeable to capital account—

15 “(A) in connection with the certified reha-  
 16 bilitation of a qualified historic home, and

17 “(B) for property for which depreciation  
 18 would be allowable under section 168 if the  
 19 qualified historic home were used in a trade or  
 20 business.

21 “(2) CERTAIN EXPENDITURES NOT IN-  
 22 CLUDED.—

23 “(A) EXTERIOR.—Such term shall not in-  
 24 clude any expenditure in connection with the re-  
 25 habilitation of a building unless at least 5 per-

1 cent of the total expenditures made in the reha-  
 2 bilitation process are allocable to the rehabilita-  
 3 tion of the exterior of such building.

4 “(B) OTHER RULES TO APPLY.—Rules  
 5 similar to the rules of clauses (ii) and (iii) of  
 6 section 47(c)(2)(B) shall apply.

7 “(3) MIXED USE OR MULTIFAMILY BUILDING.—  
 8 If only a portion of a building is used as the prin-  
 9 cipal residence of the taxpayer, only qualified reha-  
 10 bilitation expenditures which are properly allocable  
 11 to such portion shall be taken into account under  
 12 this section.

13 “(e) CERTIFIED REHABILITATION.—For purposes of  
 14 this section—

15 “(1) IN GENERAL.—Except as otherwise pro-  
 16 vided in this subsection, the term ‘certified rehabili-  
 17 tation’ has the meaning given such term by section  
 18 47(c)(2)(C).

19 “(2) FACTORS TO BE CONSIDERED IN THE  
 20 CASE OF TARGETED AREA RESIDENCES, ETC.—

21 “(A) IN GENERAL.—For purposes of ap-  
 22 plying section 47(c)(2)(C) under this section  
 23 with respect to the rehabilitation of a building  
 24 to which this paragraph applies, consideration  
 25 shall be given to—

1 “(i) the feasibility of preserving exist-  
 2 ing architectural and design elements of  
 3 the interior of such building,

4 “(ii) the risk of further deterioration  
 5 or demolition of such building in the event  
 6 that certification is denied because of the  
 7 failure to preserve such interior elements,  
 8 and

9 “(iii) the effects of such deterioration  
 10 or demolition on neighboring historic prop-  
 11 erties.

12 “(B) BUILDINGS TO WHICH THIS PARA-  
 13 GRAPH APPLIES.—This paragraph shall apply  
 14 with respect to any building—

15 “(i) any part of which is a targeted  
 16 area residence within the meaning of sec-  
 17 tion 143(j)(1), or

18 “(ii) which is located within an enter-  
 19 prise community or empowerment zone as  
 20 designated under section 1391,

21 but shall not apply with respect to any building  
 22 which is listed in the National Register.

23 “(3) APPROVED STATE PROGRAM.—The term  
 24 ‘certified rehabilitation’ includes a certification made  
 25 by—

1           “(A) a State Historic Preservation Officer  
 2           who administers a State Historic Preservation  
 3           Program approved by the Secretary of the Inte-  
 4           rior pursuant to section 101(b)(1) of the Na-  
 5           tional Historic Preservation Act, as in effect on  
 6           July 21, 1999, or

7           “(B) a local government, certified pursuant  
 8           to section 101(c)(1) of the National Historic  
 9           Preservation Act, as in effect on July 21, 1999,  
 10          and authorized by a State Historic Preservation  
 11          Officer, or the Secretary of the Interior where  
 12          there is no approved State program),  
 13          subject to such terms and conditions as may be  
 14          specified by the Secretary of the Interior for the re-  
 15          habilitation of buildings within the jurisdiction of  
 16          such officer (or local government) for purposes of  
 17          this section.

18          “(f) DEFINITIONS AND SPECIAL RULES.—For pur-  
 19          poses of this section—

20               “(1) QUALIFIED HISTORIC HOME.—The term  
 21               ‘qualified historic home’ means a certified historic  
 22               structure—

23                       “(A) which has been substantially rehabili-  
 24                       tated, and

25                       “(B) which (or any portion of which)—

1 “(i) is owned by the taxpayer, and

2 “(ii) is used (or will, within a reason-  
3 able period, be used) by such taxpayer as  
4 his principal residence.

5 “(2) SUBSTANTIALLY REHABILITATED.—The  
6 term ‘substantially rehabilitated’ has the meaning  
7 given such term by section 47(c)(1)(C); except that,  
8 in the case of any building described in subsection  
9 (e)(2), clause (i)(I) thereof shall not apply.

10 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
11 cipal residence’ has the same meaning as when used  
12 in section 121.

13 “(4) CERTIFIED HISTORIC STRUCTURE.—

14 “(A) IN GENERAL.—The term ‘certified  
15 historic structure’ means any building (and its  
16 structural components) which—

17 “(i) is listed in the National Register,  
18 or

19 “(ii) is located in a registered historic  
20 district (as defined in section 47(c)(3)(B))  
21 within which only qualified census tracts  
22 (or portions thereof) are located, and is  
23 certified by the Secretary of the Interior to  
24 the Secretary as being of historic signifi-  
25 cance to the district.

1 “(B) CERTAIN STRUCTURES INCLUDED.—

2 Such term includes any building (and its struc-  
3 tural components) which is designated as being  
4 of historic significance under a statute of a  
5 State or local government, if such statute is  
6 certified by the Secretary of the Interior to the  
7 Secretary as containing criteria which will sub-  
8 stantially achieve the purpose of preserving and  
9 rehabilitating buildings of historic significance.

10 “(C) QUALIFIED CENSUS TRACTS.—For  
11 purposes of subparagraph (A)(ii)—

12 “(i) IN GENERAL.—The term ‘quali-  
13 fied census tract’ means a census tract in  
14 which the median family income is less  
15 than twice the statewide median family in-  
16 come.

17 “(ii) DATA USED.—The determination  
18 under clause (i) shall be made on the basis  
19 of the most recent decennial census for  
20 which data are available.

21 “(5) REHABILITATION NOT COMPLETE BEFORE  
22 CERTIFICATION.—A rehabilitation shall not be treat-  
23 ed as complete before the date of the certification re-  
24 ferred to in subsection (e).

1           “(6) LESSEES.—A taxpayer who leases his  
2       principal residence shall, for purposes of this section,  
3       be treated as the owner thereof if the remaining  
4       term of the lease (as of the date determined under  
5       regulations prescribed by the Secretary) is not less  
6       than such minimum period as the regulations re-  
7       quire.

8           “(7) TENANT-STOCKHOLDER IN COOPERATIVE  
9       HOUSING CORPORATION.—If the taxpayer holds  
10      stock as a tenant-stockholder (as defined in section  
11      216) in a cooperative housing corporation (as de-  
12      fined in such section), such stockholder shall be  
13      treated as owning the house or apartment which the  
14      taxpayer is entitled to occupy as such stockholder.

15          “(8) ALLOCATION OF EXPENDITURES RELAT-  
16      ING TO EXTERIOR OF BUILDING CONTAINING COOP-  
17      ERATIVE OR CONDOMINIUM UNITS.—The percentage  
18      of the total expenditures made in the rehabilitation  
19      of a building containing cooperative or condominium  
20      residential units allocated to the rehabilitation of the  
21      exterior of the building shall be attributed propor-  
22      tionately to each cooperative or condominium resi-  
23      dential unit in such building for which a credit  
24      under this section is claimed.

1       “(g) WHEN EXPENDITURES TAKEN INTO AC-  
 2 COUNT.—In the case of a building other than a building  
 3 to which subsection (h) applies, qualified rehabilitation ex-  
 4 penditures shall be treated for purposes of this section as  
 5 made on the date the rehabilitation is completed.

6       “(h) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-  
 7 HABILITATED HISTORIC HOME.—

8               “(1) IN GENERAL.—In the case of a qualified  
 9 purchased historic home, the taxpayer shall be treat-  
 10 ed as having made (on the date of purchase) the  
 11 qualified rehabilitation expenditures made by the  
 12 seller of such home. For purposes of the preceding  
 13 sentence, expenditures made by the seller shall be  
 14 deemed to be qualified rehabilitation expenditures if  
 15 such expenditures, if made by the purchaser, would  
 16 be qualified rehabilitation expenditures.

17               “(2) QUALIFIED PURCHASED HISTORIC  
 18 HOME.—For purposes of this subsection, the term  
 19 ‘qualified purchased historic home’ means any sub-  
 20 stantially rehabilitated certified historic structure  
 21 purchased by the taxpayer if—

22                       “(A) the taxpayer is the first purchaser of  
 23 such structure after the date rehabilitation is  
 24 completed, and the purchase occurs within 5  
 25 years after such date,



1           “(B) the structure (or a portion thereof)  
 2           will, within a reasonable period, be the principal  
 3           residence of the taxpayer,

4           “(C) no credit was allowed to the seller  
 5           under this section or section 47 with respect to  
 6           such rehabilitation, and

7           “(D) the taxpayer is furnished with such  
 8           information as the Secretary determines is nec-  
 9           essary to determine the credit under this sub-  
 10          section.

11          “(i) HISTORIC REHABILITATION MORTGAGE CREDIT  
 12          CERTIFICATE.—

13           “(1) IN GENERAL.—The taxpayer may elect, in  
 14          lieu of the credit otherwise allowable under this sec-  
 15          tion, to receive a historic rehabilitation mortgage  
 16          credit certificate. An election under this paragraph  
 17          shall be made—

18           “(A) in the case of a building to which  
 19          subsection (h) applies, at the time of purchase,  
 20          or

21           “(B) in any other case, at the time reha-  
 22          bilitation is completed.

23          “(2) HISTORIC REHABILITATION MORTGAGE  
 24          CREDIT CERTIFICATE.—For purposes of this sub-

1 section, the term ‘historic rehabilitation mortgage  
2 credit certificate’ means a certificate—

3 “(A) issued to the taxpayer, in accordance  
4 with procedures prescribed by the Secretary,  
5 with respect to a certified rehabilitation,

6 “(B) the face amount of which shall be  
7 equal to the credit which would (but for this  
8 subsection) be allowable under subsection (a) to  
9 the taxpayer with respect to such rehabilitation,

10 “(C) which may only be transferred by the  
11 taxpayer to a lending institution (including a  
12 non-depository institution) in connection with a  
13 loan—

14 “(i) that is secured by the building  
15 with respect to which the credit relates,  
16 and

17 “(ii) the proceeds of which may not be  
18 used for any purpose other than the acqui-  
19 sition or rehabilitation of such building,  
20 and

21 “(D) in exchange for which such lending  
22 institution provides the taxpayer—

23 “(i) a reduction in the rate of interest  
24 on the loan which results in interest pay-  
25 ment reductions which are substantially

equivalent on a present value basis to the  
face amount of such certificate, or

“(ii) if the taxpayer so elects with re-  
spect to a specified amount of the face  
amount of such a certificate relating to a  
building—

“(I) which is a targeted area res-  
idence within the meaning of section  
143(j)(1), or

“(II) which is located in an en-  
terprise community or empowerment  
zone as designated under section  
1391,

a payment which is substantially equivalent  
to such specified amount to be used to re-  
duce the taxpayer’s cost of purchasing the  
building (and only the remainder of such  
face amount shall be taken into account  
under clause (i)).

“(3) METHOD OF DISCOUNTING.—The present  
value under paragraph (2)(D)(i) shall be  
determined—

“(A) for a period equal to the term of the  
loan referred to in subparagraph (D)(i),

1           “(B) by using the convention that any pay-  
2           ment on such loan in any taxable year within  
3           such period is deemed to have been made on  
4           the last day of such taxable year,

5           “(C) by using a discount rate equal to 65  
6           percent of the average of the annual Federal  
7           mid-term rate and the annual Federal long-  
8           term rate applicable under section 1274(d)(1)  
9           to the month in which the taxpayer makes an  
10          election under paragraph (1) and compounded  
11          annually, and

12          “(D) by assuming that the credit allowable  
13          under this section for any year is received on  
14          the last day of such year.

15          “(4) USE OF CERTIFICATE BY LENDER.—The  
16          amount of the credit specified in the certificate shall  
17          be allowed to the lender only to offset the regular  
18          tax (as defined in section 55(c)) of such lender. The  
19          lender may carry forward all unused amounts under  
20          this subsection until exhausted.

21          “(5) HISTORIC REHABILITATION MORTGAGE  
22          CREDIT CERTIFICATE NOT TREATED AS TAXABLE IN-  
23          COME.—Notwithstanding any other provision of law,  
24          no benefit accruing to the taxpayer through the use  
25          of an historic rehabilitation mortgage credit certifi-

1       cate shall be treated as taxable income for purposes  
2       of this title.

3       “(j) RECAPTURE.—

4               “(1) IN GENERAL.—If, before the end of the 5-  
5       year period beginning on the date on which the reha-  
6       bilitation of the building is completed (or, if sub-  
7       section (h) applies, the date of purchase of such  
8       building by the taxpayer, or, if subsection (i) applies,  
9       the date of the loan)—

10               “(A) the taxpayer disposes of such tax-  
11       payer’s interest in such building, or

12               “(B) such building ceases to be used as the  
13       principal residence of the taxpayer,

14       the taxpayer’s tax imposed by this chapter for the  
15       taxable year in which such disposition or cessation  
16       occurs shall be increased by the recapture percent-  
17       age of the credit allowed under this section for all  
18       prior taxable years with respect to such rehabilita-  
19       tion.

20               “(2) RECAPTURE PERCENTAGE.—For purposes  
21       of paragraph (1), the recapture percentage shall be  
22       determined in accordance with the following table:

**“If the disposition or ces-   The recapture percentage is—  
sation occurs within—**

- |                                                                           |     |
|---------------------------------------------------------------------------|-----|
| (i) One full year after the taxpayer becomes entitled to the credit.      | 100 |
| (ii) One full year after the close of the period described in clause (i). | 80  |

**“If the disposition or cessation occurs within— The recapture percentage is—**

- |                                                                             |     |
|-----------------------------------------------------------------------------|-----|
| (iii) One full year after the close of the period described in clause (ii). | 60  |
| (iv) One full year after the close of the period described in clause (iii). | 40  |
| (v) One full year after the close of the period described in clause (iv).   | 20. |

1       “(k) BASIS ADJUSTMENTS.—For purposes of this  
 2 subtitle, if a credit is allowed under this section for any  
 3 expenditure with respect to any property (including any  
 4 purchase under subsection (h) and any transfer under  
 5 subsection (i)), the increase in the basis of such property  
 6 which would (but for this subsection) result from such ex-  
 7 penditure shall be reduced by the amount of the credit  
 8 so allowed.

9       “(l) DENIAL OF DOUBLE BENEFIT.—No credit shall  
 10 be allowed under this section for any amount for which  
 11 credit is allowed under section 47.

12       “(m) REGULATIONS.—The Secretary shall prescribe  
 13 such regulations as may be appropriate to carry out the  
 14 purposes of this section, including regulations where less  
 15 than all of a building is used as a principal residence and  
 16 where more than 1 taxpayer use the same dwelling unit  
 17 as their principal residence.”.

18       (b) CONFORMING AMENDMENTS.—

19               (1) Section 23(c) is amended by striking “sec-  
 20 tion 1400C” and inserting “sections 25B and  
 21 1400C”.

1 (2) Section 25(e)(1)(C) is amended by striking  
2 “23” and inserting “23, 25B,”.

3 (3) Section 1016(a) is amended by striking  
4 “and” at the end of paragraph (26), by striking the  
5 period at the end of paragraph (27) and inserting “,  
6 and”, and by adding at the end the following new  
7 item:

8 “(28) to the extent provided in section  
9 25B(k).”.

10 (4) Section 1400C(d) is amended by inserting  
11 “and section 25B” after “this section”.

12 (c) CLERICAL AMENDMENT.—The table of sections  
13 for subpart A of part IV of subchapter A of chapter 1  
14 is amended by inserting after the item relating to section  
15 25A the following new item:

“Sec. 25B. Historic homeownership rehabilitation credit.”.

16 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to expenses paid or incurred in  
18 taxable years beginning after December 31, 2001.

## 19 **Subtitle C—Forgiven Mortgage** 20 **Obligations**

### 21 **SEC. 221. EXCLUSION FROM GROSS INCOME FOR CERTAIN** 22 **FORGIVEN MORTGAGE OBLIGATIONS.**

23 (a) IN GENERAL.—Paragraph (1) of section 108(a)  
24 (relating to exclusion from gross income) is amended by  
25 striking “or” at the end of both subparagraphs (A) and

1 (C), by striking the period at the end of subparagraph (D)  
 2 and inserting “, or”, and by inserting after subparagraph  
 3 (D) the following new subparagraph:

4 “(E) in the case of an individual, the in-  
 5 debtedness discharged is qualified residential in-  
 6 debtedness.”.

7 (b) QUALIFIED RESIDENTIAL INDEBTEDNESS  
 8 SHORTFALL.—Section 108 (relating to discharge of in-  
 9 debtedness) is amended by adding at the end the following  
 10 new subsection:

11 “(h) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

12 “(1) LIMITATIONS.—The amount excluded  
 13 under subparagraph (E) of subsection (a)(1) with  
 14 respect to any qualified residential indebtedness  
 15 shall not exceed the excess (if any) of—

16 “(A) the outstanding principal amount of  
 17 such indebtedness (immediately before the dis-  
 18 charge), over

19 “(B) the sum of—

20 “(i) the amount realized from the sale  
 21 of the real property securing such indebt-  
 22 edness reduced by the cost of such sale,  
 23 and



1                   “(ii) the outstanding principal amount  
 2                   of any other indebtedness secured by such  
 3                   property.

4                   “(2) QUALIFIED RESIDENTIAL INDEBTED-  
 5                   NESS.—

6                   “(A) IN GENERAL.—The term ‘qualified  
 7                   residential indebtedness’ means indebtedness  
 8                   which—

9                   “(i) was incurred or assumed by the  
 10                  taxpayer in connection with real property  
 11                  used as the principal residence of the tax-  
 12                  payer (within the meaning of section 121)  
 13                  and is secured by such real property,

14                  “(ii) is incurred or assumed to ac-  
 15                  quire, construct, reconstruct, or substan-  
 16                  tially improve such real property, and

17                  “(iii) with respect to which such tax-  
 18                  payer makes an election to have this para-  
 19                  graph apply.

20                  “(B) REFINANCED INDEBTEDNESS.—Such  
 21                  term shall include indebtedness resulting from  
 22                  the refinancing of indebtedness under subpara-  
 23                  graph (A)(ii), but only to the extent the refi-  
 24                  nanced indebtedness does not exceed the  
 25                  amount of the indebtedness being refinanced.

1           “(C) EXCEPTIONS.—Such term shall not  
2           include qualified farm indebtedness or qualified  
3           real property business indebtedness.”.

