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House of Representatives

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. LAHOOD).

DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
March 9, 2000.

I hereby appoint the Honorable RAY LAHOOD to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

PRAYER

The Chaplain, the Reverend James David Ford, D.D., offered the following prayer:

We are privileged and thankful, O God, that we can begin a new day with these words of prayer. With gratefulness for the wonder and beauty and glory of Your creation; with appreciation for friends who care for us and support us in our every need; with enthusiasm for the honor of being called to serve the people of our Nation; with joy for the opportunities to live and breathe the meaning of faith and hope and love, we offer these words of thanksgiving and praise. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. GIBBONS. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER pro tempore. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. GIBBONS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 8, rule XX, further proceedings on this question will be postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Pennsylvania (Mr. PITTS) come forward and lead the House in the Pledge of Allegiance.

Mr. PITTS led the Pledge of Allegiance as follows:

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

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1000) ''An Act to amend title 49, United States Code, to reauthorize programs of the Federal Aviation Administration, and for other purposes.''

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair announces that there will be 10 one-minute speeches on each side.

BABY BODY PARTS

(Mr. PITTS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PITTS. Mr. Speaker, there is a doctor in Illinois who produced the following advertisement. It reads, ''Fresh fetal tissue harvested and shipped to your specifications, where and when you need it.''

It also reads: ''Liver, spleen, pancreas, intestines, kidney, brain, lungs,'' and I will not read them all, ''with appropriate discounts that apply if specimen is significantly fragmented.''

And at the bottom it says, ''All that you need to initiate service is a purchase order number, payment type, and your billing address.''

Mr. Speaker, this is horrific. These are body parts of babies sold on the open market like toys or collectibles. This is a violation of law. Selling body parts of babies is wrong, it is unethical, it is illegal, it is dangerous to the women from whom these body parts are taken and it must stop. The administration must enforce the law. We do not live in Nazi Germany. There is a hearing at 2 o'clock before the Committee on Commerce. I hope, Mr. Speaker, this practice will be stopped in America.

INCREASE THE MINIMUM WAGE

(Ms. EDDIE BERNICE JOHNSON of Texas asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. EDDIE BERNICE JOHNSON of Texas. Mr. Speaker, I am appalled today that there is going to be real debate on whether or not we are going to raise the minimum wage by one dollar over 2 years or 3 years. We are talking about present minimum wage of $5.15 an hour. Can we imagine that in the greatest economy that we have ever known? Persons who are heads of these companies are making multi-million-dollar salaries per year and the ones who make them get there cannot even

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get a dollar raise in minimum wage. These are working mothers who have to pay child care, shelter, food, transportation. Most do not even have health care, so we have to pay that as taxpayers. I cannot believe this Nation ought to be outraged that we are debating whether or not we are going to raise minimum wage by one dollar, just one dollar, over a 2-year or a 3-year period. That is unconscionable. I do not know anyone in any State that can live on minimum wage and take care of all of their responsibilities. Their responsibilities become ours.

AID FOR COLOMBIA

(Mr. BALLENGER asked and was given permission to address the House for 1 minute.)

Mr. BALLENGER. Mr. Speaker, there are those who compare providing aid to Colombia to providing aid to Vietnam. This is an expected but faulty comparison.

Unlike Vietnam, the consequences for failure in Colombia will not be another fallen domino in a far-off land. It will be more drug-related deaths in our own streets among our own children. Without immediate action on the proposed aid package to Colombia, the drug lords will continue, largely unimpeded, to produce and distribute their deadly drugs which kill almost as many American kids and young adults each year as died in Vietnam. That, Mr. Speaker, should be a wake-up call.

Because Colombia is right here in our own hemisphere and not halfway around the world, what happens there will affect us more profoundly than what happened in Vietnam. The fact that Colombia is only 4 hours away by plane and can be reached by a car or truck, it becomes that much more important for us to help the country fight the narco-terrorists. The drugs which enter the United States each day from Colombia are far more of a threat to our national security than any Communist regime in Southeast Asia.

MINIMUM WAGE

(Mr. GREEN of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GREEN of Texas. Mr. Speaker, last week the Republican majority and the Democratic minority passed with no negative votes the removal of caps on the Social Security earnings. But it seems the Republican majority did not learn how to pass legislation on a bipartisan basis. Today we have a Frankenstein piece of legislation. None of the parts fit together. Even the names do not fit. Bipartisan legislation should be what is on this floor, but instead we have a budget-busting tax cut that does not even help small business.

I support a minimum-wage increase. The Republican proposal falls short of meeting the needs of the American family. The Republican leadership is more willing to push a budget-busting, debt-increasing $123 billion tax cut that will go to the top 1 percent than to help American small business with a reasonable tax cut.

We are presently enjoying one of the strongest economies ever, but the benefits are not flowing fairly to both the working people but also to the small business. We need to bring legislation to this floor that provides a real pay increase and a tax package that is sensible and responsible, not one that is just going to increase our debt. Hopefully, we will see the error of our ways and reject this Frankenstein piece of legislation.

KILL THE DEATH TAX

(Mr. GIBBONS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, we have all experienced the loss of a loved one. It is a time when family and friends come together to console each other in an effort to ease the sorrow. Unfortunately, it is also a time when the callous Federal tax collector comes knocking. Today when someone dies, the Federal Government assesses a tax of up to 55 percent on the value of their estate. As a result, approximately 70 percent of family-owned businesses and small farms are not passed on to the next generation, another loss that the grieving family and American society as a whole must endure.

But today, Mr. Speaker, we have the opportunity to ease this unfair burden. The Wage and Employment Growth Act reduces the top estate tax from 55 percent down to 50 by 2002 and will further reduce all rates by 1 percent in the years 2003 and 2004. Mr. Speaker, 77 percent of the American public believes the death tax is unfair and should be repealed. This will be one loss that the American family will not grieve for.

LEAVE ''TOUCHED BY AN ANGEL'' ON TELEVISION

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute.)

Mr. TRAFICANT. Mr. Speaker, hundreds of thousands of Americans signed petitions to have the popular TV show ''Touched by an Angel'' removed from television. They want it canceled. They said, quote-unquote, ''It refers too much to God.'' Unbelievable. But just turn on the TV. Murder, rape, terrorism, graphic depiction of sex. Beam me up, Mr. Speaker. Mass murder is okay, but God is offensive? I think it is time, ladies and gentlemen, for Congress to tell these petitioners to leave God and ''Touched by an Angel'' alone. Leave it on TV.

I yield back all the sex, drugs, and murder on television.

RELIEF FROM THE DEATH TAX

(Mr. BARTLETT of Maryland asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BARTLETT of Maryland. Mr. Speaker, when someone in a family dies, the whole family necessarily goes through a very painful experience. Losing a loved one is difficult enough, but unfortunately the Government makes it even tougher. This is because of the death tax. Today when someone dies, the Federal Government assesses a tax of up to 55 percent on the value of his or her estate. This makes it nearly impossible for farmers to pass on the family farm to their children or for a small business owners to pass on their life's work to their children. This is ridiculous. Mr. Speaker, Americans should not have to visit both the IRS and the undertaker on the same day. We need to give Americans relief from the death tax. This week we are voting on the Small Business Tax Fairness Act which would lessen the tax bite families feel when a loved one passes away. This is the right thing to do. I hope my colleagues will join me in helping give the American people relief from the death tax.

SKYROCKETING FUEL PRICES

(Mr. DEFAZIO asked and was given permission to address the House for 1 minute.)

Mr. DEFAZIO. Mr. Speaker, fuel prices are skyrocketing through the roof while Congress and the administration sit and twiddle their thumbs mumbling platitudes about waiting for the free market to work. I have got a news flash for the President, the Secretary of Energy and my colleagues that do not want to do anything.

There is no free market in oil. The huge oil conglomerates secretly conspire against consumers to drive up oil prices and the OPEC countries openly collude to reduce production and create an artificial shortage. The Justice Department should vigorously investigate and prosecute the price fixing and anticompetitive actions by the major oil companies. And the President as a big supporter of the WTO and rules-based trade should file a complaint against the OPEC nations.

The WTO charter, article 11, says that they cannot do this. They cannot artificially depress production. We should file a complaint and collect hundreds of millions of dollars in damages levied through the WTO organization. If the administration is willing to use the full force and credibility of the Government on behalf of a single banana exporter with no export production in the United States, then they should certainly act on behalf of U.S. consumers who are being gouged by OPEC and other oil-producing nations.

ADDRESSING THE DEATH TAX

(Mr. CHABOT asked and was given permission to address the House for 1 minute.)

Mr. CHABOT. Mr. Speaker, with the economy strong and our government

taking in budget surpluses, the time has come to address some nagging fairness issues in our Tax Code. The House has already done that twice this year by passing relief from the marriage tax penalty and voting to end the Social Security earnings limit.

Now the time has come to address another unfair provision in our Tax Code, the death tax. Today, when a person dies, the Federal Government assesses a tax of up to 55 percent on the value of his or her estate. Thus, many Americans, small business owners and farmers, are unable to pass on their life's work to their children. This is totally unfair. Today, the House will be voting on the Small Business Tax Fairness Act which will deliver relief from the death tax. This commonsense legislation will make it easier for Americans to pass on a small business to the next generation. We should all support this bill that will help restore the American dream to American families. In fact, we ought to get rid of the unfair death tax altogether.

TIME TO INCREASE MINIMUM WAGE

(Mr. WISE asked and was given permission to address the House for 1 minute.)

Mr. WISE. Mr. Speaker, I rise today in support of increasing the minimum wage for America's workers. In West Virginia alone, at least 5 percent of the hourly workforce makes the bare minimum wage, but by raising it from $5.15 an hour to $6.15 an hour over 2 years, at least 106,000 workers would get an increase. That would also mean 50,000 full-time workers in West Virginia would see an increase in their wages. Who are they? It is the senior citizen who is cooking the biscuits in a convenience store. It is the mother who is working full time at a health care center. Today in West Virginia, a full-time minimum-wage worker with two children earns $10,700 a year, or $3,200 below the Federal poverty line. I hear the argument that the minimum wage only goes to students. I was one of those students working my way through college on the minimum wage, and the only wage increase I ever got was when this Congress raised the minimum wage. It is time to give workers an increase.

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THE PRESIDENT'S HUMAN RIGHTS REPORT SHOULD NOT BE IGNORED

(Mr. WOLF asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WOLF. Mr. Speaker, yesterday in his comments about giving China MFN, the President said, ''I believe the choice between economic rights and human rights, between economic security and national security is a false one.''

If that is the case, Mr. President, why is the Chinese Government continuing to persecute the Catholic Church? Why is the Chinese Government persecuting the Protestant Church? Why is the Clinton administration going against its own human rights report and not speaking out for those who are being plundered and killed in Tibet? Why is the Chinese government persecuting the Muslims in China? Why, if one reads today's Washington Times, are we allowing the Chinese Government to increase its spying activities in the United States?

Mr. President, if you really believe that there is no connection, then you have not read your own human rights report.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would advise Members to address the Chair and not the President.

INTERNATIONAL ABDUCTION OF CHILDREN MUST BE STOPPED

(Mr. LAMPSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LAMPSON. Mr. Speaker, I rise today to tell the story of Tom Sylvester and his daughter Carina. Her story is the fifth account in my series of one minutes on the more than 10,000 American children who have been abducted to foreign countries.

Carina Sylvester was born in 1994 and was abducted by her mother Monika in 1995 and was taken to Austria. An Austrian trial court found Monika Sylvester to have violated The Hague Convention, but she refused to comply with the court order and did not voluntarily return Carina. Carina is now 5 years old and has lived in the home of her maternal grandparents in Graz, Austria; and since 1995, Tom has seen Carina only occasionally and only under strict supervision.

Mr. Speaker, this Nation has an enormous problem with children who have been abducted internationally and Congress must be part of the solution. These one minutes are about families and reuniting children and parents. They are just the first steps in our ongoing dialogue with the American people and my colleagues in an effort to bring our children home.

THE TRAFFICKING OF BABY BODY PARTS

(Mr. WELDON of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELDON of Florida. Mr. Speaker, last night ABC's 20/20 brought something very important to the public's attention, the trafficking of babies' body parts and organs. Even today the House Subcommittee on Health and Environment is holding a hearing on this issue.

As a physician and a Congressman, I find this practice disturbing, disgusting, and, of course, highly immoral; but the truth of the matter is that this is currently going on in our country. Evidence has shown us that private companies and even public universities buy and sell baby organs for the sole purpose of experimentation. It has been brought to my attention that they pay as much as $150 for skin, $990 for a brain, and $325 for a spinal cord.

To make it worse, companies are making special syringes for abortion doctors so that they can prolong the abortion procedure itself and keep the baby alive long enough to get more money for these parts.

This practice is illegal. It is against the law. It is outrageous, and it boils down to human exploitation and death. I encourage my colleagues to oppose it.

THERE SHOULD BE AN INCREASE IN THE MINIMUM WAGE

(Mr. BACA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BACA. Mr. Speaker, I rise today to speak on behalf of working families across America. I am speaking in behalf of a $1.00 increase of the minimum wage over the next 2 years and opposing the passage of tax provisions of the Republicans' H.R. 3081.

The minimum wage proposal would benefit 11.8 million families and allow some comfort and economic dignity. Forty percent of minimum-wage working families are the sole bread winners in their families.

Raising the minimum wage would not cost additional jobs. It is our responsibility to allow everyone, I state everyone, a chance in America to have that dream, that opportunity, to enjoy life, an opportunity of quality of life by earning wages that are so important to a lot of us.

Raising the minimum wage, increasing it from $5.15 an hour, is our responsibility. We have the responsibility to assure that people can afford a decent living. We have individuals who cannot afford to pay for food to put on the table. We have the responsibility to make sure that America enjoys life a lot better. Let us increase the minimum wage.

SELLING OF BABY BODY PARTS MUST BE STOPPED

(Mrs. CHENOWETH-HAGE asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. CHENOWETH-HAGE. Mr. Speaker, I rise today to talk about the health risks to women that the sale of body parts represents. The evidence that these parts have actually been

sold is overwhelming. More than one legitimate organization has been able to independently confirm their sale, including the National Conference of Catholic Bishops and ABC's 20/20.

More troubling is the fact that published price lists exist for certain parts of unborn children. This enables doctors to decide what the most effective procedure for delivery of intact unborn children might be for the highest profit. If procedures are changed to increase profit, this is inexcusable, Mr. Speaker.

The insertion of laminaria and forced dilation of women, often necessary for delivering intact fetuses, present real and legitimate risks to a woman's health. Think about it. Would not a virtually intact cadaver of a child raise the price that one could charge for the remains?

Mr. Speaker, this must stop.

HUD'S GUN BUYBACK PROGRAM SHOULD NOT BE ELIMINATED

(Mrs. MCCARTHY of New York asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. MCCARTHY of New York. Mr. Speaker, the House Committee on Appropriations wants to eliminate the gun buyback program at the Nation's public housing authorities. This just makes no sense.

Last week, a first grader killed another first grader with a handgun. Yesterday, four people in Memphis were killed in what started as a domestic dispute but ended when a gunman shot to death his wife, two firefighters, and a sheriff's deputy.

The daily gun violence in this country is a national problem. It calls for a national solution.

The American people know that 13 children are killed every day by gun violence. Meanwhile, the Congress has done nothing. Now the leadership has directed the House appropriations to eliminate the Department of Housing Urban Development's gun buyback program. This program has been highly successful in partnering police with housing officers to remove guns from public housing and in curbing gun violence.

In fact, Memphis, the site of Wednesday's gun killings, would lose its buyback program and so would 80 public housing authorities across the Nation.

The supplemental appropriations bill now has language in it that rescinds more than $700,000 from the gun buyback program.