4           (c) CONFORMING AMENDMENTS.—

5           (1) Paragraph (2) of section 108(a) is  
6           amended—

7           (A) by striking “and (D)” in subparagraph  
8           (A) and inserting “(D), and (E)”, and

9           (B) by amending subparagraph (B) to read  
10          as follows:

11          “(B) INSOLVENCY EXCLUSION TAKES  
12          PRECEDENCE OVER QUALIFIED FARM EXCLU-  
13          SION; QUALIFIED REAL PROPERTY BUSINESS  
14          EXCLUSION; AND QUALIFIED RESIDENTIAL  
15          SHORTFALL EXCLUSION.—Subparagraphs (C),  
16          (D), and (E) of paragraph (1) shall not apply  
17          to a discharge to the extent the taxpayer is in-  
18          solvent.”.

19          (2) Paragraph (1) of section 108(b) is amended  
20          by striking “or (C)” and inserting “(C), or (E)”.

21          (3) Subsection (c) of section 121 is amended by  
22          adding at the end the following new paragraph:

23          “(3) SPECIAL RULE RELATING TO DISCHARGE  
24          OF INDEBTEDNESS.—The amount of gain which  
25          (but for this paragraph) would be excluded from

1 gross income under subsection (a) with respect to a  
 2 principal residence shall be reduced by the amount  
 3 excluded from gross income under section  
 4 108(a)(1)(E) with respect to such residence.”.

5 (d) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to discharges after the date of the  
 7 enactment of this Act.

## 8 **Subtitle D—Mortgage Revenue**

### 9 **Bonds**

#### 10 **SEC. 231. INCREASE IN PURCHASE PRICE LIMITATION**

#### 11 **UNDER MORTGAGE SUBSIDY BOND RULES**

#### 12 **BASED ON MEDIAN FAMILY INCOME.**

13 (a) IN GENERAL.—Paragraph (1) of section 143(e)  
 14 (relating to purchase price requirement) is amended to  
 15 read as follows:

16 “(1) IN GENERAL.—An issue meets the require-  
 17 ments of this subsection only if the acquisition cost  
 18 of each residence the owner-financing of which is  
 19 provided under the issue does not exceed the greater  
 20 of—

21 “(A) 90 percent of the average area pur-  
 22 chase price applicable to the residence, or

23 “(B) 3.5 times the applicable median fam-  
 24 ily income (as defined in subsection (f)(4)).”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to obligations issued after the date  
 3 of the enactment of this Act.

4 **SEC. 232. MORTGAGE FINANCING FOR RESIDENCES LO-**  
 5 **CATED IN PRESIDENTIALLY DECLARED DIS-**  
 6 **ASTER AREAS.**

7 (a) IN GENERAL.—Paragraph (11) of section 143(k)  
 8 of the Internal Revenue Code of 1986 is amended to read  
 9 as follows:

10 “(11) SPECIAL RULES FOR RESIDENCES LO-  
 11 CATED IN DISASTER AREAS.—

12 “(A) HOME IMPROVEMENT LOANS FOR RE-  
 13 PAIRS.—In the case of financing provided by a  
 14 qualified home improvement loan for the repair  
 15 of damage to a residence located in a disaster  
 16 area which was sustained as a result of the  
 17 disaster—

18 “(i) the limitation under paragraph  
 19 (4) shall be increased (but not above  
 20 \$100,000) to the extent such loan is for  
 21 the repair of such damage, and

22 “(ii) subsection (f) (relating to income  
 23 requirement) shall be applied as if such  
 24 residence were a targeted area residence.

1           “(B) PURCHASE OF REPLACEMENT  
 2 HOME.—In the case of financing provided to ac-  
 3 quire a residence located in a disaster area by  
 4 mortgagors whose prior residence was in such  
 5 area and was destroyed or otherwise rendered  
 6 uninhabitable as a result of the disaster—

7                   “(i) subsection (d) (relating to 3-year  
 8 requirement) shall not apply, and

9                   “(ii) subsections (e) and (f) (relating  
 10 to purchase price requirement and income  
 11 requirement) shall be applied as if such  
 12 residence were a targeted area residence.

13           “(C) FINANCING MUST BE PROVIDED  
 14 WITHIN 2 YEARS AFTER DISASTER DECLARA-  
 15 TION.—This paragraph shall apply only to fi-  
 16 nancing provided within 2 years after the date  
 17 of the disaster declaration.

18           “(D) DISASTER AREA.—For purposes of  
 19 this paragraph, the term ‘disaster area’ means  
 20 an area determined by the President to warrant  
 21 assistance from the Federal Government under  
 22 the Robert T. Stafford Disaster Relief and  
 23 Emergency Assistance Act (as in effect on the  
 24 date of the enactment of the Taxpayer Relief  
 25 Act of 1997) and with respect to which the

1 Federal share of disaster payments exceeds 75  
2 percent.

3 “(E) APPLICATION OF PARAGRAPH.—This  
4 paragraph shall apply only with respect to  
5 bonds issued after December 31, 2000.”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to bonds issued after December  
8 31, 2000.

## 9 **Subtitle E—Property and Casualty** 10 **Insurance**

11 **SEC. 241. EXEMPTION FROM INCOME TAX FOR STATE-CRE-**  
12 **ATED ORGANIZATIONS PROVIDING PROP-**  
13 **ERTY AND CASUALTY INSURANCE FOR PROP-**  
14 **ERTY FOR WHICH SUCH COVERAGE IS OTH-**  
15 **ERWISE UNAVAILABLE.**

16 (a) IN GENERAL.—Subsection (c) of section 501 (re-  
17 lating to exemption from tax on corporations, certain  
18 trusts, etc.) is amended by adding at the end the following  
19 new paragraph:

20 “(28)(A) Any association created before Janu-  
21 ary 1, 1999, by State law and organized and oper-  
22 ated exclusively to provide property and casualty in-  
23 surance coverage for property located within the  
24 State for which the State has determined that cov-

1        erage in the authorized insurance market is limited  
2        or unavailable at reasonable rates, if—

3                “(i) no part of the net earnings of which  
4                inures to the benefit of any private shareholder  
5                or individual,

6                “(ii) except as provided in clause (v), no  
7                part of the assets of which may be used for, or  
8                diverted to, any purpose other than—

9                        “(I) to satisfy, in whole or in part, the  
10                        liability of the association for, or with re-  
11                        spect to, claims made on policies written  
12                        by the association,

13                        “(II) to invest in investments author-  
14                        ized by applicable law,

15                        “(III) to pay reasonable and nec-  
16                        essary administration expenses in connec-  
17                        tion with the establishment and operation  
18                        of the association and the processing of  
19                        claims against the association, or

20                        “(IV) to make remittances pursuant  
21                        to State law to be used by the State to  
22                        provide for the payment of claims on poli-  
23                        cies written by the association, purchase  
24                        reinsurance covering losses under such  
25                        policies, or to support governmental pro-

1           grams to prepare for or mitigate the ef-  
2           fects of natural catastrophic events,

3           “(iii) the State law governing the associa-  
4           tion permits the association to levy assessments  
5           on insurance companies authorized to sell prop-  
6           erty and casualty insurance in the State, or on  
7           property and casualty insurance policyholders  
8           with insurable interests in property located in  
9           the State to fund deficits of the association, in-  
10          cluding the creation of reserves,

11          “(iv) the plan of operation of the associa-  
12          tion is subject to approval by the chief executive  
13          officer or other official of the State, by the  
14          State legislature, or both, and

15          “(v) the assets of the association revert  
16          upon dissolution to the State, the State’s des-  
17          ignee, or an entity designated by the State law  
18          governing the association, or State law does not  
19          permit the dissolution of the association.

20          “(B)(i) An entity described in clause (ii) shall  
21          be disregarded as a separate entity and treated as  
22          part of the association described in subparagraph  
23          (A) from which it receives remittances described in  
24          clause (ii) if an election is made within 30 days after



1 the date that such association is determined to be  
 2 exempt from tax.

3 “(ii) An entity is described in this clause if it  
 4 is an entity or fund created before January 1, 1999,  
 5 pursuant to State law and organized and operated  
 6 exclusively to receive, hold, and invest remittances  
 7 from an association described in subparagraph (A)  
 8 and exempt from tax under subsection (a), to make  
 9 disbursements to pay claims on insurance contracts  
 10 issued by such association, and to make disburse-  
 11 ments to support governmental programs to prepare  
 12 for or mitigate the effects of natural catastrophic  
 13 events.”.

14 (b) UNRELATED BUSINESS TAXABLE INCOME.—  
 15 Subsection (a) of section 512 (relating to unrelated busi-  
 16 ness taxable income) is amended by adding at the end the  
 17 following new paragraph:

18 “(6) SPECIAL RULE APPLICABLE TO ORGANIZA-  
 19 TIONS DESCRIBED IN SECTION 501(c)(28).—In the  
 20 case of an organization described in section  
 21 501(c)(28), the term ‘unrelated business taxable in-  
 22 come’ means taxable income for a taxable year com-  
 23 puted without the application of section 501(c)(28)  
 24 if at the end of the immediately preceding taxable  
 25 year the organization’s net equity exceeded 15 per-

1 cent of the total coverage in force under insurance  
 2 contracts issued by the organization and outstanding  
 3 at the end of such preceding year.”.

4 (c) TRANSITIONAL RULE.—No income or gain shall  
 5 be recognized by an association as a result of a change  
 6 in status to that of an association described by section  
 7 501(c)(28) of the Internal Revenue Code of 1986, as  
 8 amended by subsection (a).

9 (d) EFFECTIVE DATE.—The amendment made by  
 10 subsection (a) shall apply to taxable years beginning after  
 11 December 31, 2000.

12 **TITLE III—TAX INCENTIVES FOR**  
 13 **URBAN AND RURAL INFRA-**  
 14 **STRUCTURE**

15 **SEC. 301. INCREASE IN STATE CEILING ON PRIVATE ACTIV-**  
 16 **ITY BONDS.**

17 (a) IN GENERAL.—Paragraphs (1) and (2) of section  
 18 146(d) (relating to State ceiling) are amended to read as  
 19 follows:

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

23 “(A) an amount equal to \$75 multiplied by  
 24 the State population, or

25 “(B) \$225,000.000.

1           “(2) COST-OF-LIVING ADJUSTMENT.—In the  
2 case of a calendar year after 2001, each of the dollar  
3 amounts contained in paragraph (1) shall be in-  
4 creased by an amount equal to—

5                   “(A) such dollar amount, multiplied by

6                   “(B) the cost-of-living adjustment deter-  
7 mined under section 1(f)(3) for such calendar  
8 year by substituting ‘calendar year 2000’ for  
9 ‘calendar year 1992’ in subparagraph (B)  
10 thereof.

11 If any increase determined under the preceding sen-  
12 tence is not a multiple of \$5 (\$5,000 in the case of  
13 the dollar amount in paragraph (1)(B)), such in-  
14 crease shall be rounded to the nearest multiple  
15 thereof.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to calendar years after 2000.

18 **SEC. 302. MODIFICATIONS TO EXPENSING OF ENVIRON-**  
19 **MENTAL REMEDIATION COSTS.**

20 (a) EXPENSING NOT LIMITED TO SITES IN TAR-  
21 GETED AREAS.—Subsection (c) of section 198 is amended  
22 to read as follows:

23           “(c) QUALIFIED CONTAMINATED SITE.—For pur-  
24 poses of this section—

1           “(1) IN GENERAL.—The term ‘qualified con-  
2       taminated site’ means any area—

3           “(A) which is held by the taxpayer for use  
4       in a trade or business or for the production of  
5       income, or which is property described in sec-  
6       tion 1221(a)(1) in the hands of the taxpayer,  
7       and

8           “(B) at or on which there has been a re-  
9       lease (or threat of release) or disposal of any  
10      hazardous substance.

11          “(2) NATIONAL PRIORITIES LISTED SITES NOT  
12      INCLUDED.—Such term shall not include any site  
13      which is on, or proposed for, the national priorities  
14      list under section 105(a)(8)(B) of the Comprehen-  
15      sive Environmental Response, Compensation, and  
16      Liability Act of 1980 (as in effect on the date of the  
17      enactment of this section).

18          “(3) TAXPAYER MUST RECEIVE STATEMENT  
19      FROM STATE ENVIRONMENTAL AGENCY.—An area  
20      shall be treated as a qualified contaminated site with  
21      respect to expenditures paid or incurred during any  
22      taxable year only if the taxpayer receives a state-  
23      ment from the appropriate agency of the State in  
24      which such area is located that such area meets the  
25      requirement of paragraph (1)(B).

1           “(4) APPROPRIATE STATE AGENCY.—For pur-  
2       poses of paragraph (3), the chief executive officer of  
3       each State may, in consultation with the Adminis-  
4       trator of the Environmental Protection Agency, des-  
5       ignate the appropriate State environmental agency  
6       within 60 days of the date of the enactment of this  
7       section. If the chief executive officer of a State has  
8       not designated an appropriate environmental agency  
9       within such 60-day period, the appropriate environ-  
10      mental agency for such State shall be designated by  
11      the Administrator of the Environmental Protection  
12      Agency.”.

13       (b) EXTENSION OF TERMINATION DATE.—Sub-  
14      section (h) of section 198 is amended by striking “2001”  
15      and inserting “2003”.

16       (c) EFFECTIVE DATE.—The amendments made by  
17      this section shall apply to expenditures paid or incurred  
18      after the date of the enactment of this Act.

19      **SEC. 303. BROADBAND INTERNET ACCESS TAX CREDIT.**

20       (a) IN GENERAL.—Subpart E of part IV of chapter  
21      1 (relating to rules for computing investment credit) is  
22      amended by inserting after section 48 the following new  
23      section:

1 **“SEC. 48A. BROADBAND CREDIT.**

2 “(a) GENERAL RULE.—For purposes of section 46,  
3 the broadband credit for any taxable year is the sum of—

4 “(1) the current generation broadband credit,  
5 plus

6 “(2) the next generation broadband credit.

7 “(b) CURRENT GENERATION BROADBAND CREDIT;  
8 NEXT GENERATION BROADBAND CREDIT.—For purposes  
9 of this section—

10 “(1) CURRENT GENERATION BROADBAND  
11 CREDIT.—The current generation broadband credit  
12 for any taxable year is equal to 10 percent of the  
13 qualified expenditures incurred with respect to quali-  
14 fied equipment offering current generation  
15 broadband services to rural subscribers or under-  
16 served subscribers and taken into account with re-  
17 spect to such taxable year.

18 “(2) NEXT GENERATION BROADBAND CRED-  
19 IT.—The next generation broadband credit for any  
20 taxable year is equal to 20 percent of the qualified  
21 expenditures incurred with respect to qualified  
22 equipment offering next generation broadband serv-  
23 ices to all rural subscribers, all underserved sub-  
24 scribers, or any other residential subscribers and  
25 taken into account with respect to such taxable year.

1       “(c) WHEN EXPENDITURES TAKEN INTO AC-  
2 COUNT.—For purposes of this section—

3               “(1) IN GENERAL.—Qualified expenditures with  
4       respect to qualified equipment shall be taken into ac-  
5       count with respect to the first taxable year in which  
6       current generation broadband services or next gen-  
7       eration broadband services are offered by the tax-  
8       payer through such equipment to subscribers.

9               “(2) OFFER OF SERVICES.—For purposes of  
10       paragraph (1), the offer of current generation  
11       broadband services or next generation broadband  
12       services through qualified equipment occurs when  
13       such class of service is purchased by and provided  
14       to at least 10 percent of the subscribers described in  
15       subsection (b) which such equipment is capable of  
16       serving through the legal or contractual area access  
17       rights or obligations of the taxpayer.

18       “(d) SPECIAL ALLOCATION RULES.—

19               “(1) CURRENT GENERATION BROADBAND SERV-  
20       ICES.—For purposes of determining the current gen-  
21       eration broadband credit under subsection (a)(1), if  
22       the qualified equipment is capable of serving both  
23       the subscribers described under subsection (b)(1)  
24       and other subscribers, the qualified expenditures  
25       shall be multiplied by a fraction—

1           “(A) the numerator of which is the sum of  
 2           the total potential subscriber populations within  
 3           the rural areas and the underserved areas  
 4           which the equipment is capable of serving, and

5           “(B) the denominator of which is the total  
 6           potential subscriber population of the area  
 7           which the equipment is capable of serving.

8           “(2) NEXT GENERATION BROADBAND SERV-  
 9           ICES.—For purposes of determining the next genera-  
 10          tion broadband credit under subsection (a)(2), if the  
 11          qualified equipment is capable of serving both the  
 12          subscribers described under subsection (b)(2) and  
 13          other subscribers, the qualified expenditures shall be  
 14          multiplied by a fraction—

15               “(A) the numerator of which is the sum  
 16               of—

17                       “(i) the total potential subscriber pop-  
 18                       ulations within the rural areas and under-  
 19                       served areas, plus

20                       “(ii) the total potential subscriber  
 21                       population of the area consisting only of  
 22                       residential subscribers not described in  
 23                       clause (i),

24           which the equipment is capable of serving, and



1           “(B) the denominator of which is the total  
2           potential subscriber population of the area  
3           which the equipment is capable of serving.

4           “(e) DEFINITIONS.—For purposes of this section—

5           “(1) ANTENNA.—The term ‘antenna’ means  
6           any device used to transmit or receive signals  
7           through the electromagnetic spectrum, including sat-  
8           ellite equipment.

9           “(2) CABLE OPERATOR.—The term ‘cable oper-  
10          ator’ has the meaning given such term by section  
11          602(5) of the Communications Act of 1934 (47  
12          U.S.C. 522(5)).

13          “(3) COMMERCIAL MOBILE SERVICE CAR-  
14          RIER.—The term ‘commercial mobile service carrier’  
15          means any person authorized to provide commercial  
16          mobile radio service as defined in section 20.3 of  
17          title 47, Code of Federal Regulations.

18          “(4) CURRENT GENERATION BROADBAND SERV-  
19          ICE.—The term ‘current generation broadband serv-  
20          ice’ means the transmission of signals at a rate of  
21          at least 1,500,000 bits per second to the subscriber  
22          and at least 200,000 bits per second from the sub-  
23          scriber.

24          “(5) NEXT GENERATION BROADBAND SERV-  
25          ICE.—The term ‘next generation broadband service’

1 means the transmission of signals at a rate of at  
2 least 22,000,000 bits per second to the subscriber  
3 and at least 10,000,000 bits per second from the  
4 subscriber.

5 “(6) NONRESIDENTIAL SUBSCRIBER.—The  
6 term ‘nonresidential subscriber’ means a person or  
7 entity who purchases broadband services which are  
8 delivered to the permanent place of business of such  
9 person or entity.

10 “(7) OPEN VIDEO SYSTEM OPERATOR.—The  
11 term ‘open video system operator’ means any person  
12 authorized to provide service under section 653 of  
13 the Communications Act of 1934 (47 U.S.C. 573).

14 “(8) OTHER WIRELESS CARRIER.—The term  
15 ‘other wireless carrier’ means any person (other than  
16 a telecommunications carrier, commercial mobile  
17 service carrier, cable operator, open video system op-  
18 erator, or satellite carrier) providing current genera-  
19 tion broadband services or next generation  
20 broadband service to subscribers through the radio  
21 transmission of energy.