Mr. Speaker, this is crazy. When we have programs that work, we should not take them back. We have a moral obligation to reduce gun violence in this country.

A GREAT VICTORY FOR JACKSON COUNTY, OREGON, IN ELIMINATING THE SCOURGE OF ILLEGAL DRUGS

(Mr. WALDEN of Oregon asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WALDEN of Oregon. Mr. Speaker, I rise today to commend the efforts of law enforcement officers in Jackson County, Oregon. Yesterday, 110 law enforcement officers from the FBI, Drug Enforcement Agency, IRS, INS, the Social Security Administration and the Jackson County Narcotics Enforcement Team, also called Jacnet, shut down a drug ring that was thought to supply 90 percent of the area's heroin and most of its methamphetamines.

Nineteen people were arrested; 28 houses and vehicles were searched in this early morning bust.

Mr. Speaker, this is a great victory for the work to protect our communities from the scourge of illegal narcotics, and I congratulate the law enforcement personnel who were involved.

The bust is also a great victory for cooperative collaborative counter-drug efforts. Jacnet is itself made up of people of the Jackson County Sheriff's Office, the Oregon State Police, Medford and Central Point Police Departments, and the Oregon National Guard. Add Federal agencies and we have all levels of government working together to fight drugs, and it works.

That is why I am working to increase funding for the federally-designated High Intensity Drug Trafficking Areas, including Jackson County.

Mr. Speaker, this is a program that works, and I intend to keep pursuing it. I congratulate those law enforcement agencies that were involved in making our communities safer.

AT A TIME OF EXTRAORDINARY PROSPERITY, THE MINIMUM WAGE SHOULD BE INCREASED

(Ms. DELAURO asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, today we have an opportunity to vote on a measure that will truly make a difference in the lives of all Americans and that is an increase in the minimum wage. At this time of extraordinary prosperity, hard-working Americans deserve to have a much needed raise, to bring the minimum wage closer to a living standard.

Unfortunately, once again, the Republican leadership is attempting to delay, to derail this meaningful legislation. I call upon that leadership to end their delay tactics and allow a fair vote on this bill. This increase in the minimum wage should not be tied to an irresponsible $120 billion tax package that will benefit only the richest of the rich, the super rich. Instead, we should be voting for an alternative which would provide a much needed increase in minimum wage and responsible tax relief for small businesses.

It is time for us to do the right thing. It is time for us to raise that minimum wage fifty cents this year, fifty cents next year from $5.15 to $6.15. We send a message if we do that, that we honor their hard work, commitment and dedication.

DR. JONES, A MODERN DAY DR. MENGELA WHEN IT COMES TO SELLING BABY BODY PARTS

(Mr. TANCREDO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TANCREDO. Mr. Speaker, last night I watched in amazement as the owner of a company, Opening Lines, made it known in a 20/20 undercover investigation that his company is in the business of selling fetal tissue for profit.

When asked by the actor posing as a potential investor how much they could make from selling body parts, Dr. Miles Jones, the owner of Opening Lines and a pathologist, stated, ''It is market force. It is whatever it can go for.''

He went on to say that a single fetus could make his company up to $2,500.

Mr. Speaker, this is in blatant defiance of the law passed in 1993 under the NIH Reauthorization Act, namely that baby body parts cannot be sold for valuable consideration.

The Hippocratic Oath has gone out the window and been replaced by greed.

Dr. Jones went on further to state, over drinks and dinner at a fine restaurant, that his dream job would be to operate down in Mexico where laws are less stringent and where he could set up a system reminiscent of an assembly line.

This makes me sick. I am grateful that the Subcommittee on Health and Environment is holding a hearing today, in fact, to look into this barbaric issue. It is time that Congress gets off the sidelines, sheds the light of day on people like Dr. Jones, or should I say a modern day Dr. Mengela.

PROVIDING FOR CONSIDERATION OF H.R. 1695, IVANPAH VALLEY AIRPORT PUBLIC LANDS TRANSFER ACT

Mr. HASTINGS of Washington. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 433 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 433

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 1695) to provide for the conveyance of certain Federal

public lands in the Ivanpah Valley, Nevada, to Clark County, Nevada, for the development of an airport facility, and for other purposes. The first reading of the bill shall be dispensed with. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Resources. After general debate the bill shall be considered for amendment under the five-minute rule. It shall be in order to consider as an original bill for the purpose of amendment under the five-minute rule the amendment in the nature of a substitute recommended by the Committee on Resources now printed in the bill. The committee amendment in the nature of a substitute shall be considered as read. All points of order against the committee amendment in the nature of a substitute are waived. The amendment printed in the report of the Committee on Rules accompanying this resolution shall be considered as read and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. During consideration of the bill for amendment, the Chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the Congressional Record designated for that purpose in clause 8 of rule XVIII. Amendments so printed shall be considered as read. The Chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. Any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from Washington (Mr. HASTINGS) is recognized for 1 hour.

1030

Mr. HASTINGS of Washington. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the distinguished gentleman from Ohio (Mr. HALL), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

(Mr. HASTINGS of Washington asked and was given permission to revise and extend his remarks.)

Mr. HASTINGS of Washington. Mr. Speaker, H.R. 433 would grant H.R. 1695, the Ivanpah Valley Public Lands Transfer Act, an open rule. The rule waives all points of order against consideration of the bill and provides 1 hour of general debate, equally divided between the chairman and ranking minority member of the Committee on Resources.

The rule makes in order the Committee on Resources amendment in the nature of a substitute now printed in the bill as an original bill for the purpose of amendment, which shall be open for debate at any point. The rule also waives all points of order against the committee amendment in the nature of a substitute.

The rule further provides that the amendment printed in the report of the Committee on Rules accompanying the resolution shall be considered as read and shall not be subject to a demand for a division of the question in the House or in the Committee of the Whole.

The rule authorizes the Chair to accord priority and recognition to Members who have preprinted their amendments in the CONGRESSIONAL RECORD. It allows the Chairman of the Committee of the Whole to postpone votes during consideration of the bill and to reduce voting time to 5 minutes on a postponed question if the vote follows a 15 minute vote.

Finally, the rule provides one motion to recommit with or without instructions.

Mr. Speaker, H.R. 1695 has been introduced by the gentleman from Nevada (Mr. GIBBONS) in order to address a problem of increasing concern in his district. Southern Nevada is the fastest growing area in the United States. Both the rapidly expanding population and the area's growing popularity as a destination for travel and tourism have placed great strain on its existing commercial airport.

This bill would make available land currently in Federal ownership for the construction of a second major airport to be known as the Ivanpah Valley Airport, which would serve as an alternative for cargo and charter flight operations. The site is in an ideal location for such a facility and is on land that is no longer needed by the Interior Department's Bureau of Land Management. The bill requires the county to pay fair market value for this land.

Because the Congressional Budget Office estimates that implementing H.R. 1695 would result in a net increase in spending of approximately $1 million over the years 2001 to 2004, pay-as-you-go procedures would apply.

Those of us who represent districts in the West where so much of our land is owned by the Federal Government and that is not on the local tax rolls tend to be very supportive of proposals that move unneeded land out of Federal ownership, especially when it can be put to the kind of high-priority use as envisioned by the legislation of the gentleman from Nevada (Mr. GIBBONS). Members who have concerns about the provisions of this bill will be pleased that the Committee on Rules has reported an open rule so that any proposed amendments to H.R. 1695 that are consistent with House rules may be fully considered and debated.

Accordingly, Mr. Speaker, I urge my colleagues to support the open rule for H.R. 1695.

Mr. Speaker, I reserve the balance of my time.

Mr. HALL of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time. I yield myself such time as I may consume.

Mr. Speaker, this is an open rule. It will allow for full consideration of a bill to transfer land in Nevada to construct an airport which will serve Las Vegas.

As the gentleman from Washington (Mr. HASTINGS) has described, the rule for the debate time provides that the bill be equally divided and controlled by the Chairman and ranking minority member of the Committee on Resources.

The rule permits amendments under the 5-minute rule, which is the normal amending process in the House. All Members on both sides of the aisle will have an opportunity to offer germane amendments.

The rule also makes in order an amendment that is expected to be offered by the gentleman from Utah (Mr. HANSEN) that addresses several concerns in the bill.

Southern Nevada is one of the fastest growing areas in the country, which has placed increasing demands on Las Vegas's McCarran International Airport. Because so much of Nevada is owned by the Federal Government, the land transfer is necessary to satisfy the region's growing need for air service.

Mr. Speaker, this legislation brings to mind a related issue that is very important to me, and that is the need for regional cooperation and broad citizen support for airport expansion. In my own community in the Miami Valley of Ohio, the City of Dayton is proposing a major expansion that attempts to address the region's future air travel needs. It is important to the citizens of the area to have sufficient opportunity to contribute to the planning process and for key segments of the community to reach a mutually acceptable agreement. The process can be long and frustrating, but there is no other way to advance public cause, even one that has the potential to provide long-term benefits to the region.

The House Committee on Rules has permitted a compromise measure to come before the House that is acceptable to both sides of the aisle. It is this kind of creative problem-solving and a willingness to compromise that will advance the project and serve the Las Vegas area.

Mr. Speaker, this open rule was approved by a voice vote by the Committee on Rules, and I urge its adoption.

Mr. Speaker, I yield back the balance of my time.

Mr. HASTINGS of Washington. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. LAHOOD). Without objection, the previous question is ordered on the resolution.

There was no objection.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HASTINGS of Washington. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The Chair will reduce to 5 minutes the time for a record vote, if ordered, on the Speaker's approval of the Journal following this vote.

The vote was taken by electronic device, and there were—yeas 406, nays 0, not voting 28, as follows:

[Roll No. 34]

YEAS—406

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth-Hage
Clay
Clayton
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Costello
Cox
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Doggett
Dooley
Doolittle
Dreier
Duncan
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hill (IN)
Hill (MT)
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Klink
Knollenberg
Kolbe
Kucinich
Kuykendall
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pascrell
Pastor
Paul
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sabo
Sanders
Sandlin
Sanford
Sawyer
Saxton
Schakowsky
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spratt
Stabenow
Stark
Stearns
Stenholm
Strickland
Stump
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiahrt
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wu
Wynn
Young (FL)

NOT VOTING—28

Barr
Boswell
Brown (OH)
Clement
Cooksey
Dixon
Doyle
Dunn
Frost
Granger
Herger
Kleczka
Larson
LaTourette
McCollum
McIntosh
Moran (VA)
Payne
Pickering
Salmon
Sanchez
Scarborough
Schaffer
Scott
Spence
Stupak
Vento
Young (AK)

1058

Messrs. MALONEY of Connecticut, KLINK and KANJORSKI changed their vote from ''nay'' to ''yea.''

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated For:

Ms. SANCHEZ. Mr. Speaker, during rollcall vote No. 34 on March 9, 2000, I was unavoidably detained. Had I been present, I would have voted ''aye.''

THE JOURNAL

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to clause 8 of rule XX, the pending business is the question of agreeing to the Speaker's approval of the Journal of the last day's proceedings.

The question is on the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. HASTINGS of Washington. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. The Chair will reverse an earlier statement and announce that this will be a 15-minute vote on approving the Journal.

The vote was taken by electronic device, and there were—yeas 369, noes 45, answered ''present'' 1, not voting 19, as follows:

[Roll No. 35]

AYES—369

Abercrombie
Ackerman
Allen
Andrews
Archer
Armey
Baca
Bachus
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Boswell
Boucher
Boyd
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Clayton
Coble
Collins
Combest
Condit
Conyers
Cook
Cox
Coyne
Cramer
Crowley
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Green (TX)
Green (WI)
Greenwood
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Herger
Hill (IN)
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kuykendall
LaFalce
LaHood
Lampson
Lantos
Largent
Larson
Latham

Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Minge
Mink
Moakley
Mollohan
Moran (KS)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Obey
Olver
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pastor
Paul
Pease
Pelosi
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Rangel
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Schakowsky
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spratt
Stabenow
Stark
Stearns
Stenholm
Stump
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Thurman
Tiahrt
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Upton
Velazquez
Vitter
Walden
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NOES—45

Aderholt
Baird
Bilbray
Borski
Brady (PA)
Chenoweth-Hage
Clay
Clyburn
Coburn
Costello
Crane
Dickey
English
Filner
Gibbons
Gutierrez
Hastings (FL)
Hefley
Hill (MT)
Hilleary
Hilliard
Hinchey
Kucinich
Lewis (GA)
LoBiondo
McDermott
Miller, George
Moore
Oberstar
Pascrell
Peterson (MN)
Pickett
Ramstad
Sabo
Strickland
Stupak
Sweeney
Taylor (MS)
Thompson (CA)
Thompson (MS)
Udall (NM)
Visclosky
Waters
Weller
Wu

ANSWERED ''PRESENT''—1

Tancredo

NOT VOTING—19

Bono
Brown (OH)
Capuano
Clement
Cooksey
Frank (MA)
Frost
Granger
Kasich
LaTourette
McCollum
McIntosh
Moran (VA)
Payne
Scarborough
Schaffer
Scott
Spence
Vento

1112

So the Journal was approved.

The result of the vote was announced as above recorded.

1113

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H. CON. RES. 396

Mr. BERMAN. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of House Concurrent Resolution 396.

The SPEAKER pro tempore (Mr. OSE). Is there objection to the request of the gentleman from California?

There was no objection.

IVANPAH VALLEY AIRPORT PUBLIC LANDS TRANSFER ACT

The SPEAKER pro tempore. Pursuant to House Resolution 433 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1695.

1114

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1695) to provide for the conveyance of certain Federal public lands in the Ivanpah Valley, Nevada, to Clark County, Nevada, for the development of an airport facility, and for other purposes, with Mr. LAHOOD in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Utah (Mr. HANSEN) and the gentleman from California (Mr. GEORGE MILLER) each will control 30 minutes.

The Chair recognizes the gentleman from Utah (Mr. HANSEN).

Mr. HANSEN. Mr. Chairman, I yield myself such time as I may consume, and I rise in support of H.R. 1695, introduced by my colleague, the gentleman from Nevada (Mr. GIBBONS).

An enormous amount of effort has gone into the preparation of this bill, and I would like to commend the gentleman from Nevada (Mr. GIBBONS) for working so diligently on this bill and bringing it to the floor. I do not think a lot of my colleagues realize that the gentleman from Nevada probably knows as much about aviation as any Member in the Congress, serving both as a military pilot and a commercial pilot, as well as the many other accomplishments he has had in his life. And I commend him on doing an excellent job on a piece of legislation that has been quite controversial, but which I think we now have a meeting of the minds on.

Clark County, Nevada, is the fastest growing metropolitan area in the Nation, and its current McCarran Airport, located in Las Vegas, is quickly exceeding capacity. The exorbitant growth in development and tourism has made the need for another airport in the Las Vegas metro area absolutely critical. The ever-increasing influx of visitors to southern Nevada is overrunning the present airport. Approximately half of the visitors to Las Vegas arrive as passengers at McCarran Airport, and that figure will continue to climb as the city increasingly becomes an international destination. I have been given to understand that it is now the ninth busiest airport in America.

H.R. 1695 authorizes the sale of Federal lands to Clark County for the construction of a new airport which will serve southern Nevada and the Las Vegas Valley. Clark County would pay fair market value for 6,500 acres in Ivanpah Valley, the proceeds of which would be used to purchase and preserve environmentally-sensitive areas within the State of Nevada.

The topography and orientation of the Ivanpah Valley make it an ideal location for an airport. The land is a dried-up lakebed, with nothing more than an interstate highway and a railroad on either side. An airport in this valley would be close enough to serve the metro area; however, its existence will not interfere with the current airspace needs of McCarran Airport or Nellis Air Force Base.