22 “(9) PACKET SWITCHING.—The term ‘packet  
23 switching’ means controlling or routing the path of  
24 a digitized transmission signal which is assembled  
25 into packets or cells.

1 “(10) QUALIFIED EQUIPMENT.—

2 “(A) IN GENERAL.—The term ‘qualified  
3 equipment’ means equipment capable of pro-  
4 viding current generation broadband services or  
5 next generation broadband services at any time  
6 to each subscriber who is utilizing such services.

7 “(B) ONLY CERTAIN INVESTMENT TAKEN  
8 INTO ACCOUNT.—Except as provided in sub-  
9 paragraph (C), equipment shall be taken into  
10 account under subparagraph (A) only to the ex-  
11 tent it—

12 “(i) extends from the last point of  
13 switching to the outside of the unit, build-  
14 ing, dwelling, or office owned or leased by  
15 a subscriber in the case of a telecommuni-  
16 cations carrier,

17 “(ii) extends from the customer side  
18 of the mobile telephone switching office to  
19 a transmission/receive antenna (including  
20 such antenna) owned or leased by a sub-  
21 scriber in the case of a commercial mobile  
22 service carrier,

23 “(iii) extends from the customer side  
24 of the headend to the outside of the unit,  
25 building, dwelling, or office owned or

1 leased by a subscriber in the case of a  
2 cable operator or open video system oper-  
3 ator, or

4 “(iv) extends from a transmission/re-  
5 ceive antenna (including such antenna)  
6 which transmits and receives signals to or  
7 from multiple subscribers to a trans-  
8 mission/receive antenna (including such  
9 antenna) on the outside of the unit, build-  
10 ing, dwelling, or office owned or leased by  
11 a subscriber in the case of a satellite car-  
12 rier or other wireless carrier, unless such  
13 other wireless carrier is also a tele-  
14 communications carrier.

15 “(C) PACKET SWITCHING EQUIPMENT.—

16 Packet switching equipment, regardless of loca-  
17 tion, shall be taken into account under subpara-  
18 graph (A) only if it is deployed in connection  
19 with equipment described in subparagraph (B)  
20 and it is uniquely designed to perform the func-  
21 tion of packet switching for current generation  
22 broadband services or next generation  
23 broadband services, but only if such packet  
24 switching is the last in a series of such func-  
25 tions performed in the transmission of a signal

1 to a subscriber or the first in a series of such  
2 functions performed in the transmission of a  
3 signal from a subscriber.

4 “(11) QUALIFIED EXPENDITURE.—

5 “(A) IN GENERAL.—The term ‘qualified  
6 expenditure’ means any amount—

7 “(i) chargeable to capital account with  
8 respect to the purchase and installation of  
9 qualified equipment (including any up-  
10 grades thereto) for which depreciation is  
11 allowable under section 168, and

12 “(ii) incurred—

13 “(I) with respect to the provision  
14 of current generation broadband serv-  
15 ice, after December 31, 2000, and be-  
16 fore January 1, 2004, and

17 “(II) with respect to the provi-  
18 sion of next generation broadband  
19 service, after December 31, 2001, and  
20 before January 1, 2005.

21 “(B) CERTAIN SATELLITE EXPENDITURES  
22 EXCLUDED.—Such term shall not include any  
23 expenditure with respect to the launching of  
24 any satellite equipment.

1           “(12) RESIDENTIAL SUBSCRIBER.—The term  
2           ‘residential subscriber’ means an individual who pur-  
3           chases broadband services which are delivered to  
4           such individual’s dwelling.

5           “(13) RURAL SUBSCRIBER.—

6                   “(A) IN GENERAL.—The term ‘rural sub-  
7           scriber’ means a residential subscriber residing  
8           in a dwelling located in a rural area or nonresi-  
9           dential subscriber maintaining a permanent  
10          place of business located in a rural area.

11                   “(B) RURAL AREA.—The term ‘rural area’  
12          means any census tract which—

13                           “(i) is not within 10 miles of any in-  
14                          corporated or census designated place con-  
15                          taining more than 25,000 people, and

16                           “(ii) is not within a county or county  
17                          equivalent which has an overall population  
18                          density of more than 500 people per  
19                          square mile of land.

20           “(14) SATELLITE CARRIER.—The term ‘sat-  
21           ellite carrier’ means any person using the facilities  
22           of a satellite or satellite service licensed by the Fed-  
23           eral Communications Commission and operating in  
24           the Fixed-Satellite Service under part 25 of title 47  
25           of the Code of Federal Regulations or the Direct

1 Broadcast Satellite Service under part 100 of title  
2 47 of such Code to establish and operate a channel  
3 of communications for point-to-multipoint distribu-  
4 tion of signals, and owning or leasing a capacity or  
5 service on a satellite in order to provide such point-  
6 to-multipoint distribution.

7 “(15) SUBSCRIBER.—The term ‘subscriber’  
8 means a person who purchases current generation  
9 broadband services or next generation broadband  
10 services.

11 “(16) TELECOMMUNICATIONS CARRIER.—The  
12 term ‘telecommunications carrier’ has the meaning  
13 given such term by section 3(44) of the Communica-  
14 tions Act of 1934 (47 U.S.C. 153 (44)), but—

15 “(A) includes all members of an affiliated  
16 group of which a telecommunications carrier is  
17 a member, and

18 “(B) does not include a commercial mobile  
19 service carrier.

20 “(17) TOTAL POTENTIAL SUBSCRIBER POPU-  
21 LATION.—The term ‘total potential subscriber popu-  
22 lation’ means, with respect to any area and based on  
23 the most recent census data, the total number of po-  
24 tential residential subscribers residing in dwellings  
25 located in such area and potential nonresidential

1 subscribers maintaining permanent places of busi-  
 2 ness located in such area.

3 “(18) UNDERSERVED SUBSCRIBER.—

4 “(A) IN GENERAL.—The term ‘under-  
 5 served subscriber’ means a residential sub-  
 6 scriber residing in a dwelling located in an un-  
 7 derserved area or nonresidential subscriber  
 8 maintaining a permanent place of business lo-  
 9 cated in an underserved area.

10 “(B) UNDERSERVED AREA.—The term  
 11 ‘underserved area’ means any census tract—

12 “(i) the poverty level of which is at  
 13 least 30 percent (based on the most recent  
 14 census data),

15 “(ii) the median family income of  
 16 which does not exceed—

17 “(I) in the case of a census tract  
 18 located in a metropolitan statistical  
 19 area, 70 percent of the greater of the  
 20 metropolitan area median family in-  
 21 come or the statewide median family  
 22 income, and

23 “(II) in the case of a census tract  
 24 located in a nonmetropolitan statis-  
 25 tical area, 70 percent of the non-



1 metropolitan statewide median family  
2 income, or

3 “(iii) which is located in an empower-  
4 ment zone or enterprise community des-  
5 ignated under section 1391.

6 “(f) DESIGNATION OF CENSUS TRACTS.—The Sec-  
7 retary shall, not later than 90 days after the date of the  
8 enactment of this section, designate and publish those cen-  
9 sus tracts meeting the criteria described in paragraphs  
10 (13)(B) and (18)(B) of subsection (e), and such tracts  
11 shall remain so designated for the period ending with the  
12 applicable termination date described in subsection  
13 (e)(11)(A)(ii).”.

14 (b) CREDIT TO BE PART OF INVESTMENT CREDIT.—  
15 Section 46 (relating to the amount of investment credit)  
16 is amended by striking “and” at the end of paragraph (2),  
17 by striking the period at the end of paragraph (3) and  
18 inserting “, and”, and by adding at the end the following  
19 new paragraph:

20 “(4) the broadband credit.”.

21 (c) SPECIAL RULE FOR MUTUAL OR COOPERATIVE  
22 TELEPHONE COMPANIES.—Section 501(c)(12)(B) (relat-  
23 ing to list of exempt organizations) is amended by striking  
24 “or” at the end of clause (iii), by striking the period at

1 the end of clause (iv) and inserting “, or”, and by adding  
 2 at the end the following new clause:

3 “(v) from sources not described in  
 4 subparagraph (A), but only to the extent  
 5 such income does not in any year exceed  
 6 an amount equal to the credit for qualified  
 7 expenditures which would be determined  
 8 under section 48A for such year if the mu-  
 9 tual or cooperative telephone company was  
 10 not exempt from taxation.”.

11 (d) CONFORMING AMENDMENT.—The table of sec-  
 12 tions for subpart E of part IV of subchapter A of chapter  
 13 1 is amended by inserting after the item relating to section  
 14 48 the following new item:

“Sec. 48A. Broadband credit.”.

15 (e) REGULATORY MATTERS.—No Federal or State  
 16 agency or instrumentality shall adopt regulations or rate-  
 17 making procedures that would have the effect of confis-  
 18 cating any credit or portion thereof allowed under section  
 19 48A of the Internal Revenue Code of 1986 (as added by  
 20 this section) or otherwise subverting the purpose of this  
 21 section.

22 (f) STUDY AND REPORT.—

23 (1) SENSE OF CONGRESS.—It is the sense of  
 24 Congress that in order to maintain competitive neu-  
 25 trality, the credit allowed under section 48A of the

1 Internal Revenue Code of 1986 (as added by this  
2 section) should be administered in such a manner so  
3 as to ensure that each class of provider receives the  
4 same level of financial incentive to deploy current  
5 generation broadband services and next generation  
6 broadband services.

7 (2) STUDY AND REPORT.—The Secretary of the  
8 Treasury shall, within 180 days after the effective  
9 date of this section, study the impact of the credit  
10 allowed under section 48A of the Internal Revenue  
11 Code of 1986 (as added by this section) on the rel-  
12 ative competitiveness of potential classes of providers  
13 of current generation broadband services and next  
14 generation broadband services, and shall report to  
15 Congress the findings of such study, together with  
16 any legislative or regulatory proposals determined to  
17 be necessary to ensure that the purposes of such  
18 credit can be furthered without impacting competi-  
19 tive neutrality among such classes of providers.

20 (g) EFFECTIVE DATES.—

21 (1) IN GENERAL.—Except as provided in para-  
22 graph (2), the amendments made by this section  
23 shall apply to expenditures incurred after December  
24 31, 2000.

1           (2) SPECIAL RULE.—The amendments made by  
 2           subsection (c) shall apply to amounts received after  
 3           December 31, 2000.

4   **SEC. 304. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**  
 5           **BONDS.**

6           (a) IN GENERAL.—Part IV of subchapter A of chap-  
 7           ter 1 (relating to credits against tax) is amended by add-  
 8           ing at the end the following new subpart:

9           **“Subpart H—Nonrefundable Credit for Holders of**  
 10           **Qualified Amtrak Bonds**

“Sec. 54. Credit to holders of qualified Amtrak bonds.

11   **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**  
 12           **BONDS.**

13           “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
 14           payer who holds a qualified Amtrak bond on a credit al-  
 15           lowance date of such bond which occurs during the taxable  
 16           year, there shall be allowed as a credit against the tax  
 17           imposed by this chapter for such taxable year an amount  
 18           equal to the sum of the credits determined under sub-  
 19           section (b) with respect to credit allowance dates during  
 20           such year on which the taxpayer holds such bond.

21           “(b) AMOUNT OF CREDIT.—

22           “(1) IN GENERAL.—The amount of the credit  
 23           determined under this subsection with respect to any  
 24           credit allowance date for a qualified Amtrak bond is

1       25 percent of the annual credit determined with re-  
2       spect to such bond.

3               “(2) ANNUAL CREDIT.—The annual credit de-  
4       termined with respect to any qualified Amtrak bond  
5       is the product of—

6               “(A) the applicable credit rate, multiplied  
7               by

8               “(B) the outstanding face amount of the  
9       bond.

10              “(3) APPLICABLE CREDIT RATE.—For purposes  
11      of paragraph (2), the applicable credit rate with re-  
12      spect to an issue is the rate equal to an average  
13      market yield (as of the day before the date of  
14      issuance of the issue) on outstanding long-term cor-  
15      porate debt obligations (determined under regula-  
16      tions prescribed by the Secretary).

17              “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
18      DEMPTION.—In the case of a bond which is issued  
19      during the 3-month period ending on a credit allow-  
20      ance date, the amount of the credit determined  
21      under this subsection with respect to such credit al-  
22      lowance date shall be a ratable portion of the credit  
23      otherwise determined based on the portion of the 3-  
24      month period during which the bond is outstanding.

1 A similar rule shall apply when the bond is re-  
2 deemed.

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

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

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

10 “(B) the sum of the credits allowable  
11 under this part (other than this subpart and  
12 subpart C).

13 “(2) CARRYOVER OF UNUSED CREDIT.—If the  
14 credit allowable under subsection (a) exceeds the  
15 limitation imposed by paragraph (1) for such taxable  
16 year, such excess shall be carried to the succeeding  
17 taxable year and added to the credit allowable under  
18 subsection (a) for such taxable year.

19 “(d) QUALIFIED AMTRAK BOND.—For purposes of  
20 this part—

21 “(1) IN GENERAL.—The term ‘qualified Amtrak  
22 bond’ means any bond issued as part of an issue  
23 if—

24 “(A) 95 percent or more of the proceeds of  
25 such issue are—

1 “(i) to be used for any qualified  
2 project, or

3 “(ii) to be pledged to secure payments  
4 and other obligations incurred by the Na-  
5 tional Railroad Passenger Corporation in  
6 connection with any qualified project,

7 “(B) the bond is issued by the National  
8 Railroad Passenger Corporation,

9 “(C) the issuer—

10 “(i) designates such bond for purposes  
11 of this section,

12 “(ii) certifies that it meets the State  
13 contribution requirement of paragraph (2)  
14 with respect to such project, and

15 “(iii) certifies that it has obtained the  
16 written approval of the Secretary of Trans-  
17 portation for such project,

18 “(D) the term of each bond which is part  
19 of such issue does not exceed 20 years, and

20 “(E) the payment of principal with respect  
21 to such bond is guaranteed by the National  
22 Railroad Passenger Corporation.

23 “(2) STATE CONTRIBUTION REQUIREMENT.—

24 “(A) IN GENERAL.—For purposes of para-  
25 graph (1)(C)(ii), the State contribution require-

ment of this paragraph is met with respect to any qualified project if the National Railroad Passenger Corporation has a written binding commitment from 1 or more States to make matching contributions not later than the date of issuance of the issue of not less than 20 percent of the cost of the qualified project.

“(B) USE OF STATE MATCHING CONTRIBUTIONS.—The matching contributions described in subparagraph (A) with respect to each qualified project shall be used—

“(i) in the case of an amount not to exceed 20 percent of the cost of such project, to redeem bonds which are a part of the issue with respect to such project, and

“(ii) in the case of any remaining amount, at the election of the National Railroad Passenger Corporation and the contributing State—

“(I) to fund the qualified project,

“(II) to redeem such bonds, or

“(III) for the purposes of subclauses (I) and (II).



1           “(C) STATE MATCHING CONTRIBUTIONS  
 2           MAY NOT INCLUDE FEDERAL FUNDS.—For pur-  
 3           poses of this paragraph, State matching con-  
 4           tributions shall not be derived, directly or indi-  
 5           rectly, from Federal funds, including any trans-  
 6           fers from the Highway Trust Fund under sec-  
 7           tion 9503.

8           “(D) NO STATE CONTRIBUTION REQUIRE-  
 9           MENT FOR CERTAIN QUALIFIED PROJECT.—  
 10          With respect to the qualified project described  
 11          in subsection (e)(2)(B), the State contribution  
 12          requirement of this paragraph is zero.

13          “(3) QUALIFIED PROJECT.—The term ‘qualified  
 14          project’ means—

15               “(A) the acquisition, financing, or re-fi-  
 16               nancing (as described in paragraph (1)(A)(ii))  
 17               of equipment, rolling stock, and other capital  
 18               improvements for the northeast rail corridor be-  
 19               tween Washington, D.C. and Boston, Massa-  
 20               chusetts (including the project described in sub-  
 21               section (e)(2)(B)),

22               “(B) the acquisition, financing, or re-fi-  
 23               nancing (as so described) of equipment, rolling  
 24               stock, and other capital improvements for the  
 25               improvement of train speeds or safety (or both)

1 on the high-speed rail corridors designated  
 2 under section 104(d)(2) of title 23, United  
 3 States Code, and

4 “(C) the acquisition, financing, or refi-  
 5 nancing (as so described) of equipment, rolling  
 6 stock, and other capital improvements for other  
 7 intercity passenger rail corridors, including sta-  
 8 tion rehabilitation or construction, track or sig-  
 9 nal improvements, or the elimination of grade  
 10 crossings.

11 “(e) LIMITATIONS ON AMOUNT OF BONDS DES-  
 12 IGNATED.—

13 “(1) IN GENERAL.—There is a qualified Am-  
 14 trak bond limitation for each fiscal year. Such limi-  
 15 tation is—

16 “(A) \$1,000,000,000 for each of the fiscal  
 17 years 2001 through 2010, and

18 “(B) except as provided in paragraph (5),  
 19 zero after fiscal year 2010.

20 “(2) BONDS FOR RAIL CORRIDORS.—

21 “(A) IN GENERAL.—Not more than  
 22 \$3,000,000,000 of the limitation under para-  
 23 graph (1) may be designated for any 1 rail cor-  
 24 ridor described in subparagraph (A) or (B) of  
 25 subsection (d)(3).

1           “(B) SPECIFIC QUALIFIED PROJECT ALLO-  
2           CATION.—Of the amount described in subpara-  
3           graph (A), the Secretary of Transportation  
4           shall allocate \$92,000,000 for the acquisition  
5           and installation of platform facilities, perform-  
6           ance of railroad force account work necessary to  
7           complete improvements below street grade, and  
8           any other necessary improvements related to  
9           construction at the railroad station at the  
10          James A. Farley Post Office Building in New  
11          York City, New York.

12          “(3) BONDS FOR OTHER PROJECTS.—Not more  
13          than 10 percent of the limitation under paragraph  
14          (1) for any fiscal year may be allocated to qualified  
15          projects described in subsection (d)(3)(C).

16          “(4) BONDS FOR ALASKA RAILROAD.—The Sec-  
17          retary of Transportation may allocate to the Alaska  
18          Railroad a portion of the qualified Amtrak limitation  
19          for any fiscal year in order to allow the Alaska Rail-  
20          road to issue bonds which meet the requirements of  
21          this section for use in financing any project de-  
22          scribed in subsection (d)(3)(C). For purposes of this  
23          section, the Alaska Railroad shall be treated in the  
24          same manner as the National Passenger Railroad  
25          Corporation.

1           “(5) CARRYOVER OF UNUSED LIMITATION.—If  
2           for any fiscal year—

3                   “(A) the limitation amount under para-  
4                   graph (1), exceeds

5                   “(B) the amount of bonds issued during  
6                   such year which are designated under sub-  
7                   section (d)(1)(C)(i),  
8           the limitation amount under paragraph (1) for the  
9           following fiscal year (through fiscal year 2014) shall  
10          be increased by the amount of such excess.

11           “(6) PREFERENCE FOR GREATER STATE PAR-  
12          TICIPATION.—In selecting qualified projects for allo-  
13          cation of the qualified Amtrak bond limitation under  
14          this subsection, the Secretary of Transportation  
15          shall give preference to any project with a State  
16          matching contribution rate exceeding 20 percent.

17          “(f) OTHER DEFINITIONS.—For purposes of this  
18          subpart—

19                   “(1) BOND.—The term ‘bond’ includes any ob-  
20                   ligation.

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                   “(3) STATE.—The term ‘State’ includes the  
5           District of Columbia.

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

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

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

19                   “(2) REASONABLE EXPECTATION AND BINDING  
20           COMMITMENT REQUIREMENTS.—Paragraph (1) shall  
21           apply to an issue only if, as of the date of issuance,  
22           the issuer reasonably expects—

23                   “(A) that at least 95 percent of the pro-  
24           ceeds of the issue will be spent for 1 or more

1 qualified projects within the 3-year period be-  
 2 ginning on such date,

3 “(B) to incur a binding commitment with  
 4 a third party to spend at least 10 percent of the  
 5 proceeds of the issue, or to commence prelimi-  
 6 nary engineering or construction, with respect  
 7 to such projects within the 6-month period be-  
 8 ginning on such date, and

9 “(C) that the remaining proceeds of the  
 10 issue will be spent with due diligence with re-  
 11 spect to such projects.

12 “(3) EARNINGS ON PROCEEDS.—Any earnings  
 13 on proceeds during the temporary period shall be  
 14 treated as proceeds of the issue for purposes of ap-  
 15 plying subsection (d)(1) and paragraph (1) of this  
 16 subsection.

17 “(i) USE OF TRUST ACCOUNT.—

18 “(1) IN GENERAL.—The amount of any match-  
 19 ing contribution with respect to a qualified project  
 20 described in subsection (d)(2)(B)(i) or  
 21 (d)(2)(B)(ii)(II) and the temporary period invest-  
 22 ment earnings on proceeds of the issue with respect  
 23 to such project described in subsection (h)(1), and  
 24 any earnings thereon, shall be held in a trust ac-  
 25 count by a trustee independent of the National Rail-

road Passenger Corporation to be used to redeem bonds which are part of such issue.

“(2) USE OF REMAINING FUNDS IN TRUST ACCOUNT.—Upon the repayment of the principal of all qualified Amtrak bonds issued under this section, any remaining funds in the trust account described in paragraph (1) shall be available to the trustee described in paragraph (1) to meet any remaining obligations under any guaranteed investment contract used to secure earnings sufficient to repay the principal of such bonds.

“(j) OTHER SPECIAL RULES.—

“(1) PARTNERSHIP; S CORPORATION; AND OTHER PASS-THRU ENTITIES.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under subsection (a).

“(2) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified Amtrak bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

1           “(3) CREDITS MAY BE STRIPPED.—Under regu-  
2       lations prescribed by the Secretary—

3           “(A) IN GENERAL.—There may be a sepa-  
4       ration (including at issuance) of the ownership  
5       of a qualified Amtrak bond and the entitlement  
6       to the credit under this section with respect to  
7       such bond. In case of any such separation, the  
8       credit under this section shall be allowed to the  
9       person who on the credit allowance date holds  
10      the instrument evidencing the entitlement to  
11      the credit and not to the holder of the bond.

12          “(B) CERTAIN RULES TO APPLY.—In the  
13      case of a separation described in subparagraph  
14      (A), the rules of section 1286 shall apply to the  
15      qualified Amtrak bond as if it were a stripped  
16      bond and to the credit under this section as if  
17      it were a stripped coupon.

18          “(4) TREATMENT FOR ESTIMATED TAX PUR-  
19      POSES.—Solely for purposes of sections 6654 and  
20      6655, the credit allowed by this section to a tax-  
21      payer by reason of holding a qualified Amtrak bond  
22      on a credit allowance date shall be treated as if it  
23      were a payment of estimated tax made by the tax-  
24      payer on such date.



1           “(5) CREDIT MAY BE TRANSFERRED.—Nothing  
 2           in any law or rule of law shall be construed to limit  
 3           the transferability of the credit allowed by this sec-  
 4           tion through sale and repurchase agreements.

5           “(6) REPORTING.—Issuers of qualified Amtrak  
 6           bonds shall submit reports similar to the reports re-  
 7           quired under section 149(e).”.

8           (b) REPORTING.—Subsection (d) of section 6049 (re-  
 9           lating to returns regarding payments of interest) is  
 10          amended by adding at the end the following new para-  
 11          graph:

12           “(8) REPORTING OF CREDIT ON QUALIFIED AM-  
 13          TRAK BONDS.—

14           “(A) IN GENERAL.—For purposes of sub-  
 15          section (a), the term ‘interest’ includes amounts  
 16          includible in gross income under section 54(g)  
 17          and such amounts shall be treated as paid on  
 18          the credit allowance date (as defined in section  
 19          54(f)(2)).

20           “(B) REPORTING TO CORPORATIONS,  
 21          ETC.—Except as otherwise provided in regula-  
 22          tions, in the case of any interest described in  
 23          subparagraph (A) of this paragraph, subsection  
 24          (b)(4) of this section shall be applied without

1           regard to subparagraphs (A), (H), (I), (J), (K),  
2           and (L)(i).

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

9           (c) CLERICAL AMENDMENTS.—

10           (1) The table of subparts for part IV of sub-  
11           chapter A of chapter 1 is amended by adding at the  
12           end the following new item:

                    “Subpart H. Nonrefundable Credit for Holders of Qualified Am-  
                    trak Bonds.”.

13           (2) Section 6401(b)(1) is amended by striking  
14           “and G” and inserting “G, and H”.

15           (d) EFFECTIVE DATE.—The amendments made by  
16           this section shall apply to obligations issued after Sep-  
17           tember 30, 2000.

18           (e) MULTI-YEAR CAPITAL SPENDING PLAN AND  
19           OVERSIGHT.—

20           (1) AMTRAK CAPITAL SPENDING PLAN.—

21           (A) IN GENERAL.—The National Railroad  
22           Passenger Corporation shall annually submit to  
23           the President and Congress a multi-year capital

1 spending plan, as approved by the Board of Di-  
 2 rectors of the Corporation.

3 (B) CONTENTS OF PLAN.—Such plan shall  
 4 identify the capital investment needs of the  
 5 Corporation over a period of not less than 5  
 6 years and the funding sources available to fi-  
 7 nance such needs and shall prioritize such  
 8 needs according to corporate goals and strate-  
 9 gies.

10 (C) INITIAL SUBMISSION DATE.—The first  
 11 plan shall be submitted before the issuance of  
 12 any qualified Amtrak bonds pursuant to section  
 13 54 of the Internal Revenue Code of 1986 (as  
 14 added by this section).

15 (2) OVERSIGHT OF AMTRAK TRUST ACCOUNT  
 16 AND QUALIFIED PROJECTS.—

17 (A) TRUST ACCOUNT OVERSIGHT.—The  
 18 Secretary of the Treasury shall annually report  
 19 to Congress as to whether the amount deposited  
 20 in the trust account established by the National  
 21 Passenger Railroad Corporation under section  
 22 54(i) of such Code (as so added) is sufficient to  
 23 fully repay at maturity the principal of any out-  
 24 standing qualified Amtrak bonds issued pursu-  
 25 ant to section 54 of such Code (as so added).

1 (B) PROJECT OVERSIGHT.—The National  
2 Railroad Passenger Corporation shall contract  
3 for an annual independent assessment of the  
4 costs and benefits of the qualified projects fi-  
5 nanced by such qualified Amtrak bonds, includ-  
6 ing an assessment of the investment evaluation  
7 process of the Corporation. The annual assess-  
8 ment shall be included in the plan submitted  
9 under paragraph (1).

10 (f) PROTECTION OF HIGHWAY TRUST FUND.—

11 (1) CERTIFICATION BY THE SECRETARY OF  
12 THE TREASURY.—The issuance of any qualified Am-  
13 trak bonds by the National Passenger Railroad Cor-  
14 poration pursuant to section 54 of the Internal Rev-  
15 enue Code of 1986 (as added by this section) is con-  
16 ditioned on certification by the Secretary of the  
17 Treasury, after consultation with the Secretary of  
18 Transportation, within 30 days of a request by the  
19 issuer, that with respect to funds of the Highway  
20 Trust Fund described under paragraph (2), the  
21 issuer either—

22 (A) has not received such funds during fis-  
23 cal years commencing with fiscal year 2001 and  
24 ending before the fiscal year the bonds are  
25 issued, or

1 (B) has repaid to the Highway Trust Fund  
 2 any such funds which were received during such  
 3 fiscal years.

4 (2) APPLICABILITY.—This subsection shall  
 5 apply to funds received directly or indirectly from  
 6 the Highway Trust Fund established under section  
 7 9503 of the Internal Revenue Code of 1986, except  
 8 for funds authorized to be expended under section  
 9 9503(c) of such Code, as in effect on the date of the  
 10 enactment of this Act.

11 (3) NO RETROACTIVE EFFECT.—Nothing in  
 12 this subsection shall adversely affect the entitlement  
 13 of the holders of qualified Amtrak bonds to the tax  
 14 credit allowed pursuant to section 54 of the Internal  
 15 Revenue Code of 1986 (as so added) or to repay-  
 16 ment of principal upon maturity.

17 **SEC. 305. CLARIFICATION OF CONTRIBUTION IN AID OF**  
 18 **CONSTRUCTION.**

19 (a) IN GENERAL.—Subparagraph (A) of section  
 20 118(c)(3) (relating to definitions) is amended to read as  
 21 follows:

22 “(A) CONTRIBUTION IN AID OF CONSTRUC-  
 23 TION.—The term ‘contribution in aid of con-  
 24 struction’ shall be defined by regulations pre-

1           scribed by the Secretary, except that such  
2           term—

3                   “(i) shall include amounts paid as  
4                   customer connection fees (including  
5                   amounts paid to connect the customer’s  
6                   line to or extend a main water or sewer  
7                   line), and

8                   “(ii) shall not include amounts paid as  
9                   service charges for starting or stopping  
10                  services.”.

11       (b) EFFECTIVE DATE.—The amendment made by  
12 subsection (a) shall apply to amounts received after the  
13 date of the enactment of this Act.

14 **SEC. 306. RECOVERY PERIOD FOR DEPRECIATION OF CER-**  
15 **TAIN LEASEHOLD IMPROVEMENTS.**

16       (a) 15-YEAR RECOVERY PERIOD.—Subparagraph  
17 (E) of section 168(e)(3) (relating to 15-year property) is  
18 amended by striking “and” at the end of clause (ii), by  
19 striking the period at the end of clause (iii) and inserting  
20 “, and”, and by adding at the end the following new  
21 clause:

22                   “(iv) any qualified leasehold improve-  
23                  ment property.”.

1 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROP-  
 2 ERTY.—Subsection (e) of section 168 is amended by add-  
 3 ing at the end the following new paragraph:

4 “(6) QUALIFIED LEASEHOLD IMPROVEMENT  
 5 PROPERTY.—

6 “(A) IN GENERAL.—The term ‘qualified  
 7 leasehold improvement property’ means any im-  
 8 provement to an interior portion of a building  
 9 which is nonresidential real property if—

10 “(i) such improvement is made under  
 11 or pursuant to a lease (as defined in sub-  
 12 section (h)(7))—

13 “(I) by the lessee (or any subles-  
 14 see) of such portion, or

15 “(II) by the lessor of such por-  
 16 tion,

17 “(ii) the original use of such improve-  
 18 ment begins with the lessee and after De-  
 19 cember 31, 2006,

20 “(iii) such portion is to be occupied  
 21 exclusively by the lessee (or any sublessee)  
 22 of such portion, and

23 “(iv) such improvement is placed in  
 24 service more than 3 years after the date  
 25 the building was first placed in service.

1           “(B) CERTAIN IMPROVEMENTS NOT IN-  
2           CLUDED.—Such term shall not include any im-  
3           provement for which the expenditure is attrib-  
4           utable to—

5                   “(i) the enlargement of the building,

6                   “(ii) any elevator or escalator,

7                   “(iii) any structural component bene-  
8           fitting a common area, and

9                   “(iv) the internal structural frame-  
10          work of the building.

11          “(C) DEFINITIONS AND SPECIAL RULES.—

12          For purposes of this paragraph—

13                   “(i) COMMITMENT TO LEASE TREAT-  
14           ED AS LEASE.—A commitment to enter  
15           into a lease shall be treated as a lease, and  
16           the parties to such commitment shall be  
17           treated as lessor and lessee, respectively, if  
18           the lease is in effect at the time the prop-  
19           erty is placed in service.

20                   “(ii) RELATED PERSONS.—A lease be-  
21           tween related persons shall not be consid-  
22           ered a lease. For purposes of the preceding  
23           sentence, the term ‘related persons’  
24           means—



1 “(I) members of an affiliated  
 2 group (as defined in section 1504),  
 3 and

4 “(II) persons having a relation-  
 5 ship described in subsection (b) of  
 6 section 267(b) or 707(b)(1); except  
 7 that, for purposes of this clause, the  
 8 phrase ‘80 percent or more’ shall be  
 9 substituted for the phrase ‘more than  
 10 50 percent’ each place it appears in  
 11 such subsections.”.

12 (c) REQUIREMENT TO USE STRAIGHT LINE METH-  
 13 OD.—Paragraph (3) of section 168(b) is amended by add-  
 14 ing at the end the following new subparagraph:

15 “(G) Qualified leasehold improvement  
 16 property described in subsection (e)(6).”.

17 (d) EFFECTIVE DATE.—The amendments made by  
 18 this section shall apply to qualified leasehold improvement  
 19 property placed in service after December 31, 2006.

## 20 **TITLE IV—TAX RELIEF FOR** 21 **FARMERS**

### 22 **SEC. 401. FARM, FISHING, AND RANCH RISK MANAGEMENT** 23 **ACCOUNTS.**

24 (a) IN GENERAL.—Subpart C of part II of sub-  
 25 chapter E of chapter 1 (relating to taxable year for which

1 deductions taken) is amended by inserting after section  
 2 468B the following new section:

3 **“SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGE-**  
 4 **MENT ACCOUNTS.**

5 “(a) DEDUCTION ALLOWED.—In the case of an indi-  
 6 vidual engaged in an eligible farming business or commer-  
 7 cial fishing, there shall be allowed as a deduction for any  
 8 taxable year the amount paid in cash by the taxpayer dur-  
 9 ing the taxable year to a Farm, Fishing, and Ranch Risk  
 10 Management Account (hereinafter referred to as the  
 11 ‘FFARRM Account’).

12 “(b) LIMITATION.—

13 “(1) CONTRIBUTIONS.—The amount which a  
 14 taxpayer may pay into the FFARRM Account for  
 15 any taxable year shall not exceed 20 percent of so  
 16 much of the taxable income of the taxpayer (deter-  
 17 mined without regard to this section) which is at-  
 18 tributable (determined in the manner applicable  
 19 under section 1301) to any eligible farming business  
 20 or commercial fishing.

21 “(2) DISTRIBUTIONS.—Distributions from a  
 22 FFARRM Account may not be used to purchase,  
 23 lease, or finance any new fishing vessel, add capacity  
 24 to any fishery, or otherwise contribute to the over-  
 25 capitalization of any fishery. The Secretary of Com-

1       merce shall implement regulations to enforce this  
2       paragraph.

3       “(c) ELIGIBLE BUSINESSES.—For purposes of this  
4       section—

5               “(1) ELIGIBLE FARMING BUSINESS.—The term  
6       ‘eligible farming business’ means any farming busi-  
7       ness (as defined in section 263A(e)(4)) which is not  
8       a passive activity (within the meaning of section  
9       469(c)) of the taxpayer.

10              “(2) COMMERCIAL FISHING.—The term ‘com-  
11       mercial fishing’ has the meaning given such term by  
12       section (3) of the Magnuson-Stevens Fishery Con-  
13       servation and Management Act (16 U.S.C. 1802)  
14       but only if such fishing is not a passive activity  
15       (within the meaning of section 469(c)) of the tax-  
16       payer.

17       “(d) FFARRM ACCOUNT.—For purposes of this  
18       section—

19              “(1) IN GENERAL.—The term ‘FFARRM Ac-  
20       count’ means a trust created or organized in the  
21       United States for the exclusive benefit of the tax-  
22       payer, but only if the written governing instrument  
23       creating the trust meets the following requirements:

24                      “(A) No contribution will be accepted for  
25                      any taxable year in excess of the amount al-

1           lowed as a deduction under subsection (a) for  
2           such year.

3           “(B) The trustee is a bank (as defined in  
4           section 408(n)) or another person who dem-  
5           onstrates to the satisfaction of the Secretary  
6           that the manner in which such person will ad-  
7           minister the trust will be consistent with the re-  
8           quirements of this section.

9           “(C) The assets of the trust consist en-  
10          tirely of cash or of obligations which have ade-  
11          quate stated interest (as defined in section  
12          1274(c)(2)) and which pay such interest not  
13          less often than annually.

14          “(D) All income of the trust is distributed  
15          currently to the grantor.

16          “(E) The assets of the trust will not be  
17          commingled with other property except in a  
18          common trust fund or common investment  
19          fund.

20          “(2) ACCOUNT TAXED AS GRANTOR TRUST.—  
21          The grantor of a FFARRM Account shall be treated  
22          for purposes of this title as the owner of such Ac-  
23          count and shall be subject to tax thereon in accord-  
24          ance with subpart E of part I of subchapter J of

1 this chapter (relating to grantors and others treated  
2 as substantial owners).

3 “(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

4 “(1) IN GENERAL.—Except as provided in para-  
5 graph (2), there shall be includible in the gross in-  
6 come of the taxpayer for any taxable year—

7 “(A) any amount distributed from a  
8 FFARRM Account of the taxpayer during such  
9 taxable year, and

10 “(B) any deemed distribution under—

11 “(i) subsection (f)(1) (relating to de-  
12 posits not distributed within 5 years),

13 “(ii) subsection (f)(2) (relating to ces-  
14 sation in eligible farming business), and

15 “(iii) subparagraph (B) or (C) of sub-  
16 section (f)(3) (relating to prohibited trans-  
17 actions and pledging account as security).

18 “(2) EXCEPTIONS.—Paragraph (1)(A) shall not  
19 apply to—

20 “(A) any distribution to the extent attrib-  
21 utable to income of the Account, and

22 “(B) the distribution of any contribution  
23 paid during a taxable year to a FFARRM Ac-  
24 count to the extent that such contribution ex-  
25 ceeds the limitation applicable under subsection

1 (b) if requirements similar to the requirements  
2 of section 408(d)(4) are met.

3 For purposes of subparagraph (A), distributions  
4 shall be treated as first attributable to income and  
5 then to other amounts.