The environmental impact of this airport will be minimal. Nevertheless, H.R. 1695 ensures full compliance with all of the National Environmental Protection Act's provisions prior to operation of this airport. The airport will be located 16 miles away from the Mojave Preserve to avoid interference with that area. The Secretary of Transportation will design an airspace management plan that will avoid, to the maximum extent possible, overflights of the Mojave Preserve.

Mr. Chairman, at the appropriate time I will be offering an en bloc amendment to address the outstanding concerns with this legislation. The amendment has been agreed to by the minority and provides bipartisan support for this legislation, and I thank my staff and the staff of the gentleman from Nevada (Mr. GIBBONS) and the minority for working diligently to work out this en bloc amendment.

Mr. Chairman, I reiterate my support for H.R. 1695 and ask for the endorsement of the Members to provide this much-needed improvement to Nevada's infrastructure.

Mr. Chairman, I reserve the balance of my time.

Mr. GEORGE MILLER of California. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman H.R. 1695 directs the conveyance of a substantial tract of public lands located near the Mojave National Preserve for the development of a large commercial airport and related facilities for the Las Vegas area.

As reported by the Committee on Resources, H.R. 1695 was a controversial measure. The bill was opposed by the administration, the environmental community, and many Members because the legislation failed to adequately address the potential environmental impacts, land-use conflicts, and

administrative problems associated with large-scale land conveyance.

Attempts were made to address these significant issues in the Committee on Resources. These efforts were spearheaded by our colleague, the gentleman from Minnesota (Mr. VENTO), who is unable to be here with us today because he is recovering from major surgery; but I know he is watching this closely. The gentleman from Minnesota has been involved in the legislative consideration of this matter for several years, and his expertise on public lands issues gave him keen insight into the problems associated with the bill. The gentleman from Minnesota offered several constructive amendments to the legislation in committee. Although the committee did not adopt these amendments at that time, the seeds of his efforts are bearing fruit.

H.R. 1695 was headed to the floor this week with solid opposition from the administration, from the environmental community, and from many Members of Congress, including myself, concerned about the environmental consequences of this proposal. Fortunately, efforts have been underway to address these concerns, and for that I want to commend our colleague, the gentlewoman from Nevada (Ms. BERKLEY). The involvement of the gentlewoman from Nevada (Ms. BERKLEY) was critical in helping to diffuse that opposition and make possible the manager's amendment that will be offered to this legislation.

In helping to craft these changes, the gentlewoman from Nevada showed herself to be a strong advocate for her community and the environment. I can attest to that fact because I have been cornered by her numerous times over the last couple of months about this legislation and about her concerns for the opposition to the legislation that was being registered at that time.

As a result of that, I believe the manager's amendment that we now have before us makes a significant improvement to the bill by providing a joint lead agency status for the Department of the Interior on the Environmental Impact Statement necessary for the planning and construction of an airport facility on the conveyed lands. This is important, since the lands to be conveyed are currently administered by the Department of the Interior; and the potential environmental impacts of such an airport involve the Mojave National Preserve and other resource responsibilities of the Interior Department.

A detailed EIS will be crucial in determining whether an airport should be placed within the Ivanpah Valley. As noted in the NEPA regulations, found in 40 CFR 1502.14, the EIS must rigorously explore and objectively evaluate all reasonable alternatives, including the no-action alternative. Further, it will have to include a detailed analysis of environmental issues and consequences associated with the proposed airport facilities and the related infrastructure.

These are questions that cannot be answered today. With the potential impacts to the environment that exist with the proposal, especially for the Mojave National Preserve, it is incumbent the EIS thoroughly address all alternatives and environmental consequences.

As one of the cosponsors of the California Desert Protection Act, I have a long-standing interest in protecting the biological diversity of the region's desert ecosystem, especially as it relates to the Mojave National Preserve and the wilderness areas designated in the 1994 act. These are areas that some might dismiss as dirt and rock but in truth hold significant environmental values that ought to be addressed before any decision is made about a new airport that could negatively impact these areas.

Even with these changes made by the manager's amendment, the bill is not perfect; but it is certainly an improvement as to what the House would otherwise have been faced with. And again I want to commend the committee and the gentlewoman from Nevada (Ms. BERKLEY) for their efforts in putting together this amendment.

Mr. Chairman, I reserve the balance of my time.

Mr. HANSEN. Mr. Chairman, I yield such time as he may consume to the gentleman from Nevada (Mr. GIBBONS), the sponsor of this legislation.

Mr. GIBBONS. Mr. Chairman, before I begin, I would like to take this moment to thank my colleague, the gentleman from Utah (Mr. HANSEN), for having participated diligently with me in 3 years of effort to bring this bill to the floor here today. The efforts of the gentleman from Utah have been critical in terms of his work and his support to bridge those gaps between the questions that have been raised by the environmental and minority committees and bringing together all of those parties so that we have a workable resolution, a workable bill here today.

The en bloc amendment of the gentleman from Utah (Mr. HANSEN) offered here today, Mr. Chairman, is certainly one which I think allows for us to proceed with this bill and which will accomplish the goals that Las Vegas needs to have in the coming years with a new airport that will relieve the stress of congestion at the ninth busiest airport in America today.

Mr. Chairman, as has already been mentioned, southern Nevada is the fastest growing area in the United States. Last year alone, in Las Vegas, there were more than 20,000 new homes constructed in the area. And because Nevada has somewhere between 87 and 92 percent of its land owned by the Federal Government, it makes expansion for many of our communities almost impossible. Fortunately, H.R. 1695 addresses the issue of smart growth and expansion and prepares Clark County, the home of Las Vegas, for the 21st century.

As Las Vegas and southern Nevada continue to grow, a greater demand is put upon its airport and its facility. Currently, passengers traveling through the Las Vegas McCarran International Airport account for approximately 50 percent of the 31 million visitors who come to Las Vegas each and every year. As the Valley's resorts increasingly become desirable nationally and internationally as travel destinations, this percentage can be expected to climb, and an exhausting strain will be placed on McCarran Airport. That is why this legislation is so critically important to the future of the Las Vegas Valley, indeed the economy of our State.

This is similar to the Dulles International Airport and the National Airport situation that we had existing right here in Washington, D.C. When Washington National, now Ronald Reagan National Airport, was becoming overcrowded and burdened by excess travel, there was a demand, 30 years ago, to increase its capacity by building a facility 30 miles to the west of here. That became known as Dulles International Airport. Today, the same problems, the same stress, are occurring in Las Vegas with the McCarran International Airport. Thirty miles to the Southwest will be the Ivanpah Airport as a reliever facility for McCarran's International Airport.

The Ivanpah Airport will be located far enough away from McCarran's Airport and the Nellis Air Force Base in Las Vegas to be free from their flight restrictions, yet it has a close proximity to Interstate 15 and the Union Pacific Railroad which will provide an excellent union of intermodal and multimodal transportation opportunities. And lastly, it is surrounded by vacant Federal land, which gives Clark County an opportunity to continue their forward-thinking and responsible growth while protecting the airport from incompatible land uses.

As McCarran reaches its physical capacity, expected to be in the year 2008, H.R. 1695 becomes a necessity to accommodate this county's favorable oasis in the desert and its future. There are those who rally against smart growth, forward-thinking planning, or even needed expansion. However, with the guidance and hard work, as I said earlier, of our colleague, the gentleman from Utah (Mr. HANSEN), and after working on this legislation for over 3 years, dedicating many hours to working out these compromises with the administration and environmental organizations, I believe we have finally found a common ground among all groups.

This compromise is reflected, as I said earlier, in the manager's amendment. It allows greater say by the Secretary of the Interior on initial Environmental Impact Statement planning processes to take care of the administration's objections. The manager's amendment also takes care of a small technical problem associated with the revisionary clause; and, finally, it addresses a small concern brought up by

the Committee on the Budget. However, if there are still concerns by some in this body, I would like to take the next few minutes, Mr. Chairman, to dispel these thoughts and concerns.

Some have stated that H.R. 1695 makes the National Environmental Protection Agency process moot.