6 “(f) SPECIAL RULES.—

7 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH  
8 ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

9 “(A) IN GENERAL.—If, at the close of any  
10 taxable year, there is a nonqualified balance in  
11 any FFARRM Account—

12 “(i) there shall be deemed distributed  
13 from such Account during such taxable  
14 year an amount equal to such balance, and

15 “(ii) the taxpayer’s tax imposed by  
16 this chapter for such taxable year shall be  
17 increased by 10 percent of such deemed  
18 distribution.

19 The preceding sentence shall not apply if an  
20 amount equal to such nonqualified balance is  
21 distributed from such Account to the taxpayer  
22 before the due date (including extensions) for  
23 filing the return of tax imposed by this chapter  
24 for such year (or, if earlier, the date the tax-  
25 payer files such return for such year).

1           “(B) NONQUALIFIED BALANCE.—For pur-  
 2           poses of subparagraph (A), the term ‘non-  
 3           qualified balance’ means any balance in the Ac-  
 4           count on the last day of the taxable year which  
 5           is attributable to amounts deposited in such Ac-  
 6           count before the 4th preceding taxable year.

7           “(C) ORDERING RULE.—For purposes of  
 8           this paragraph, distributions from a FFARRM  
 9           Account (other than distributions of current in-  
 10          come) shall be treated as made from deposits in  
 11          the order in which such deposits were made, be-  
 12          ginning with the earliest deposits.

13          “(2) CESSATION IN ELIGIBLE BUSINESS.—At  
 14          the close of the first disqualification period after a  
 15          period for which the taxpayer was engaged in an eli-  
 16          gible farming business or commercial fishing, there  
 17          shall be deemed distributed from the FFARRM Ac-  
 18          count of the taxpayer an amount equal to the bal-  
 19          ance in such Account (if any) at the close of such  
 20          disqualification period. For purposes of the pre-  
 21          ceding sentence, the term ‘disqualification period’  
 22          means any period of 2 consecutive taxable years for  
 23          which the taxpayer is not engaged in an eligible  
 24          farming business or commercial fishing.

1           “(3) CERTAIN RULES TO APPLY.—Rules similar  
2           to the following rules shall apply for purposes of this  
3           section:

4                   “(A) Section 220(f)(8) (relating to treat-  
5                   ment on death).

6                   “(B) Section 408(e)(2) (relating to loss of  
7                   exemption of account where individual engages  
8                   in prohibited transaction).

9                   “(C) Section 408(e)(4) (relating to effect  
10                  of pledging account as security).

11                  “(D) Section 408(g) (relating to commu-  
12                  nity property laws).

13                  “(E) Section 408(h) (relating to custodial  
14                  accounts).

15           “(4) TIME WHEN PAYMENTS DEEMED MADE.—  
16           For purposes of this section, a taxpayer shall be  
17           deemed to have made a payment to a FFARRM Ac-  
18           count on the last day of a taxable year if such pay-  
19           ment is made on account of such taxable year and  
20           is made on or before the due date (without regard  
21           to extensions) for filing the return of tax for such  
22           taxable year.

23           “(5) INDIVIDUAL.—For purposes of this sec-  
24           tion, the term ‘individual’ shall not include an estate  
25           or trust.



1           “(6) DEDUCTION NOT ALLOWED FOR SELF-EM-  
 2       PLOYMENT TAX.—The deduction allowable by reason  
 3       of subsection (a) shall not be taken into account in  
 4       determining an individual’s net earnings from self-  
 5       employment (within the meaning of section 1402(a))  
 6       for purposes of chapter 2.

7           “(g) REPORTS.—The trustee of a FFARRM Account  
 8       shall make such reports regarding such Account to the  
 9       Secretary and to the person for whose benefit the Account  
 10      is maintained with respect to contributions, distributions,  
 11      and such other matters as the Secretary may require  
 12      under regulations. The reports required by this subsection  
 13      shall be filed at such time and in such manner and fur-  
 14      nished to such persons at such time and in such manner  
 15      as may be required by such regulations.”.

16       (b) TAX ON EXCESS CONTRIBUTIONS.—

17           (1) Subsection (a) of section 4973 (relating to  
 18       tax on excess contributions to certain tax-favored ac-  
 19       counts and annuities) is amended by striking “or”  
 20       at the end of paragraph (3), by redesignating para-  
 21       graph (4) as paragraph (5), and by inserting after  
 22       paragraph (3) the following new paragraph:

23           “(4) a FFARRM Account (within the meaning  
 24       of section 468C(d)), or”.

1           (2) Section 4973 is amended by adding at the  
2           end the following new subsection:

3           “(g) EXCESS CONTRIBUTIONS TO FFARRM AC-  
4 COUNTS.—For purposes of this section, in the case of a  
5 FFARRM Account (within the meaning of section  
6 468C(d)), the term ‘excess contributions’ means the  
7 amount by which the amount contributed for the taxable  
8 year to the Account exceeds the amount which may be con-  
9 tributed to the Account under section 468C(b) for such  
10 taxable year. For purposes of this subsection, any con-  
11 tribution which is distributed out of the FFARRM Ac-  
12 count in a distribution to which section 468C(e)(2)(B) ap-  
13 plies shall be treated as an amount not contributed.”.

14           (3) The section heading for section 4973 is  
15           amended to read as follows:

16           **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-**  
17           **COUNTS, ANNUITIES, ETC.”.**

18           (4) The table of sections for chapter 43 is  
19           amended by striking the item relating to section  
20           4973 and inserting the following new item:

“Sec. 4973. Excess contributions to certain accounts, annuities,  
etc.”.

21           (c) TAX ON PROHIBITED TRANSACTIONS.—

22           (1) Subsection (c) of section 4975 (relating to  
23           tax on prohibited transactions) is amended by add-  
24           ing at the end the following new paragraph:

1 “(6) SPECIAL RULE FOR FFARM ACCOUNTS.—

2 A person for whose benefit a FFARM Account  
 3 (within the meaning of section 468C(d)) is estab-  
 4 lished shall be exempt from the tax imposed by this  
 5 section with respect to any transaction concerning  
 6 such account (which would otherwise be taxable  
 7 under this section) if, with respect to such trans-  
 8 action, the account ceases to be a FFARM Ac-  
 9 count by reason of the application of section  
 10 468C(f)(3)(A) to such account.”.

11 (2) Paragraph (1) of section 4975(e) is amend-  
 12 ed by redesignating subparagraphs (E) and (F) as  
 13 subparagraphs (F) and (G), respectively, and by in-  
 14 serting after subparagraph (D) the following new  
 15 subparagraph:

16 “(E) a FFARM Account described in  
 17 section 468C(d),”.

18 (d) FAILURE TO PROVIDE REPORTS ON FFARM  
 19 ACCOUNTS.—Paragraph (2) of section 6693(a) (relating  
 20 to failure to provide reports on certain tax-favored ac-  
 21 counts or annuities) is amended by redesignating subpara-  
 22 graphs (C) and (D) as subparagraphs (D) and (E), re-  
 23 spectively, and by inserting after subparagraph (B) the  
 24 following new subparagraph:

1                   “(C)    section    468C(g)    (relating    to  
2                   FFARRM Accounts),”.

3           (e) CLERICAL AMENDMENT.—The table of sections  
4 for subpart C of part II of subchapter E of chapter 1 is  
5 amended by inserting after the item relating to section  
6 468B the following new item:

“Sec. 468C. Farm, Fishing and Ranch Risk Management Ac-  
counts.”.

7           (f) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2000.

10 **SEC. 402. WRITTEN AGREEMENT RELATING TO EXCLUSION**  
11 **OF CERTAIN FARM RENTAL INCOME FROM**  
12 **NET EARNINGS FROM SELF-EMPLOYMENT.**

13           (a) INTERNAL REVENUE CODE.—Section  
14 1402(a)(1)(A) (relating to net earnings from self-employ-  
15 ment) is amended by striking “an arrangement” and in-  
16 serting “a lease agreement”.

17           (b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of  
18 the Social Security Act is amended by striking “an ar-  
19 rangement” and inserting “a lease agreement”.

20           (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2000.

1 **SEC. 403. TREATMENT OF CONSERVATION RESERVE PRO-**  
 2 **GRAM PAYMENTS AS RENTALS FROM REAL**  
 3 **ESTATE.**

4 (a) IN GENERAL.—Section 1402(a)(1) (defining net  
 5 earnings from self-employment) is amended by inserting  
 6 “and including payments under section 1233(2) of the  
 7 Food Security Act of 1985 (16 U.S.C. 3833(2))” after  
 8 “crop shares”.

9 (b) EFFECTIVE DATE.—The amendment made by  
 10 this section shall apply to payments made after December  
 11 31, 2000.

12 **SEC. 404. EXEMPTION OF AGRICULTURAL BONDS FROM**  
 13 **STATE VOLUME CAP.**

14 (a) IN GENERAL.—Section 146(g) (relating to excep-  
 15 tion for certain bonds) is amended by striking “and” at  
 16 the end of paragraph (3), by striking the period at the  
 17 end of paragraph (4) and inserting “, and”, and by insert-  
 18 ing after paragraph (4) the following new paragraph:

19 “(5) any qualified small issue bond described in  
 20 section 144(a)(12)(B)(ii).”.

21 (b) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to bonds issued after December  
 23 31, 2000.

24 **SEC. 405. MODIFICATIONS TO SECTION 512(b)(13).**

25 (a) IN GENERAL.—Paragraph (13) of section 512(b)  
 26 is amended by redesignating subparagraph (E) as sub-

1 paragraph (F) and by inserting after subparagraph (D)  
 2 the following new paragraph:

3 “(E) PARAGRAPH TO APPLY ONLY TO EX-  
 4 CESS PAYMENTS.—

5 “(i) IN GENERAL.—Subparagraph (A)  
 6 shall apply only to the portion of a speci-  
 7 fied payment received by the controlling  
 8 organization that exceeds the amount  
 9 which would have been paid if such pay-  
 10 ment met the requirements prescribed  
 11 under section 482.

12 “(ii) ADDITION TO TAX FOR VALU-  
 13 ATION MISSTATEMENTS.—The tax imposed  
 14 by this chapter on the controlling organiza-  
 15 tion shall be increased by an amount equal  
 16 to 20 percent of such excess.”.

17 (b) EFFECTIVE DATE.—

18 (1) IN GENERAL.—The amendment made by  
 19 this section shall apply to payments received or ac-  
 20 crued after December 31, 2000.

21 (2) PAYMENTS SUBJECT TO BINDING CONTRACT  
 22 TRANSITION RULE.—If the amendments made by  
 23 section 1041 of the Taxpayer Relief Act of 1997 did  
 24 not apply to any amount received or accrued in the  
 25 first 2 taxable years beginning on or after the date

1 of the enactment of this Act under any contract de-  
 2 scribed in subsection (b)(2) of such section, such  
 3 amendments also shall not apply to amounts re-  
 4 ceived or accrued under such contract before Janu-  
 5 ary 1, 2001.

6 **SEC. 406. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
 7 **OF FOOD INVENTORY.**

8 (a) IN GENERAL.—Subsection (e) of section 170 (re-  
 9 lating to certain contributions of ordinary income and cap-  
 10 ital gain property) is amended by adding at the end the  
 11 following new paragraph:

12 “(7) SPECIAL RULE FOR CONTRIBUTIONS OF  
 13 FOOD INVENTORY.—For purposes of this section—

14 “(A) CONTRIBUTIONS BY NON-CORPORATE  
 15 TAXPAYERS.—In the case of a charitable con-  
 16 tribution of food by a taxpayer in a farming  
 17 business (as defined in section 263A(e)(4)),  
 18 paragraph (3)(A) shall be applied without re-  
 19 gard to whether or not the contribution is made  
 20 by a corporation.

21 “(B) LIMIT ON REDUCTION.—In the case  
 22 of a charitable contribution of food which is a  
 23 qualified contribution (within the meaning of  
 24 paragraph (3)(A), as modified by subparagraph  
 25 (A) of this paragraph)—

1                   “(i) paragraph (3)(B) shall not apply,  
2                   and

3                   “(ii) the reduction under paragraph  
4                   (1)(A) for such contribution shall be no  
5                   greater than the amount (if any) by which  
6                   the amount of such contribution exceeds  
7                   twice the basis of such food.

8                   “(C) DETERMINATION OF BASIS.—For  
9                   purposes of this paragraph, if a taxpayer uses  
10                  the cash method of accounting, the basis of any  
11                  qualified contribution of such taxpayer shall be  
12                  deemed to be 50 percent of the fair market  
13                  value of such contribution.

14                  “(D) DETERMINATION OF FAIR MARKET  
15                  VALUE.—In the case of a charitable contribu-  
16                  tion of food which is a qualified contribution  
17                  (within the meaning of paragraph (3), as modi-  
18                  fied by subparagraphs (A) and (B) of this para-  
19                  graph) and which, solely by reason of internal  
20                  standards of the taxpayer, lack of market, or  
21                  similar circumstances, or which is produced by  
22                  the taxpayer exclusively for the purposes of  
23                  transferring the food to an organization de-  
24                  scribed in paragraph (3)(A), cannot or will not



1 be sold, the fair market value of such contribu-  
 2 tion shall be determined—

3 “(i) without regard to such internal  
 4 standards, such lack of market, such cir-  
 5 cumstances, or such exclusive purpose, and

6 “(ii) if applicable, by taking into ac-  
 7 count the price at which the same or simi-  
 8 lar food items are sold by the taxpayer at  
 9 the time of the contribution (or, if not so  
 10 sold at such time, in the recent past).

11 “(E) TERMINATION.—This paragraph  
 12 shall not apply to any contribution made during  
 13 any taxable year beginning after December 31,  
 14 2003.”.

15 (b) EFFECTIVE DATE.—The amendment made by  
 16 subsection (a) shall apply to taxable years beginning after  
 17 December 31, 2000.

18 **SEC. 407. INCOME AVERAGING FOR FARMERS AND FISHER-**  
 19 **MEN NOT TO INCREASE ALTERNATIVE MIN-**  
 20 **IMUM TAX LIABILITY.**

21 (a) IN GENERAL.—Section 55(c) (defining regular  
 22 tax) is amended by redesignating paragraph (2) as para-  
 23 graph (3) and by inserting after paragraph (1) the fol-  
 24 lowing new paragraph:

1           “(2) COORDINATION WITH INCOME AVERAGING  
2       FOR FARMERS AND FISHERMEN.—Solely for pur-  
3       poses of this section, section 1301 (relating to aver-  
4       aging of farm and fishing income) shall not apply in  
5       computing the regular tax.”.

6       (b) ALLOWING INCOME AVERAGING FOR FISHER-  
7       MEN.—

8           (1) IN GENERAL.—Section 1301(a) is amended  
9       by striking “farming business” and inserting “farm-  
10      ing business or fishing business”.

11       (2) DEFINITION OF ELECTED FARM INCOME.—

12           (A) IN GENERAL.—Clause (i) of section  
13       1301(b)(1)(A) is amended by inserting “or fish-  
14      ing business” before the semicolon.

15           (B) CONFORMING AMENDMENT.—Subpara-  
16      graph (B) of section 1301(b)(1) is amended by  
17      inserting “or fishing business” after “farming  
18      business” both places it occurs.

19       (3) DEFINITION OF FISHING BUSINESS.—Sec-  
20      tion 1301(b) is amended by adding at the end the  
21      following new paragraph:

22           “(4) FISHING BUSINESS.—The term ‘fishing  
23      business’ means the conduct of commercial fishing  
24      as defined in section 3 of the Magnuson-Stevens

1 Fishery Conservation and Management Act (16  
2 U.S.C. 1802).”.

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

6 **SEC. 408. COOPERATIVE MARKETING INCLUDES VALUE-**  
7 **ADDED PROCESSING THROUGH ANIMALS.**

8 (a) IN GENERAL.—Section 1388 (relating to defini-  
9 tions and special rules) is amended by adding at the end  
10 the following new subsection:

11 “(k) COOPERATIVE MARKETING INCLUDES VALUE-  
12 ADDED PROCESSING THROUGH ANIMALS.—For purposes  
13 of section 521 and this subchapter, the term ‘marketing  
14 the products of members or other producers’ includes feed-  
15 ing the products of members or other producers to cattle,  
16 hogs, fish, chickens, or other animals and selling the re-  
17 sulting animals or animal products.”.

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

21 **SEC. 409. DECLARATORY JUDGMENT RELIEF FOR SECTION**  
22 **521 COOPERATIVES.**

23 (a) IN GENERAL.—Section 7428(a)(1) (relating to  
24 declaratory judgments of tax exempt organizations) is

1 amended by striking “or” at the end of subparagraph (B)  
 2 and by adding at the end the following new subparagraph:

3 “(D) with respect to the initial qualifica-  
 4 tion or continuing qualification of a cooperative  
 5 as described in section 521(b) which is exempt  
 6 from tax under section 521(a), or”.

7 (b) **EFFECTIVE DATE.**—The amendments made by  
 8 this section shall apply with respect to pleadings filed after  
 9 the date of the enactment of this Act but only with respect  
 10 to determinations (or requests for determinations) made  
 11 after January 1, 2000.

12 **SEC. 410. SMALL ETHANOL PRODUCER CREDIT.**

13 (a) **ALLOCATION OF ALCOHOL FUELS CREDIT TO**  
 14 **PATRONS OF A COOPERATIVE.**—Section 40(g) (relating to  
 15 alcohol used as fuel) is amended by adding at the end the  
 16 following new paragraph:

17 “(6) **ALLOCATION OF SMALL ETHANOL PRO-**  
 18 **DUCER CREDIT TO PATRONS OF COOPERATIVE.**—

19 “(A) **ELECTION TO ALLOCATE.**—

20 “(i) **IN GENERAL.**—In the case of a  
 21 cooperative organization described in sec-  
 22 tion 1381(a), any portion of the credit de-  
 23 termined under subsection (a)(3) for the  
 24 taxable year may, at the election of the or-  
 25 ganization, be apportioned pro rata among

1 patrons of the organization on the basis of  
 2 the quantity or value of business done with  
 3 or for such patrons for the taxable year.

4 “(ii) FORM AND EFFECT OF ELEC-  
 5 TION.—An election under clause (i) for any  
 6 taxable year shall be made on a timely  
 7 filed return for such year. Such election,  
 8 once made, shall be irrevocable for such  
 9 taxable year.

10 “(B) TREATMENT OF ORGANIZATIONS AND  
 11 PATRONS.—The amount of the credit appor-  
 12 tioned to patrons under subparagraph (A)—

13 “(i) shall not be included in the  
 14 amount determined under subsection (a)  
 15 with respect to the organization for the  
 16 taxable year,

17 “(ii) shall be included in the amount  
 18 determined under subsection (a) for the  
 19 taxable year of each patron for which the  
 20 patronage dividends for the taxable year  
 21 described in subparagraph (A) are included  
 22 in gross income, and

23 “(iii) shall be included in gross income  
 24 of such patrons for the taxable year in the

manner and to the extent provided in section 87.

“(C) SPECIAL RULES FOR DECREASE IN CREDITS FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

“(i) such reduction, over

“(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization. Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G.”.

(b) IMPROVEMENTS TO SMALL ETHANOL PRODUCER

CREDIT.—

(1) SMALL ETHANOL PRODUCER CREDIT NOT A PASSIVE ACTIVITY CREDIT.—Clause (i) of section 469(d)(2)(A) is amended by striking “subpart D”

1       and inserting “subpart D, other than section  
2       40(a)(3),”.

3               (2) ALLOWING CREDIT AGAINST MINIMUM  
4       TAX.—

5               (A) IN GENERAL.—Subsection (c) of sec-  
6       tion 38 (relating to limitation based on amount  
7       of tax) is amended by redesignating paragraph  
8       (3) as paragraph (4) and by inserting after  
9       paragraph (2) the following new paragraph:

10       “(3) SPECIAL RULES FOR SMALL ETHANOL  
11       PRODUCER CREDIT.—

12               “(A) IN GENERAL.—In the case of the  
13       small ethanol producer credit—

14               “(i) this section and section 39 shall  
15       be applied separately with respect to the  
16       credit, and

17               “(ii) in applying paragraph (1) to the  
18       credit—

19               “(I) subparagraphs (A) and (B)  
20       thereof shall not apply, and

21               “(II) the limitation under para-  
22       graph (1) (as modified by subclause  
23       (I)) shall be reduced by the credit al-  
24       lowed under subsection (a) for the

1 taxable year (other than the small  
2 ethanol producer credit).

3 “(B) SMALL ETHANOL PRODUCER CRED-  
4 IT.—For purposes of this subsection, the term  
5 ‘small ethanol producer credit’ means the credit  
6 allowable under subsection (a) by reason of sec-  
7 tion 40(a)(3).”.

8 (B) CONFORMING AMENDMENT.—Sub-  
9 clause (II) of section 38(c)(2)(A)(ii) is amended  
10 by striking “(other” and all that follows  
11 through “credit)” and inserting “(other than  
12 the empowerment zone employment credit or  
13 the small ethanol producer credit)”.

14 (3) SMALL ETHANOL PRODUCER CREDIT NOT  
15 ADDED BACK TO INCOME UNDER SECTION 87.—Sec-  
16 tion 87 (relating to income inclusion of alcohol fuel  
17 credit) is amended to read as follows:

18 **“SEC. 87. ALCOHOL FUEL CREDIT.**

19 “Gross income includes an amount equal to the sum  
20 of—

21 “(1) the amount of the alcohol mixture credit  
22 determined with respect to the taxpayer for the tax-  
23 able year under section 40(a)(1), and



1           “(2) the alcohol credit determined with respect  
2           to the taxpayer for the taxable year under section  
3           40(a)(2).”.

4           (c) CONFORMING AMENDMENT.—Section 1388 (re-  
5           lating to definitions and special rules for cooperative orga-  
6           nizations), as amended by section 408, is amended by add-  
7           ing at the end the following new subsection:

8           “(1) CROSS REFERENCE.—For provisions relating to  
9           the apportionment of the alcohol fuels credit between coop-  
10          erative organizations and their patrons, see section  
11          40(g)(6).”.

12          (d) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply to taxable years beginning after  
14          the date of the enactment of this Act.

15   **SEC. 411. PAYMENT OF DIVIDENDS ON STOCK OF COOPERA-**  
16                   **TIVES WITHOUT REDUCING PATRONAGE**  
17                   **DIVIDENDS.**

18          (a) IN GENERAL.—Subsection (a) of section 1388  
19          (relating to patronage dividend defined) is amended by  
20          adding at the end the following new sentence: “For pur-  
21          poses of paragraph (3), net earnings shall not be reduced  
22          by amounts paid during the year as dividends on capital  
23          stock or other proprietary capital interests of the organiza-  
24          tion to the extent that the articles of incorporation or by-  
25          laws of such organization or other contract with patrons

1 provide that such dividends are in addition to amounts  
 2 otherwise payable to patrons which are derived from busi-  
 3 ness done with or for patrons during the taxable year.”.

4 (b) EFFECTIVE DATE.—The amendment made by  
 5 this section shall apply to distributions in taxable years  
 6 beginning after the date of the enactment of this Act.

## 7 **TITLE V—ENERGY PROVISIONS**

### 8 **SEC. 501. ELECTION TO EXPENSE GEOLOGICAL AND GEO-** 9 **PHYSICAL EXPENDITURES.**

10 (a) IN GENERAL.—Section 263 (relating to capital  
 11 expenditures) is amended by adding at the end the fol-  
 12 lowing new subsection:

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

22 (b) CONFORMING AMENDMENT.—Section 263A(c)(3)  
 23 is amended by inserting “263(j),” after “263(i),”.

1       (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to expenses paid or incurred in  
 3 taxable years beginning after December 31, 2001.

4       **SEC. 502. ELECTION TO EXPENSE DELAY RENTAL PAY-**  
 5                                   **MENTS**

6       (a) IN GENERAL.—Section 263 (relating to capital  
 7 expenditures), as amended by section 501(a), is amended  
 8 by adding at the end the following new subsection:

9       “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL  
 10 AND GAS WELLS.—

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

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

23       (b) CONFORMING AMENDMENT.—Section  
 24 263A(c)(3), as amended by section 501(b), is amended by  
 25 inserting “263(k),” after “263(j),”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to payments made or incurred in  
 3 taxable years beginning after December 31, 2001.

4 **SEC. 503. 5-YEAR NET OPERATING LOSS CARRYBACK FOR**  
 5 **LOSSES ATTRIBUTABLE TO OPERATING MIN-**  
 6 **ERAL INTERESTS OF INDEPENDENT OIL AND**  
 7 **GAS PRODUCERS.**

8 (a) IN GENERAL.—Paragraph (1) of section 172(b)  
 9 (relating to years to which loss may be carried) is amended  
 10 by adding at the end the following new subparagraph:

11 “(H) LOSSES ON OPERATING MINERAL IN-  
 12 TERESTS OF INDEPENDENT OIL AND GAS PRO-  
 13 DUCERS.—In the case of a taxpayer—

14 “(i) which has an eligible oil and gas  
 15 loss (as defined in subsection (j)) for a tax-  
 16 able year, and

17 “(ii) which is not an integrated oil  
 18 company (as defined in section 291(b)(4)),  
 19 such eligible oil and gas loss shall be a net op-  
 20 erating loss carryback to each of the 5 taxable  
 21 years preceding the taxable year of such loss.”.

22 (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is  
 23 amended by redesignating subsection (j) as subsection (k)  
 24 and by inserting after subsection (i) the following new sub-  
 25 section:

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

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

5                       “(A) the amount which would be the net  
6 operating loss for the taxable year if only in-  
7 come and deductions attributable to operating  
8 mineral interests (as defined in section 614(d))  
9 in oil and gas wells are taken into account, or  
10                      “(B) the amount of the net operating loss  
11 for such taxable year.

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

17               “(3) ELECTION.—Any taxpayer entitled to a 5-  
18 year carryback under subsection (b)(1)(H) from any  
19 loss year may elect to have the carryback period  
20 with respect to such loss year determined without re-  
21 gard to subsection (b)(1)(H).”.

22       (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to net operating losses for taxable  
24 years beginning after December 31, 2001.

1 **SEC. 504. TEMPORARY SUSPENSION OF PERCENTAGE OF**  
 2 **DEPLETION DEDUCTION LIMITATION BASED**  
 3 **ON 65 PERCENT OF TAXABLE INCOME.**

4 (a) IN GENERAL.—Section 613A(d)(1) (relating to  
 5 limitation based on taxable income) is amended by adding  
 6 at the end the following new sentence: “This paragraph  
 7 shall not apply for taxable years beginning after December  
 8 31, 2000, and before January 1, 2004.”.

9 (b) EFFECTIVE DATE.—The amendment made by  
 10 this section shall apply to taxable years beginning after  
 11 December 31, 2000.

12 **SEC. 505. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND**  
 13 **NATURAL GAS WELL PRODUCTION.**

14 (a) IN GENERAL.—Subpart D of part IV of sub-  
 15 chapter A of chapter 1 (relating to business credits), as  
 16 amended by section 131(a), is amended by adding at the  
 17 end the following new section:

18 **“SEC. 45E. CREDIT FOR PRODUCING OIL AND GAS FROM**  
 19 **MARGINAL WELLS.**

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

23 “(1) the credit amount, and

24 “(2) the qualified crude oil production and the  
 25 qualified natural gas production which is attrib-  
 26 utable to the taxpayer.

1       “(b) CREDIT AMOUNT.—For purposes of this  
2 section—

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

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

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

8               “(2) REDUCTION AS OIL AND GAS PRICES IN-  
9 CREASE.—

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

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

18                               “(ii) \$3 (\$0.33 for qualified natural  
19 gas production).

20               The applicable reference price for a taxable  
21 year is the reference price for the calendar year  
22 preceding the calendar year in which the tax-  
23 able year begins.

24               “(B) INFLATION ADJUSTMENT.—In the  
25 case of any taxable year beginning in a calendar

1 year after 2001, each of the dollar amounts  
2 contained in subparagraph (A) shall be in-  
3 creased to an amount equal to such dollar  
4 amount multiplied by the inflation adjustment  
5 factor for such calendar year (determined under  
6 section 43(b)(3)(B) by substituting ‘2000’ for  
7 ‘1990’).

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

11 “(i) in the case of qualified crude oil  
12 production, the reference price determined  
13 under section 29(d)(2)(C), and

14 “(ii) in the case of qualified natural  
15 gas production, the Secretary’s estimate of  
16 the annual average wellhead price per  
17 1,000 cubic feet for all domestic natural  
18 gas.

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

21 “(1) IN GENERAL.—The terms ‘qualified crude  
22 oil production’ and ‘qualified natural gas production’  
23 mean domestic crude oil or natural gas which is pro-  
24 duced from a marginal well.



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

3           “(A) IN GENERAL.—Crude oil or natural  
4       gas produced during any taxable year from any  
5       well shall not be treated as qualified crude oil  
6       production or qualified natural gas production  
7       to the extent production from the well during  
8       the taxable year exceeds 1,095 barrels or barrel  
9       equivalents.

10          “(B) PROPORTIONATE REDUCTIONS.—

11           “(i) SHORT TAXABLE YEARS.—In the  
12       case of a short taxable year, the limitations  
13       under this paragraph shall be proportion-  
14       ately reduced to reflect the ratio which the  
15       number of days in such taxable year bears  
16       to 365.

17           “(ii) WELLS NOT IN PRODUCTION EN-  
18       TIRE YEAR.—In the case of a well which is  
19       not capable of production during each day  
20       of a taxable year, the limitations under  
21       this paragraph applicable to the well shall  
22       be proportionately reduced to reflect the  
23       ratio which the number of days of produc-  
24       tion bears to the total number of days in  
25       the taxable year.

1 “(3) DEFINITIONS.—

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

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

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

8 “(I) has average daily production  
9 of not more than 25 barrel equiva-  
10 lents, and

11 “(II) produces water at a rate  
12 not less than 95 percent of total well  
13 effluent.

14 “(B) CRUDE OIL, ETC.—The terms ‘crude  
15 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have  
16 the meanings given such terms by section  
17 613A(e).

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

22 “(d) OTHER RULES.—

23 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-  
24 PAYER.—In the case of a marginal well in which  
25 there is more than one owner of operating interests

1 in the well and the crude oil or natural gas produc-  
 2 tion exceeds the limitation under subsection (c)(2),  
 3 qualifying crude oil production or qualifying natural  
 4 gas production attributable to the taxpayer shall be  
 5 determined on the basis of the ratio which tax-  
 6 payer's revenue interest in the production bears to  
 7 the aggregate of the revenue interests of all oper-  
 8 ating interest owners in the production.

9 “(2) OPERATING INTEREST REQUIRED.—Any  
 10 credit under this section may be claimed only on  
 11 production which is attributable to the holder of an  
 12 operating interest.

13 “(3) PRODUCTION FROM NONCONVENTIONAL  
 14 SOURCES EXCLUDED.—In the case of production  
 15 from a marginal well which is eligible for the credit  
 16 allowed under section 29 for the taxable year, no  
 17 credit shall be allowable under this section unless  
 18 the taxpayer elects not to claim credit under section  
 19 29 with respect to the well.”.

20 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
 21 tion 38(b), as amended by section 131(b)(1), is amended  
 22 by striking “plus” at the end of paragraph (12), by strik-  
 23 ing the period at the end of paragraph (13) and inserting  
 24 “, plus”, and by adding at the end of the following new  
 25 paragraph:

1           “(14) the marginal oil and gas well production  
2           credit determined under section 45E(a).”.

3           (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-  
4           IMUM TAX.—

5           (1) IN GENERAL.—Subsection (c) of section 38  
6           (relating to limitation based on amount of tax), as  
7           amended by section 410(b)(2)(A), is amended by re-  
8           designating paragraph (4) as paragraph (5) and by  
9           inserting after paragraph (3) the following new  
10          paragraph:

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

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

15                   “(i) this section and section 39 shall  
16                   be applied separately with respect to the  
17                   credit, and

18                   “(ii) in applying paragraph (1) to the  
19                   credit—

20                       “(I) subparagraphs (A) and (B)  
21                       thereof shall not apply, and

22                       “(II) the limitation under para-  
23                       graph (1) (as modified by subclause  
24                       (I)) shall be reduced by the credit al-  
25                       lowed under subsection (a) for the

1 taxable year (other than the marginal  
2 oil and gas well production credit).

3 “(B) MARGINAL OIL AND GAS WELL PRO-  
4 Duction CREDIT.—For purposes of this sub-  
5 section, the term ‘marginal oil and gas well pro-  
6 duction credit’ means the credit allowable under  
7 subsection (a) by reason of section 45E(a).”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Subclause (II) of section  
10 38(c)(2)(A)(ii), as amended by section  
11 410(b)(2)(B), is amended by striking “or the  
12 small ethanol producer credit” and inserting “,  
13 the small ethanol producer credit, or the mar-  
14 ginal oil and gas well production credit”.

15 (B) Subclause (II) of section  
16 38(c)(3)(A)(ii), as added by section  
17 410(b)(2)(A), is amended by inserting “or the  
18 marginal oil and gas well production credit”  
19 after “the small ethanol producer credit”.

20 (d) CARRYBACK.—Subsection (a) of section 39 (relat-  
21 ing to carryback and carryforward of unused credits gen-  
22 erally) is amended by adding at the end the following new  
23 paragraph—

7 “(B) paragraph (1) shall be applied by  
8 substituting ‘10 taxable year’ for ‘1 taxable  
9 year’ in subparagraph (A) thereof, and

11 “(i) by substituting ‘31 taxable years’  
12 for ‘21 taxable years’ in subparagraph (A)  
13 thereof, and

(e) COORDINATION WITH SECTION 29.—Section 29(a) is amended by striking “There” and inserting “At the election of the taxpayer, there”.

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

1 (g) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to production in taxable years be-  
 3 ginning after December 31, 2000.

4 **SEC. 506. NATURAL GAS GATHERING LINES TREATED AS 7-**  
 5 **YEAR PROPERTY.**

6 (a) IN GENERAL.—Subparagraph (C) of section  
 7 168(e)(3) (relating to classification of certain property) is  
 8 amended by redesignating clause (ii) as clause (iii) and  
 9 by inserting after clause (i) the following new clause:

10 “(ii) any natural gas gathering line,  
 11 and”.

12 (b) NATURAL GAS GATHERING LINE.—Subsection (i)  
 13 of section 168 is amended by adding at the end the fol-  
 14 lowing new paragraph:

15 “(15) NATURAL GAS GATHERING LINE.—The  
 16 term ‘natural gas gathering line’ means—

17 “(A) the pipe, equipment, and appur-  
 18 tenances determined to be a gathering line by  
 19 the Federal Energy Regulatory Commission, or

20 “(B) the pipe, equipment, and appur-  
 21 tenances used to deliver natural gas from the  
 22 wellhead or a common point to the point at  
 23 which such gas first reaches—

24 “(i) a gas processing plant,

1 “(ii) an interconnection with a trans-  
 2 mission pipeline certificated by the Federal  
 3 Energy Regulatory Commission as an  
 4 interstate transmission pipeline,

5 “(iii) an interconnection with an  
 6 intrastate transmission pipeline, or

7 “(iv) a direct interconnection with a  
 8 local distribution company, a gas storage  
 9 facility, or an industrial consumer.”.

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

13 **SEC. 507. CLARIFICATION OF TREATMENT OF PIPELINE**  
 14 **TRANSPORTATION INCOME.**

15 (a) IN GENERAL.—Section 954(g)(1) (defining for-  
 16 eign base company oil related income) is amended by strik-  
 17 ing “or” at the end of subparagraph (A), by striking the  
 18 period at the end of subparagraph (B) and inserting “,  
 19 or”, and by inserting after subparagraph (B) the following  
 20 new subparagraph:

21 “(C) the pipeline transportation of oil or  
 22 gas within such foreign country.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
 24 this section shall apply to taxable years of controlled for-  
 25 eign corporations beginning after December 31, 2001, and



1 taxable years of United States shareholders with or within  
2 which such taxable years of controlled foreign corporations  
3 end.

## 4       **TITLE VI—CONSERVATION** 5                   **PROVISIONS**

6 **SEC. 601. EXCLUSION OF 50 PERCENT OF GAIN ON SALES**  
7                   **OF LAND OR INTERESTS IN LAND OR WATER**  
8                   **TO ELIGIBLE ENTITIES FOR CONSERVATION**  
9                   **PURPOSES.**

10       (a) IN GENERAL.—Part III of subchapter B of chap-  
11 ter 1 (relating to items specifically excluded from gross  
12 income) is amended by inserting after section 121 the fol-  
13 lowing new section:

14 **“SEC. 121A. 50-PERCENT EXCLUSION OF GAIN ON SALES OF**  
15                   **LAND OR INTERESTS IN LAND OR WATER TO**  
16                   **ELIGIBLE ENTITIES FOR CONSERVATION**  
17                   **PURPOSES.**

18       “(a) EXCLUSION.—Gross income shall not include 50  
19 percent of any gain from the sale of land or an interest  
20 in land or water (determined without regard to any im-  
21 provements) to an eligible entity if—

22               “(1) such land or interest in land or water was  
23       owned by the taxpayer or a member of the tax-  
24       payer’s family (as defined in section 2032A(e)(2)) at

1 all times during the 3-year period ending on the date  
2 of the sale, and

3 “(2) such land or interest in land or water is  
4 being acquired by an eligible entity which provides  
5 the taxpayer, at the time of acquisition, a written  
6 letter of intent which shall include the following  
7 statement: ‘The purchaser’s intent is that this acqui-  
8 sition will serve 1 or more of the conservation pur-  
9 poses specified in clause (i), (ii), or (iii) of section  
10 170(h)(4)(A).’

11 “(b) ELIGIBLE ENTITY.—For purposes of this sec-  
12 tion, the term ‘eligible entity’ means—

13 “(1) any agency of the United States or of any  
14 State or local government, or

15 “(2) any other organization that—

16 “(A) is organized and at all times operated  
17 principally for 1 or more of the conservation  
18 purposes specified in clause (i), (ii), or (iii) of  
19 section 170(h)(4)(A), and

20 “(B) is described in section 170(h)(3).