1130

Realize, however, that NEPA is a necessity. Before the Ivanpah site can be developed as an airport, the Secretary of Transportation and the Secretary of Interior will be required to prepare a full Environmental Impact Statement pursuant to NEPA. H.R. 1695 merely authorizes the sale of the land which otherwise could not be sold.

Another question has been raised that others have stated that the bill obstructs policy comment required by FLPMA. There is only one reference to FLPMA in H.R. 1695, and it is not a waiver of public comment or environmental protections.

Since the Ivanpah Airport project is to be Congressionally mandated, this subsection merely relieved the Secretary from the requirement that the project be accounted for in land inventories, maps, and land use plans. Not to mention there have been numerous local public meetings by the Clark County Commission concerning the Ivanpah Airport project.

There is no significant local opposition to providing Southern Nevada a much needed second airport site. The bill is supported by the entire bipartisan Congressional delegation, the State, city, county and many local businesses and labor unions in Nevada.

Another concern raised was that one of the most timely and important issues facing Clark County is growth and the protection of their natural resources. Mr. Chairman, this issue was weighed heavily when I crafted H.R. 1695 because of its proximity to the Mojave Preserve.

However, the Ivanpah site is more than 16 miles from the Mojave Preserve and there is already a substantial community between the Mojave Preserve and the airport site known as Primm, Nevada. This community is located at the California State line, which includes three casinos and a large regional outlet mall.

Because of this existing development, the BLM land management plan has already decided to sell over 5,000 acres of land along Interstate 15 for private development. Any further releases of land will require an amendment to the land management plan. If an airport is built at Ivanpah, a clear zone will be established around it which will preclude additional growth surrounding the site.

A provision was added to H.R. 1695 which requires the Secretary of Transportation to work with the Secretary of the Interior to develop an air space management plan which precludes, except when safety requires, arrivals or departures over the Mojave Preserve.

H.R. 1695 also mandates that the air space management plan determine the optimum flight approach and departure corridors. This was done in a proactive manner to minimize overflight impacts on the preserve.

Another question that was raised was to ensure that the people of America receive fair compensation for their public lands. H.R. 1695 requires that the land be sold at fair market value. I repeat, Mr. Chairman, that the land will be sold at fair market value. This is not a give-away. The bill originally allowed the land to be purchased in phases and the new appraisals were required every 3 years. At a resources hearing, however, the County has indicated its intent to purchase the entire site as soon as possible; and the bill was amended in committee to require Clark County to buy the entire parcel for fair market value.

It is important to ensure that our citizens not only realize the benefits of this new airport but are justly compensated for its use, for the use of our public lands.

Another concern was that flights over or near the preserve will destroy the scenic vistas, natural quiet, and night skies.

Mr. Chairman, let me say that, although H.R. 1695 precludes flights from the Ivanpah Airport over the Mojave National Preserve, the preserve is already heavily impacted by aircraft overflight. In fact, the preserve is actually located beneath one of the world's most concentrated air traffic corridors. Air traffic in and out of the Los Angeles basin airports, such as Los Angeles International, Palmdale Airport, John Wayne/Orange County Airport, Burbank, Ontario, and the Long Beach Airport, to name a few. Those airports require current overflights of the Mojave Preserve.

Additionally, there are a number of military airfields in California which also impact the Mojave Preserve with their operations. To give my colleagues an idea, there are in excess of 400,000 operations on the airways over the Mojave Preserve at 6,000 feet or more above the preserve.

Mr. Chairman, once again, there are 400,000 operations each year over the Mojave Preserve at 6,000 feet or more above the preserve.

Additionally, there are 147,000 operations that fly over the Mojave Preserve annually at altitudes of 10,000 to 16,000 feet, which is comparable to the elevations of aircraft 16 miles from the Ivanpah location.

This is the same distance between the Ivanpah Airport and the Mojave Preserve, which simply means that all aircraft arriving and departing at Ivanpah at a distance of 16 miles will be at least 10,000 feet and probably 16,000 feet or more above the preserve.

Finally, concerns have been advanced about airport related light emissions impacting star gazing activities within the Mojave Preserve. Frankly, a small commercial service airport located between the two communities, such as Jean and Primm, Nevada, will contribute little, if any, to the local light emulating from the Ivanpah Valley.

The last concern I would like to address this morning is the potential impact to the desert tortoise, mountain sheep, and their habitats. Clark County and I are extremely sensitive to the concerns regarding the potential impact of the airport on these desert animals. However, it was determined that the airport did not impact the critical habitat for the desert tortoise or areas of critical concern as set forth in the BLM Resource Management Plan.

Remember that the site will also have to pass the rigorous standards of the National Environmental Policy Act process, as well as a possible section 7 consultation under the Endangered Species Act.

It is important to note that the United States Air Force Research Laboratory studied the effects of subsonic as well as supersonic aircraft noise on the desert tortoise. The report, dated May 1999, stated, ''There was no increase in blood lactate levels during or post exercise. The most extreme response to simulated subsonic aircraft noise was a typical reptilian defense response.''

The University of Arizona also evaluated the effects of simulated low-altitude F–16 jet aircraft noise on the behavior of captive mountain sheep. They concluded ''that when F–16 aircraft flew over the sheep, the noise levels created did not alter behavior or increase heart rates to the detriment of the population.''

Mr. Chairman, I would like to point out that these aircraft were flying along a ridge line at 125 meters, that is approximately 375 feet, above the ground, not the 6,000 feet or more that would be used by aircraft traveling to, arriving, or departing from the Ivanpah Airport and possibly over the Mojave Preserve.

And if there were a safety issue requiring them to fly over, that would be a rare and abnormal occurrence that would only occur infrequently, at best.

Finally, I would again like to thank the gentleman from Utah (Mr. HANSEN), the chairman of the subcommittee, for his hard work once again and dedication in helping me see this project through over the last 3 years.

As a freshman, and with the help of former Congressman John Ensign, the gentleman from Utah (Chairman HANSEN) stood behind the people of Southern Nevada and enabled us to get to this point today. The State of Nevada owes the gentleman many thanks.

Mr. Chairman, I ask everyone to support H.R. 1695, which is so very important to the Southern Nevada area and its future.

Mr. GEORGE MILLER of California. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I thank the gentleman from Nevada (Mr. GIBBONS) for all of his work and effort in coming to an agreement on this legislation. I know

that he has been involved with it for a considerable period of time.

Mr. Chairman, I yield such time as she may consume to the gentlewoman from Nevada (Ms. BERKLEY); and I again thank her for all of her help and effort on this legislation.

Ms. BERKLEY. Mr. Chairman, I rise in support of H.R. 1695.

I particularly wish to thank the gentleman from California (Mr. GEORGE MILLER) for his help with this issue; the gentleman from Minnesota (Mr. OBERSTAR), who was instrumental in making sure that this, in fact, was heard by all the parties; the gentleman from Utah (Chairman HANSEN) for his extraordinarily diplomatic work on these efforts; and I want to thank my colleague the gentleman from Nevada (Mr. GIBBONS) for graciously acknowledging my involvement, and I wish to do the same to him.

Mr. Chairman, I represent the fastest growing district in the United States, which is located in one of the fastest growing States in the United States. I have 5,000 new residents a month coming into Southern Nevada to establish residence and raise their families there.

In addition to that, we have 32 million visitors a year coming to Southern Nevada to enjoy the exciting family entertainment that Las Vegas offers to its visitors. A very large percentage of that 32 million visitors that come to Las Vegas do so by accessing McCarran Airport. Because of the unprecedented growth and the extraordinary growth that we have experienced in Southern Nevada, it has become apparent recently that the McCarran Airport will be at 100 percent capacity by the year 2008.

It was, therefore, imperative that we moved quickly in order to facilitate the ability of Southern Nevada to continue to grow, continue to prosper, continue to allow people easy access to enjoy our Southern Nevada life-style. Therefore, it became very important for us to pass this legislation so that we might have another access route for people to come to Southern Nevada.

The Ivanpah Airport is not a new idea. It is certainly a very important one for the people of Southern Nevada, particularly for our continued growth and development.