21 “(c) STOCK IN HOLDING CORPORATIONS.—For pur-  
22 poses of this section, the term ‘land or an interest in land  
23 or water’ shall include stock in any corporation, if the fair  
24 market value of the corporation’s land or interests in land  
25 or water equals or exceeds 90 percent of the fair market

1 value of all of such corporation's assets at all times during  
 2 the 3-year period ending on the date of the sale.”.

3 (b) CLERICAL AMENDMENT.—The table of sections  
 4 for part III of subchapter B of chapter 1 is amended by  
 5 inserting after the item relating to section 121 the fol-  
 6 lowing new item:

“Sec. 121A. 50-percent exclusion of gain on sales of land or interests in land  
 or water to eligible entities for conservation purposes.”.

7 (c) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply to sales occurring on or after De-  
 9 cember 31, 2003.

10 **SEC. 602. EXPANSION OF ESTATE TAX EXCLUSION FOR**  
 11 **REAL PROPERTY SUBJECT TO QUALIFIED**  
 12 **CONSERVATION EASEMENT.**

13 (a) REPEAL OF CERTAIN RESTRICTIONS ON WHERE  
 14 LAND IS LOCATED.—Clause (i) of section 2031(c)(8)(A)  
 15 (defining land subject to a qualified conservation ease-  
 16 ment) is amended to read as follows:

17 “(i) which is located in the United  
 18 States or any possession of the United  
 19 States,”.

20 (b) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply to estates of decedents dying after  
 22 December 31, 2001.

1 **SEC. 603. TAX EXCLUSION FOR COST-SHARING PAYMENTS**  
 2 **UNDER PARTNERS FOR WILDLIFE PROGRAM.**

3 (a) IN GENERAL.—Section 126(a) (relating to cer-  
 4 tain cost-sharing payments) is amended by redesignating  
 5 paragraph (10) as paragraph (11) and by inserting after  
 6 paragraph (9) the following new paragraph:

7 “(10) The Partners for Fish and Wildlife Pro-  
 8 gram authorized by the Fish and Wildlife Act of  
 9 1956 (16 U.S.C. 742a et seq.).”.

10 (b) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to payments received after the date  
 12 of the enactment of this Act.

13 **SEC. 604. INCENTIVE FOR CERTAIN ENERGY EFFICIENT**  
 14 **PROPERTY USED IN BUSINESS.**

15 (a) IN GENERAL.—Part VI of subchapter B of chap-  
 16 ter 1 is amended by adding at the end the following new  
 17 section:

18 **“SEC. 199. ENERGY PROPERTY DEDUCTION.**

19 “(a) DEDUCTION ALLOWED.—

20 “(1) IN GENERAL.—There shall be allowed as a  
 21 deduction for the taxable year an amount equal to  
 22 the amount of energy efficient commercial building  
 23 expenditures made by the taxpayer for the taxable  
 24 year.

25 “(2) MAXIMUM AMOUNT OF DEDUCTION.—The  
 26 amount of energy efficient commercial building prop-

1       erty expenditures taken into account under para-  
 2       graph (1) shall not exceed an amount equal to the  
 3       product of—

4               “(A) \$2.25, and

5               “(B) the square footage of the building  
 6       with respect to which the expenditures are  
 7       made.

8               “(3) YEAR DEDUCTION ALLOWED.—The deduc-  
 9       tion under paragraph (1) shall be allowed in the tax-  
 10      able year in which the construction of the building  
 11      is completed.

12      “(b) ENERGY EFFICIENT COMMERCIAL BUILDING  
 13      PROPERTY EXPENDITURES.—For purposes of this sec-  
 14      tion, the term ‘energy efficient commercial building prop-  
 15      erty expenditures’ means an amount paid or incurred for  
 16      energy efficient commercial building property installed on  
 17      or in connection with new construction or reconstruction  
 18      of property—

19              “(1) for which depreciation is allowable under  
 20      section 167,

21              “(2) which is located in the United States, and

22              “(3) the construction or erection of which is  
 23      completed by the taxpayer.

24      Such property includes all residential rental property, in-  
 25      cluding low-rise multifamily structures and single family

1 housing property which is not within the scope of Stand-  
 2 ard 90.1–1999 (as described in subsection (c)(1)). Such  
 3 term includes expenditures for labor costs properly allo-  
 4 cable to the onsite preparation, assembly, or original in-  
 5 stallation of the property.

6 “(c) ENERGY EFFICIENT COMMERCIAL BUILDING  
 7 PROPERTY.—For purposes of subsection (b)—

8 “(1) IN GENERAL.—The term ‘energy efficient  
 9 commercial building property’ means any property  
 10 which reduces total annual energy and power costs  
 11 with respect to the lighting, heating, cooling, ventila-  
 12 tion, and hot water supply systems of the building  
 13 by 50 percent or more in comparison to a reference  
 14 building which meets the requirements of Standard  
 15 90.1–1999 of the American Society of Heating, Re-  
 16 frigerating, and Air Conditioning Engineers and the  
 17 Illuminating Engineering Society of North America  
 18 using methods of calculation under paragraph (2)  
 19 and certified by qualified professionals as provided  
 20 under subsection (f).

21 “(2) METHODS OF CALCULATION.—The Sec-  
 22 retary, in consultation with the Secretary of Energy,  
 23 shall promulgate regulations which describe in detail  
 24 methods for calculating and verifying energy and  
 25 power consumption and cost, taking into consider-

1        ation the provisions of the 1998 California Nonresi-  
2        dential ACM Manual. These procedures shall meet  
3        the following requirements:

4                “(A) In calculating tradeoffs and energy  
5                performance, the regulations shall prescribe the  
6                costs per unit of energy and power, such as kil-  
7                owatt hour, kilowatt, gallon of fuel oil, and  
8                cubic foot or Btu of natural gas, which may be  
9                dependent on time of usage.

10               “(B) The calculational methodology shall  
11               require that compliance be demonstrated for a  
12               whole building. If some systems of the building,  
13               such as lighting, are designed later than other  
14               systems of the building, the method shall pro-  
15               vide that either—

16                        “(i) the expenses taken into account  
17                        under subsection (a) shall not occur until  
18                        the date designs for all energy-using sys-  
19                        tems of the building are completed,

20                        “(ii) the energy performance of all  
21                        systems and components not yet designed  
22                        shall be assumed to comply minimally with  
23                        the requirements of such Standard 90.1–  
24                        1999, or

1                   “(iii) the expenses taken into account  
2                   under subsection (a) shall be a fraction of  
3                   such expenses based on the performance of  
4                   less than all energy-using systems in ac-  
5                   cordance with subparagraph (C).

6                   “(C) The expenditures in connection with  
7                   the design of subsystems in the building, such  
8                   as the envelope, the heating, ventilation, air  
9                   conditioning and water heating system, and the  
10                  lighting system shall be allocated to the appro-  
11                  priate building subsystem based on system-spe-  
12                  cific energy cost savings targets in regulations  
13                  promulgated by the Secretary of Energy which  
14                  are equivalent, using the calculation method-  
15                  ology, to the whole building requirement of 50  
16                  percent savings.

17                  “(D) The calculational methods under this  
18                  paragraph need not comply fully with section  
19                  11 of such Standard 90.1–1999.

20                  “(E) The calculational methods shall be  
21                  fuel neutral, such that the same energy effi-  
22                  ciency features shall qualify a building for the  
23                  deduction under this subsection regardless of  
24                  whether the heating source is a gas or oil fur-  
25                  nace or an electric heat pump.



1           “(F) The calculational methods shall pro-  
2           vide appropriate calculated energy savings for  
3           design methods and technologies not otherwise  
4           credited in either such Standard 90.1–1999 or  
5           in the 1998 California Nonresidential ACM  
6           Manual, including the following:

7                   “(i) Natural ventilation.

8                   “(ii) Evaporative cooling.

9                   “(iii) Automatic lighting controls such  
10           as occupancy sensors, photocells, and time-  
11           clocks.

12                   “(iv) Daylighting.

13                   “(v) Designs utilizing semi-condi-  
14           tioned spaces that maintain adequate com-  
15           fort conditions without air conditioning or  
16           without heating.

17                   “(vi) Improved fan system efficiency,  
18           including reductions in static pressure.

19                   “(vii) Advanced unloading mecha-  
20           nisms for mechanical cooling, such as mul-  
21           tiple or variable speed compressors.

22                   “(viii) The calculational methods may  
23           take into account the extent of commis-  
24           sioning in the building, and allow the tax-

1           payer to take into account measured per-  
 2           formance that exceeds typical performance.

3           “(3) COMPUTER SOFTWARE.—

4           “(A) IN GENERAL.—Any calculation under  
 5           this subsection shall be prepared by qualified  
 6           computer software.

7           “(B) QUALIFIED COMPUTER SOFTWARE.—

8           For purposes of this paragraph, the term  
 9           ‘qualified computer software’ means software—

10           “(i) for which the software designer  
 11           has certified that the software meets all  
 12           procedures and detailed methods for calcu-  
 13           lating energy and power consumption and  
 14           costs as required by the Secretary,

15           “(ii) which provides such forms as re-  
 16           quired to be filed by the Secretary in con-  
 17           nection with energy efficiency of property  
 18           and the deduction allowed under this sec-  
 19           tion, and

20           “(iii) which provides a notice form  
 21           which summarizes the energy efficiency  
 22           features of the building and its projected  
 23           annual energy costs.

24           “(d) ALLOCATION OF DEDUCTION FOR PUBLIC  
 25           PROPERTY.—In the case of energy efficient commercial

1 building property installed on or in public property, the  
2 Secretary shall promulgate regulations to allow the alloca-  
3 tion of the deduction to the person primarily responsible  
4 for designing the property in lieu of the public entity which  
5 is the owner of such property. Such person shall be treated  
6 as the taxpayer for purposes of this section.

7 “(e) NOTICE TO OWNER.—The qualified individual  
8 shall provide an explanation to the owner of the building  
9 regarding the energy efficiency features of the building  
10 and its projected annual energy costs as provided in the  
11 notice under subsection (c)(3)(B)(iii).

12 “(f) CERTIFICATION.—

13 “(1) IN GENERAL.—Except as provided in this  
14 subsection, the Secretary, in consultation with the  
15 Secretary of Energy, shall establish requirements for  
16 certification and compliance procedures after exam-  
17 ining the requirements for energy consultants and  
18 home energy ratings providers specified by the Mort-  
19 gage Industry National Accreditation Procedures for  
20 Home Energy Rating Systems.

21 “(2) QUALIFIED INDIVIDUALS.—Individuals  
22 qualified to determine compliance shall be only those  
23 individuals who are recognized by an organization  
24 certified by the Secretary for such purposes.

1           “(3) PROFICIENCY OF QUALIFIED INDIVID-  
 2           UALS.—The Secretary shall consult with nonprofit  
 3           organizations and State agencies with expertise in  
 4           energy efficiency calculations and inspections to de-  
 5           velop proficiency tests and training programs to  
 6           qualify individuals to determine compliance.

7           “(g) BASIS REDUCTION.—For purposes of this sub-  
 8           title, if a deduction is allowed under this section with re-  
 9           spect to any energy efficient commercial building property,  
 10          the basis of such property shall be reduced by the amount  
 11          of the deduction so allowed.

12          “(h) TERMINATION.—This section shall not apply  
 13          with respect to any taxable year beginning after December  
 14          31, 2003.”.

15          (b) CONFORMING AMENDMENT.—Section 1016(a), as  
 16          amended by section 211(b), is amended by striking “and”  
 17          at the end of paragraph (27), by striking the period at  
 18          the end of paragraph (28) and inserting “, and”, and by  
 19          inserting the following new paragraph:

20                 “(29) for amounts allowed as a deduction under  
 21                 section 199(a).”.

22          (c) CLERICAL AMENDMENT.—The table of sections  
 23          for part VI of subchapter B of chapter 1 is amended by  
 24          adding at the end the following new item:

                  “Sec. 199. Energy property deduction.”.

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

4 **SEC. 605. EXTENSION AND MODIFICATION OF TAX CREDIT**  
 5 **FOR ELECTRICITY PRODUCED FROM BIO-**  
 6 **MASS.**

7 (a) EXTENSION AND MODIFICATION OF PLACED-IN-  
 8 SERVICE RULES.—

9 (1) IN GENERAL.—Section 45(c)(3) is amended  
 10 by adding at the end the following new subpara-  
 11 graphs:

12 “(D) BIOMASS FACILITY.—In the case of a  
 13 facility using biomass (other than closed-loop  
 14 biomass) to produce electricity, the term ‘quali-  
 15 fied facility’ means any facility owned by the  
 16 taxpayer which is originally placed in service be-  
 17 fore January 1, 2002.

18 “(E) LANDFILL GAS FACILITY.—

19 “(i) IN GENERAL.—In the case of a  
 20 facility using landfill gas to produce elec-  
 21 tricity, the term ‘qualified facility’ means  
 22 any facility of the taxpayer which is origi-  
 23 nally placed in service after December 31,  
 24 1999, and before January 1, 2002.

“(ii) SPECIAL RULE.—In the case of a facility using landfill gas, such term shall include equipment and housing (not including wells and related systems required to collect and transmit gas to the production facility) required to generate electricity which are owned by the taxpayer and so placed in service.

“(F) SPECIAL RULE.—In the case of a qualified facility described in subparagraph (D) or (E), the period referred to in subsection (a)(2)(A)(ii) shall be applied by substituting ‘3-year’ for ‘10-year’ and shall be treated as beginning no earlier than January 1, 2001.”.

(2) CLOSED-LOOP BIOMASS FACILITY.—Section 45(c)(3)(B) (relating to closed-loop biomass facility) is amended by striking “owned by the taxpayer” and all that follows and inserting “owned by the taxpayer which is—”

“(i) originally placed in service after December 31, 1992, and before January 1, 2002, or

“(ii) originally placed in service before December 31, 1992, and modified to use closed-loop biomass to co-fire with coal

1                   after such date and before January 1,  
2                   2002.”.

3           (b) EXPANSION OF QUALIFIED ENERGY RE-  
4 SOURCES.—

5           (1) IN GENERAL.—Section 45(c)(1) (defining  
6           qualified energy resources) is amended by striking  
7           “and” at the end of subparagraph (B), by striking  
8           the period at the end of subparagraph (C) and in-  
9           serting a comma, and by adding at the end the fol-  
10          lowing new subparagraphs:

11                   “(D) biomass (other than closed-loop bio-  
12                   mass), and

13                   “(E) landfill gas.”.

14           (2) DEFINITIONS.—Section 45(c) is amended  
15          by adding at the end the following new paragraphs:

16                   “(5) BIOMASS.—The term ‘biomass’ means any  
17                   solid, nonhazardous, cellulosic waste material which  
18                   is segregated from other waste materials and which  
19                   is derived from—

20                           “(A) any of the following forest-related re-  
21                           sources: mill residues, precommercial thinnings,  
22                           slash, and brush, but not including old-growth  
23                           timber,

24                           “(B) urban sources, including waste pal-  
25                           lets, crates, and dunnage, manufacturing and

1 construction wood wastes, and landscape or  
 2 right-of-way tree trimmings, but not including  
 3 unsegregated municipal solid waste (garbage),  
 4 paper that is commonly recycled, or pressure  
 5 treated, chemically treated, or lead painted  
 6 wood wastes, or

7 “(C) agriculture sources, including orchard  
 8 tree crops, vineyard, grain, legumes, sugar, and  
 9 other crop by-products or residues.

10 “(6) LANDFILL GAS.—The term ‘landfill gas’  
 11 means gas from the decomposition of any household  
 12 solid waste, commercial solid waste, and industrial  
 13 solid waste disposed of in a municipal solid waste  
 14 landfill unit (as such terms are defined in regula-  
 15 tions promulgated under subtitle D of the Solid  
 16 Waste Disposal Act (42 U.S.C. 6941 et seq.)).”.

17 (c) SPECIAL RULES.—Section 45(d) (relating to defi-  
 18 nitions and special rules) is amended by adding at the end  
 19 the following new paragraph:

20 “(8) DENIAL OF DOUBLE BENEFIT.—No credit  
 21 shall be allowed under this section with respect to a  
 22 facility for any taxable year if the credit under sec-  
 23 tion 29 is allowed in such year or has been allowed  
 24 in any preceding taxable year with respect to any  
 25 fuel produced from such facility.”.



1 (d) CONFORMING AMENDMENT.—Section 29(d) (re-  
 2 lating to other definitions and special rules) is amended  
 3 by adding at the end the following new paragraph:

4 “(9) DENIAL OF DOUBLE BENEFIT.—No credit  
 5 shall be allowed under this section with respect to  
 6 any fuel produced from a facility for any taxable  
 7 year if the credit under section 45 is allowed in such  
 8 year or has been allowed in any preceding taxable  
 9 year with respect to such facility.”.

10 (e) EFFECTIVE DATE.—The amendments made by  
 11 this section shall take effect on the date of the enactment  
 12 of this Act.

13 **SEC. 606. TAX CREDIT FOR CERTAIN ENERGY EFFICIENT**  
 14 **MOTOR VEHICLES.**

15 (a) IN GENERAL.—Subpart B of part IV of sub-  
 16 chapter A of chapter 1, as amended by section 160(a),  
 17 is amended by adding at the end the following new section:

18 **“SEC. 30C. CREDIT FOR HYBRID VEHICLES.**

19 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
 20 lowed as a credit against the tax imposed by this chapter  
 21 for the taxable year an amount equal to the sum of the  
 22 credit amounts for each qualified hybrid vehicle placed in  
 23 service during the taxable year.

24 “(b) CREDIT AMOUNT.—For purposes of this  
 25 section—

1           “(1) IN GENERAL.—The credit amount for each  
 2           qualified hybrid vehicle with a rechargeable energy  
 3           storage system that provides the applicable percent-  
 4           age of the maximum available power shall be the  
 5           amount specified in the following table:

<b>“Applicable percentage</b>	<b>Credit amount</b>
Not less than 5 percent but less than 10 percent .....	\$500
Not less than 10 percent but less than 20 percent .....	\$1,000
Not less than 20 percent but less than 30 percent .....	\$1,500
Not less than 30 percent .....	\$2,000.

6           “(2) INCREASE IN CREDIT AMOUNT FOR RE-  
 7           GENERATIVE BRAKING SYSTEM.—In the case of a  
 8           qualified hybrid vehicle that actively employs a re-  
 9           generative braking system which supplies to the re-  
 10          chargeable energy storage system the applicable per-  
 11          centage of the energy available from braking in a  
 12          typical 60 miles per hour to 0 miles per hour brak-  
 13          ing event, the credit amount determined under this  
 14          section shall be increased by the amount specified in  
 15          the following table:

<b>“Applicable percentage</b>	<b>Credit amount</b>
Not less than 20 percent but less than 40 percent .....	\$250
Not less than 40 percent but less than 60 percent .....	\$500
Not less than 60 percent .....	\$1,000.

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

17               “(1) QUALIFIED HYBRID VEHICLE.—The term  
 18               ‘qualified hybrid vehicle’ means an automobile that  
 19               meets all applicable regulatory requirements and  
 20               that can draw propulsion energy from both of the  
 21               following onboard sources of stored energy:

1                   “(A) A consumable fuel.

2                   “(B) A rechargeable energy storage sys-  
3                   tem.

4                   “(2) MAXIMUM AVAILABLE POWER.—The term  
5                   ‘maximum available power’ means the maximum  
6                   value of the sum of the heat engine and electric  
7                   drive system power or other nonheat energy conver-  
8                   sion devices available for a driver’s command for  
9                   maximum acceleration at vehicle speeds under 75  
10                  miles per hour.

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

18                  “(d) APPLICATION WITH OTHER CREDITS.—The  
19                  credit allowed by subsection (a) for any taxable year shall  
20                  not exceed the excess (if any) of—

21                  “(1) the regular tax for the taxable year re-  
22                  duced by the sum of the credits allowable under sub-  
23                  part A and the preceding sections of this subpart,  
24                  over

1           “(2) the tentative minimum tax for the taxable  
2       year.

3       “(e) SPECIAL RULES.—

4           “(1) BASIS REDUCTION.—The basis of any  
5       property for which a credit is allowable under sub-  
6       section (a) shall be reduced by the amount of such  
7       credit (determined without regard to subsection (d)).

8           “(2) RECAPTURE.—The Secretary shall, by reg-  
9       ulations, provide for recapturing the benefit of any  
10      credit allowable under subsection (a) with respect to  
11      any property which ceases to be property eligible for  
12      such credit.

13          “(3) PROPERTY USED OUTSIDE UNITED  
14      STATES, ETC., NOT QUALIFIED.—No credit shall be  
15      allowed under this section with respect to—

16           “(A) any property for which a credit is al-  
17      lowed under section 30,

18           “(B) any property referred to in section  
19      50(b), or

20           “(C) any property taken into account  
21      under section 179 or 179A.

22          “(4) ELECTION TO NOT TAKE CREDIT.—No  
23      credit shall be allowed under subsection (a) for any  
24      vehicle if the taxpayer elects to not have this section  
25      apply to such vehicle.

1 “(f) REGULATIONS.—

2 “(1) TREASURY.—The Secretary shall prescribe  
3 such regulations as may be necessary or appropriate  
4 to carry out the purposes of this section.

5 “(2) ENVIRONMENTAL PROTECTION AGENCY.—

6 The Administrator of the Environmental Protection  
7 Agency, in coordination with the Secretary of Trans-  
8 portation and consistent with the laws administered  
9 by such agency for automobiles, shall timely pre-  
10 scribe such regulations as may be necessary or ap-  
11 propriate solely for the purpose of specifying the  
12 testing and calculation procedures to determine  
13 whether a vehicle meets the qualifications for a cred-  
14 it under this section.

15 “(g) APPLICATION OF SECTION.—This section shall  
16 apply to any qualified hybrid vehicles placed in service  
17 after December 31, 2003, and before January 1, 2005.”

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 53(d)(1)(B)(iii) is amended by in-  
20 serting “or not allowed under section 30C solely by  
21 reason of the application of section 30C(d)(2)” after  
22 “section 30(b)(3)(B)”.

23 (2) Section 55(c)(2) is amended by inserting  
24 “30C(d),” after “30(b)(3),”.

1           (3) Subsection (a) of section 1016, as amended  
 2           by section 604(b), is amended by striking “and” at  
 3           the end of paragraph (28), by striking the period at  
 4           the end of paragraph (29) and inserting “, and”,  
 5           and by adding at the end the following new para-  
 6           graph:

7           “(30) to the extent provided in section  
 8           30C(e)(1).”.

9           (4) The table of sections for subpart B of part  
 10          IV of subchapter A of chapter 1, as amended by sec-  
 11          tion 160(b), is amended by adding at the end the  
 12          following new item:

          “Sec. 30C. Credit for hybrid vehicles.”.

## 13       **TITLE VII—ADDITIONAL TAX** 14       **PROVISIONS**

### 15   **SEC. 701. LIMITATION ON USE OF NONACCRUAL EXPERI-** 16       **ENCE METHOD OF ACCOUNTING.**

17       (a) IN GENERAL.—Section 448(d)(5) (relating to  
 18       special rule for services) is amended—

19           (1) by inserting “in fields described in para-  
 20           graph (2)(A)” after “services by such person”, and

21           (2) by inserting “CERTAIN PERSONAL” before  
 22           “SERVICES” in the heading.

23       (b) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
2           this section shall apply to taxable years ending after  
3           the date of the enactment of this Act.

4           (2) CHANGE IN METHOD OF ACCOUNTING.—In  
5           the case of any taxpayer required by the amend-  
6           ments made by this section to change its method of  
7           accounting for its first taxable year ending after the  
8           date of the enactment of this Act—

9                   (A) such change shall be treated as initi-  
10                  ated by the taxpayer,

11                  (B) such change shall be treated as made  
12                  with the consent of the Secretary of the Treas-  
13                  ury, and

14                  (C) the net amount of the adjustments re-  
15                  quired to be taken into account by the taxpayer  
16                  under section 481 of the Internal Revenue Code  
17                  of 1986 shall be taken into account over a pe-  
18                  riod (not greater than 4 taxable years) begin-  
19                  ning with such first taxable year.

20   **SEC. 702. REPEAL OF SECTION 530(d) OF THE REVENUE ACT**  
21                   **OF 1978.**

22           (a) IN GENERAL.—Section 530(d) of the Revenue  
23   Act of 1978 (as added by section 1706 of the Tax Reform  
24   Act of 1986) is repealed.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 subsection (a) shall apply to periods ending after the date  
 3 of the enactment of this Act.

4 **SEC. 703. EXPANSION OF EXEMPTION FROM PERSONAL**  
 5 **HOLDING COMPANY TAX FOR LENDING OR FI-**  
 6 **NANCE COMPANIES.**

7 (a) IN GENERAL.—Paragraph (6) of section 542(c)  
 8 (defining personal holding company) is amended—

9 (1) by striking “rents,” in subparagraph (B),  
 10 and

11 (2) by adding “and” at the end of subpara-  
 12 graph (B),

13 (3) by striking subparagraph (C), and

14 (4) by redesignating subparagraph (D) as sub-  
 15 paragraph (C).

16 (b) EXCEPTION FOR LENDING OR FINANCE COMPA-  
 17 NIES DETERMINED ON AFFILIATED GROUP BASIS.—Sub-  
 18 section (d) of section 542 is amended by striking para-  
 19 graphs (1) and (2) and inserting the following new para-  
 20 graphs:

21 “(1) LENDING OR FINANCE BUSINESS DE-  
 22 FINED.—For purposes of subsection (c)(6), the term  
 23 ‘lending or finance business’ means a business of—  
 24 “(A) making loans,



1           “(B) purchasing or discounting accounts  
2 receivable, notes, or installment obligations,

3           “(C) engaging in leasing (including enter-  
4 ing into leases and purchasing, servicing, and  
5 disposing of leases and leased assets),

6           “(D) rendering services or making facilities  
7 available in the ordinary course of a lending or  
8 finance business,

9           “(E) rendering services or making facilities  
10 available in connection with activities described  
11 in subparagraphs (A), (B), and (C) carried on  
12 by the corporation rendering services or making  
13 facilities available, or

14           “(F) rendering services or making facilities  
15 available to another corporation which is en-  
16 gaged in the lending or finance business (within  
17 the meaning of this paragraph), if such services  
18 or facilities are related to the lending or finance  
19 business (within such meaning) of such other  
20 corporation and such other corporation and the  
21 corporation rendering services or making facili-  
22 ties available are members of the same affili-  
23 ated group (as defined in section 1504).

24           “(2) EXCEPTION DETERMINED ON AN AFFILI-  
25 ATED GROUP BASIS.—In the case of a lending or fi-

1 nance company which is a member of an affiliated  
 2 group (as defined in section 1504), such company  
 3 shall be treated as meeting the requirements of sub-  
 4 section (c)(6) if such group (determined by taking  
 5 into account only members of such group which are  
 6 engaged in a lending or finance business) meets such  
 7 requirements.”.

8 (c) EFFECTIVE DATE.—The amendments made by  
 9 this section shall apply to taxable years beginning after  
 10 December 31, 2000.

11 **SEC. 704. CHARITABLE CONTRIBUTION DEDUCTION FOR**  
 12 **CERTAIN EXPENSES INCURRED IN SUPPORT**  
 13 **OF NATIVE ALASKAN SUBSISTENCE WHAL-**  
 14 **ING.**

15 (a) IN GENERAL.—Section 170 (relating to chari-  
 16 table, etc., contributions and gifts) is amended by redesign-  
 17 ating subsection (m) as subsection (n) and by inserting  
 18 after subsection (l) the following new subsection:

19 “(m) EXPENSES PAID BY CERTAIN WHALING CAP-  
 20 TAINS IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE  
 21 WHALING.—

22 “(1) IN GENERAL.—In the case of an individual  
 23 who is recognized by the Alaska Eskimo Whaling  
 24 Commission as a whaling captain charged with the  
 25 responsibility of maintaining and carrying out sanc-

tioned whaling activities and who engages in such activities during the taxable year, the amount described in paragraph (2) (to the extent such amount does not exceed \$7,500 for the taxable year) shall be treated for purposes of this section as a charitable contribution.

“(2) AMOUNT DESCRIBED.—

“(A) IN GENERAL.—The amount described in this paragraph is the aggregate of the reasonable and necessary whaling expenses paid by the taxpayer during the taxable year in carrying out sanctioned whaling activities.

“(B) WHALING EXPENSES.—For purposes of subparagraph (A), the term ‘whaling expenses’ includes expenses for—

“(i) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities,

“(ii) the supplying of food for the crew and other provisions for carrying out such activities, and

“(iii) storage and distribution of the catch from such activities.

“(3) SANCTIONED WHALING ACTIVITIES.—For purposes of this subsection, the term ‘sanctioned

1 whaling activities’ means subsistence bowhead whale  
 2 hunting activities conducted pursuant to the man-  
 3 agement plan of the Alaska Eskimo Whaling Com-  
 4 mission.”.

5 (b) EFFECTIVE DATE.—The amendments made by  
 6 subsection (a) shall apply to taxable years ending after  
 7 December 31, 2000.

8 **SEC. 705. IMPOSITION OF EXCISE TAX ON PERSONS WHO**  
 9 **ACQUIRE STRUCTURED SETTLEMENT PAY-**  
 10 **MENTS IN FACTORING TRANSACTIONS.**

11 (a) IN GENERAL.—Subtitle E is amended by adding  
 12 at the end the following new chapter:

13 **“CHAPTER 55—STRUCTURED**  
 14 **SETTLEMENT FACTORING TRANSACTIONS**

“Sec. 5891. Structured settlement factoring transactions.

15 **“SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANS-**  
 16 **ACTIONS.**

17 “(a) IMPOSITION OF TAX.—There is hereby imposed  
 18 on any person who acquires directly or indirectly struc-  
 19 tured settlement payment rights in a structured settle-  
 20 ment factoring transaction a tax equal to 40 percent of  
 21 the factoring discount as determined under subsection  
 22 (c)(4) with respect to such factoring transaction.

23 “(b) EXCEPTION FOR CERTAIN APPROVED TRANS-  
 24 ACTIONS.—

1           “(1) IN GENERAL.—The tax under subsection  
2           (a) shall not apply in the case of a structured settle-  
3           ment factoring transaction in which the transfer of  
4           structured settlement payment rights is approved in  
5           advance in a qualified order.

6           “(2) QUALIFIED ORDER.—For purposes of this  
7           section, the term ‘qualified order’ means a final  
8           order, judgment, or decree which—

9                   “(A) finds that the transfer described in  
10                  paragraph (1)—

11                           “(i) does not contravene any Federal  
12                           or State statute or the order of any court  
13                           or responsible administrative authority,  
14                           and

15                           “(ii) is in the best interest of the  
16                           payee, taking into account the welfare and  
17                           support of the payee’s dependents, and

18                   “(B) is issued—

19                           “(i) under the authority of an applica-  
20                           ble State statute by an applicable State  
21                           court, or

22                           “(ii) by the responsible administrative  
23                           authority (if any) which has exclusive ju-  
24                           risdiction over the underlying action or

1 proceeding which was resolved by means of  
2 the structured settlement.

3 “(3) APPLICABLE STATE STATUTE.—For pur-  
4 poses of this section, the term ‘applicable State stat-  
5 ute’ means a statute providing for the entry of an  
6 order, judgment, or decree described in paragraph  
7 (2)(A) which is enacted by—

8 “(A) the State in which the payee of the  
9 structured settlement is domiciled, or

10 “(B) if there is no statute described in  
11 subparagraph (A), the State in which either the  
12 party to the structured settlement (including an  
13 assignee under a qualified assignment under  
14 section 130) or the person issuing the funding  
15 asset for the structured settlement is domiciled  
16 or has its principal place of business.

17 “(4) APPLICABLE STATE COURT.—For pur-  
18 poses of this section—

19 “(A) IN GENERAL.—The term ‘applicable  
20 State court’ means, with respect to any applica-  
21 ble State statute, a court of the State which en-  
22 acted such statute.

23 “(B) SPECIAL RULE.—In the case of an  
24 applicable State statute described in paragraph  
25 (3)(B), such term also includes a court of the

1 State in which the payee of the structured set-  
 2 tlement is domiciled.

3 “(5) QUALIFIED ORDER DISPOSITIVE.—A quali-  
 4 fied order shall be treated as dispositive for purposes  
 5 of the exception under this subsection.

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

7 “(1) STRUCTURED SETTLEMENT.—The term  
 8 ‘structured settlement’ means an arrangement—

9 “(A) which is established by—

10 “(i) suit or agreement for the periodic  
 11 payment of damages excludable from the  
 12 gross income of the recipient under section  
 13 104(a)(2), or

14 “(ii) agreement for the periodic pay-  
 15 ment of compensation under any workers’  
 16 compensation act excludable from the  
 17 gross income of the recipient under section  
 18 104(a)(1), and

19 “(B) under which the periodic payments  
 20 are—

21 “(i) of the character described in sub-  
 22 paragraphs (A) and (B) of section  
 23 130(c)(2), and

24 “(ii) payable by a person who is a  
 25 party to the suit or agreement or to the

workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

“(2) STRUCTURED SETTLEMENT PAYMENT RIGHTS.—The term ‘structured settlement payment rights’ means rights to receive payments under a structured settlement.

“(3) STRUCTURED SETTLEMENT FACTORING TRANSACTION.—

“(A) IN GENERAL.—The term ‘structured settlement factoring transaction’ means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration.

“(B) EXCEPTION.—Such term shall not include—

“(i) the creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement



1           payments to such institution (or agent or  
2           successor thereof) or otherwise to enforce  
3           such blanket security interest as against  
4           the structured settlement payment rights,  
5           or

6           “(ii) a subsequent transfer of struc-  
7           tured settlement payment rights acquired  
8           in a structured settlement factoring trans-  
9           action.

10          “(4) FACTORING DISCOUNT.—The term ‘fac-  
11          toring discount’ means an amount equal to the ex-  
12          cess of—

13               “(A) the aggregate undiscounted amount  
14               of structured settlement payments being ac-  
15               quired in the structured settlement factoring  
16               transaction, over

17               “(B) the total amount actually paid by the  
18               acquirer to the person from whom such struc-  
19               tured settlement payments are acquired.

20          “(5) RESPONSIBLE ADMINISTRATIVE AUTHOR-  
21          ITY.—The term ‘responsible administrative author-  
22          ity’ means the administrative authority which had  
23          jurisdiction over the underlying action or proceeding  
24          which was resolved by means of the structured set-  
25          tlement.

1           “(6) STATE.—The term ‘State’ includes any  
2           possession of the United States.

3           “(d) COORDINATION WITH OTHER PROVISIONS.—

4           “(1) IN GENERAL.—If the applicable require-  
5           ments of sections 72, 104(a) (1) and (2), 130, and  
6           461(h) were satisfied at the time the structured set-  
7           tlement was entered into, the subsequent occurrence  
8           of a structured settlement factoring transaction shall  
9           not affect the application of the provisions of such  
10          sections to the parties to the structured settlement  
11          (including an assignee under a qualified assignment  
12          under section 130) in any taxable year.

13          “(2) NO WITHHOLDING OF TAX.—The provi-  
14          sions of section 3405 regarding withholding of tax  
15          shall not apply to the person making the payments  
16          in the event of a structured settlement factoring  
17          transaction.”.

18          (b) CLERICAL AMENDMENTS.—The table of chapters  
19          for subtitle E is amended by adding at the end the fol-  
20          lowing new item:

                    “CHAPTER 55. Structured settlement factoring transactions.”.

21          (c) EFFECTIVE DATES.—

22          “(1) IN GENERAL.—The amendments made by  
23          this section (other than the provisions of section  
24          5891(d) of the Internal Revenue Code of 1986, as  
25          added by this section) shall apply to structured set-

1       tlement factoring transactions (as defined in section  
2       5891(c) of such Code as adopted by this section) en-  
3       tered into on or after the 30th day following the  
4       date of the enactment of this Act.

5           (2) CLARIFICATION OF EXISTING LAW.—Section  
6       5891(d) of such Code (as so added) shall apply to  
7       transactions entered into before, on, or after such  
8       30th day.

9           (3) TRANSITION RULE.—In the case of a struc-  
10      tured settlement factoring transaction entered into  
11      during the period beginning on the 30th day fol-  
12      lowing the date of the enactment of this Act and  
13      ending on July 1, 2002, no tax shall be imposed  
14      under section 5891(a) of such Code if—

15           (A) the structured settlement payee is  
16           domiciled in a State (or possession of the  
17           United States) which has not enacted a statute  
18           providing that the structured settlement fac-  
19           toring transaction is ineffective unless the  
20           transaction has been approved by an order,  
21           judgment, or decree of a court (or where appli-  
22           cable, a responsible administrative authority)  
23           which finds that such transaction—

1 (i) does not contravene any Federal or  
2 State statute or the order of any court (or  
3 responsible administrative authority), and  
4 (ii) is in the best interest of the struc-  
5 tured settlement payee or is appropriate in  
6 light of a hardship faced by the payee, and  
7 (B) the person acquiring the structured  
8 settlement payment rights discloses to the  
9 structured settlement payee in advance of the  
10 structured settlement factoring transaction the  
11 amounts and due dates of the payments to be  
12 transferred, the aggregate amount to be trans-  
13 ferred, the consideration to be received by the  
14 structured settlement payee for the transferred  
15 payments, the discounted present value of the  
16 transferred payments including the present  
17 value as determined in the manner described in  
18 section 7520 of such Code, and the expenses re-  
19 quired under the terms of the structured settle-  
20 ment factoring transaction to be paid by the  
21 structured settlement payee or deducted from  
22 the proceeds of such transaction.

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