One of the things that is particularly important about this legislation is the fact that we have been able to marry and blend not only the economic needs of our community but the environmental needs, as well. And for somebody like me and my family that are now three generations of Southern Nevadans, the environment was as important to me as the future growth and development of my community.

To be able to blend both needs for future prosperity and to continue the vibrant economy of Southern Nevada, blend that with the environmental concerns, which we all have, in order to maintain the beauty of the environment and keep it as pristine as possible, to be able to blend both of those very important needs in a piece of legislation that all parties concerned about this have agreed to support I think is great statesmanship, and I applaud everybody that was involved in the process.

It was very important that we have all the parties at the table agreeing not only to see that the future of Southern Nevada is in very good hands and the economy, the future growth, and prosperity of our economy is ensured into the next several decades, but also to make sure that the thing we care about the most, our beautiful desert environment, is protected.

So I want to applaud my colleagues for working very diligently to make sure that this piece of legislation was, in fact, crafted in a way that everybody could be very excited about the future of Las Vegas, the future of Southern Nevada, not only the economic side but the environmental side, as well.

Mr. HANSEN. Mr. Chairman, I yield myself such time as I may consume.

1145

Mr. Chairman, the gentleman from Alaska (Mr. YOUNG), the chairman of the full committee, is not able to be here and has asked that I read into the RECORD his brief statement.

He says,

Mr. Chairman, I rise in strong support of H.R. 1693, a bill to provide for the conveyance of certain Federal-owned land for the development of a much needed airport for the Ivanpah Valley in Nevada. This piece of legislation was introduced by one of our most active and effective resource committee members, our colleague, Congressman Jim Gibbons from Nevada.

I want to commend the gentleman for his hard work on this bill that is so important to Nevada and to the many visitors to Nevada who will someday use this airport facility.

Nevada has the highest percentage of Federally owned lands of any State in the union with more than 80 percent of Nevada's land base owned and managed by Federal conservation agencies. This of course makes it very difficult to provide for public services in fast growing areas such as Clark County, Nevada. I can sympathize with the problem. Alaska has similar problems since so much of my State is owned by the Federal Government.

However, I am satisfied that this land transfer will not in any way lessen or diminish the quality of the environment in Nevada but is absolutely necessary to provide an essential means of air transportation for the region. My committee has held hearings not only on the issues relating to this airport but also to the impacts of the Minneapolis-St. Paul Airport expansion on the Minnesota Valley National Wildlife Refuge.

The Minnesota refuge is home to a broad range of wildlife species, including threatened bald eagles, 35 mammal species, 23 reptile and amphibian species and 97 species of birds including tundra swans migrating all the way from Alaska. Our hearings revealed that the expansion of the Minneapolis Airport would result in overflights as low as 500 feet above the wildlife refuge. Yet the environmental impact statement for the Minnesota Airport revealed that the wildlife would not be disturbed so much that the airport expansion should be stopped. They also found no impact on the threatened bald eagle and no need for the protections of the endangered species act. The scientist studying the impacts of the airport found that the wildlife in the refuge would adjust to the noise from the low overflights. They found that there is little scientific evidence that wildlife would be seriously harmed by over 5,000 takeoffs and landings per month at less than 2,000 feet above these important migratory bird breeding, feeding and resting areas.

Just as the Minneapolis Airport has no impact on the wildlife refuge less than one mile away, I am sure that the new airport in the Ivanpah Valley of Nevada will have little if any impact on the environment and will have no impact on any wildlife refuges or preserves. Building this much-needed airport is, however, an issue of public safety and the safety of the flying public as well as those who will operate private planes and commercial flights.

I strongly support this legislation and urge my colleagues to do so as well.

Mr. Speaker, I insert the following letters for the RECORD.

COMMITTEE ON RESOURCES,
Washington, DC, March 8, 2000.

Hon. BUD SHUSTER,
Chairman, Committee on Transportation and Infrastructure, Rayburn HOB, Washington, DC.

DEAR MR. CHAIRMAN: This week the leadership may schedule H.R. 1695, the Ivanpah Valley Public Lands Transfer Act, for consideration under a rule. This bill, authored by Congressman Jim Gibbons, directs the Secretary of the Interior to sell approximately 6400 acres of Bureau of Land Management land just south of Las Vegas, Nevada, to Clark County to develop an airport facility and related infrastructure. The bill was referred to the Committee on Resources, which filed its report on the bill on November 16, 1999 (H. Rept. 106–471).

While the H.R. 1695 is primarily a public land transfer bill, Section 4 directs the Secretary of Transportation, in consultation with the Secretary of the Interior, to develop an airspace management plan that shall, to the maximum extent practicable, avoid the airspace for the Mojave Desert Preserve in California. In addition, under Section 4(b), the Federal Aviation Administration must make certain certifications to the Secretary of the Interior regarding Clark County's airspace assessment.

The Committee on Resources recognizes your Committee's jurisdiction over Section 4 under Rule X of the Rules of the House of Representatives. I agree that allowing this bill to go forward in no way impairs your jurisdiction over this or any similar provisions, and I would be pleased to place this letter and any response you may have in the Congressional Record during our deliberations on this bill. In addition, if a conference is necessary on this bill, I would support any request to have the Committee on Transportation and Infrastructure be represented on the conference.

This bill is vitally important to Congressman Jim Gibbons and the people of Clark County, Nevada, so I very much appreciate your cooperation, and that of Aviation Subcommittee Chairman John Duncan (who serves on both our Committees) and Rob Chamberlin of your staff during this very busy time. I look forward to passing this bill on the Floor soon and thank you again for your assistance.

Sincerely,

DON YOUNG,
Chairman.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC, March 8, 2000.

Hon. DON YOUNG,
Chairman, Committee on Resources, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for you letter of March 8, 2000 regarding H.R. 1695, the Ivanpah Valley Public Lands Transfer Act. I understand that this bill is primarily a land transfer bill. However, as you point out, Section 4 of the bill requires the Secretary of Transportation, in consultation with the Secretary of the Interior, to develop an airspace management plan that shall, to the maximum extent practicable, avoid the airspace for the Mojave Desert Preserve in California. In addition, under Section 4(b), the Federal Aviation Administration must make certain certifications to the Secretary of the Interior regarding Clark County's airspace assessment. These provisions are of jurisdiction interest to the Committee on Transportation and Infrastructure.

Your recognition of the Committee's jurisdiction and your acknowledgment that allowing this bill to go forward will not impair the Committee's jurisdiction over this or other similar provisions allay my jurisdiction concerns. In addition, I am pleased to accept your offer of placing our letters in the Congressional Record as well as your offer of support if the Committee on Transportation & Infrastructure requests representation on any potential conference.

Thank you for your assistance on this issue and your continued support of aviation matters.

With warm personal regards, I remain,
Sincerely,

BUD SHUSTER,
Chairman.

Mr. VENTO. Mr. Chairman, I would like to express my vigorous opposition to H.R. 1695, the ''Ivanpah Valley Airport Public Lands Transfer Act.'' Since this project could not meet the environmental or procedural expectations of the federal government to transfer 6,600 acres of public land administratively, this body must now debate the merits of legislation that visibly flaunts thirty years of sound federal land use policy and procedure. It is my hope that as the full House debates this measure it will see the numerous inconsistencies with regard to standard federal policy that makes this legislation unacceptable. Frankly, the advocates have systematically avoided the administrative procedure this measure was before the bill's sponsors introduced it three years ago. During this time, a transfer could have been achieved administratively without forcing a policy and land transfer down the Department of Interior's throat. One wonders if the sponsors want an airport site or a political confrontation.

H.R. 1695 directs the sale of 6,600 acres of public land near the Mojave Desert Preserve for the development of a commercial cargo airport for the city of Las Vegas and its surrounding suburbs. Although the Bureau of Land Management (BLM) has failed to identify this land for disposal because of the important environmental and recreational resources it contains, Clark County, Nevada is seeking ownership of this land at substantially discounted prices. This mandatory conveyance of public lands circumvents the existing statutory requirements for land use planning and the sale of public lands including the Federal Land Policy and Management Act (FLMPA) and the National Environmental Policy Act (NEPA). As a result of this directed land sale, Clark County is circumventing the necessary environmental safeguards that, under normal circumstances would allow this project to proceed in an environmentally responsible manner and make it accountable to the public through the NEPA and FLPMA public participation processes prior to the land transfer taking place.

The intent of this legislation makes it apparent that Clark County has self-determined that there is not need for them to follow a national policy regarding the disposal of federal lands. It became apparent during the hearing on this legislation that the county has independently, and subjectively, studied the issue and determined that there is no other feasible alternative than construction of an airport in this area. The feasibility review obtained by the Committee shows that Clark County only briefly mentions any harmful environmental impacts associated with the construction of this airport and that the country made no attempt to study alternative areas on which to locate the airport.

While in committee, I offered an amendment that would have addressed the problems associated with this bill by requiring a full environmental review of the proposed airport and its surrounding facilities. This amendment contained language from the Airport and Airway Development Act of 1970 (PL 91–258) that directs the Secretary of Transportation to consult with the Secretary of the Interior regarding environmental impacts associated with the construction of an airport facility. If adverse impacts were found, but there were no alternative sites on which to locate the airport, then the amendment allowed for reasonable steps to be taken to reduce the impact of this airport on the environment. Unfortunately, it was defeated and, instead, replaced with a toothless amendment that only references NEPA after the land transfer is complete.

It is my understanding that an agreement has been made to address the Department of Interior's concerns. This agreement allows the Federal Aviation Administration and the National Park Service to jointly proceed on the development of the Environmental Impact Statement prior to construction of the airport. This amendment follows the premise of the amendment I offered in Committee by not making the location of the airport an irrevocable decision regardless of the environmental impacts associated with its construction. This represents a positive step forward in the development of this legislation by all interested parties. Although I am still troubled by H.R. 1695, I am grateful that supporters of this legislation were able to find common ground with its opponents to include a firewall that may provide a small measure of environmental protection to this ecologically sensitive region.

Should construction of this airport be allowed to proceed, it would be a mistake to not discuss the irreversible impacts that it may have on the land and its inhabitants. In 1994, Congress established the Mojave National Preserve that is adjacent to the proposed airport. Because of prevailing winds to the south, the airport can only accommodate a north-south facing runway that forces all departing planes to fly directly over the northern portion of the preserve. The environmental degradation associated with the airport and low-flying planes will ultimately threaten one of the most ecologically diverse desert landscapes in the world. The low-flying craft would destroy the natural quiet and visitor experience to those exploring the area, harm wildlife and destroy spectacular views of the night sky through light pollution.

In addition to displacing the migratory habits of humans while on vacation in the area, the construction and operation of this airport will have dire consequences for the 700 plants and 200 animal species that permanently reside here. Unlike humans, the wildlife does not have the ability to escape the intrusion of man's inventions into their increasingly displaced and ecologically fragmented world. Two animals that would be especially threatened by noise generated from the airport include the desert bighorn sheep and the endangered desert tortoise. Studies have demonstrated that repeated jet noise at regular intervals could increase the stress levels of these animals and have an adverse impact on their reproductive efforts and their ability to detect and escape predators.

The location of the proposed airport on a dry lakebed also raises important hydrologic concerns that may threaten to ground this project before it gets its wings in the air. The BLM testified during the hearing on H.R. 1695 that this dry lakebed periodically floods and that displaced water could affect development in the area. Furthermore, the region lacks any reliable source of water. The closest water resource is located south of Primm, Nevada in a California aquifer. Should the proposed airport and its facilities tap into this aquifer, it could place a severe strain on water resources for the flora and fauna, in addition to creating clean air problems, resulting from dust storms created by the evaporation of what little moisture remains in the dry lakebed.

Finally, I would like to point out the administrative shortcomings of this legislation. Firstly, H.R. 1695 makes the United States liable for claims that may arise from a conveyance by failing to protect the valid and existing rights that under normal circumstances would be standard policy for such legislation. This legislation also fails to compensate the federal government for the fair market value of the land by requiring it to be appraised without reflecting any future enhancements that may increase its value. Lastly, there are a number of administrative costs associated with the bill that the federal government, not Clark County, must pay, including land and resource surveys, appraisals and land transfer patent expenses. I would like to stress that it is Clark County directing the purchase of this land and not the federal government.

Mr. Chairman, this project deserves the same environmental scrutiny as other similar projects being pursued around the nation. I find it disturbing that this Congress may blatantly disregard the rules and procedures established by them to practically give away federal land to a county that has determined the sites of its next large airport, without the benefit of a full environmental review. If the sponsors worked as hard to resolve the problems and work with the Department of Interior as they have the past three years to circumvent the policy and laws in place, we would have a resolution, not a confrontation as is evident today! It is my hope that this body will find it beneficial to carry out the proper studies so Clark County can provide to its citizens and visitors a safe and environmentally friendly solution for air transport. Without adequate safeguards, though, I fear that Congress will give

its nod of approval to a project that essentially subsidizes a community's efforts to carry out an ill-conceived plan. While it is true that the Las Vegas area is in need of a new airport, a project of this magnitude should proceed in the same responsible manner as required by other communities to ensure the safety and health of their communities and surrounding environment.

Mr. OBERSTAR. Mr. Chairman, I rise in strong support of H.R. 1695, a bill that would allow for the sale of certain Federal public lands in the Ivanpah Valley, Nevada to Clark County for the purposes of building a new airport. I applaud the efforts of the Gentlewoman from Nevada, Congresswoman BERKLEY, not only for her early recognition that a third airport is key to accommodate the explosive growth in the Las Vegas area, but also for her dedication to ensure that the construction of any new airport will be balanced with environmental concerns in the nearby Mojave Preserve. As of a few days ago, many issues with regard to H.R. 1695 were still unresolved. However, through Congresswoman BERKLEY's tireless efforts to bridge the gap on a bipartisan basis, those issues have been resolved such that H.R. 1695 has full support from all parties involved.

The demand for aviation has grown dramatically over the last several decades, a trend that is expected to continue for the foreseeable future. In 1998, 656 million passengers flew commercially, twice the number in 1980. This number is expected to grow to almost 1 billion over the next 10 years. In addition, the air cargo market is growing faster than any other sector of the aviation industry, an average of 6.6% a year. To accommodate that growth, the Boeing Company estimates that the world's jet freighter fleet will have to double by 2017—that means adding 1,000 more aircraft.

No where has this explosive growth in aviation been evident as in the Las Vegas, Nevada area. Passenger traffic at Las Vegas' McCarran International Airport has increased by 64 percent since 1990, with growth at 13 percent alone in 1999. In less than eight years, McCarran will be at full capacity. To accommodate this rapid growth, several options have been carefully considered, such as adding a 5th runway at McCarran. However, the costs of constructing an additional runway are estimated at upwards of 1.7 billion—four times the cost of the Ivanpah proposal—and would have involved the condemnation of several homes surrounding the airport. After careful consideration of other possible sites, the Department of Aviation concluded that the site located in the Ivanpah Valley was the most suitable. Importantly, the site located in the Ivanpah Valley is the only area that will allow aircraft to use a full precision instrument approach that will not result in airspace conflict with nearby McCarran Airport.

Although H.R. 1695 will allow for the sale by the Bureau of Land Management of approximately 6,600 acres of public land located in Ivanpah Valley to Clark County for purposes of developing this third airport, it also contains many safeguards to preserve environmental interests at the Mojave Preserve. First, H.R. 1695 would require the Secretaries of Transportation and Interior to work together to develop an airspace management plan to restrict arrivals or departures over the Mojave Preserve, unless necessary for safety. In addition, Clark County would have to conduct an assessment, with Federal Aviation Administration (FAA) approval, to identify potential impacts on access to the Las Vegas Basin under VFR flight rules.

Importantly, the Managers Amendment to H.R. 1695, offered by the Gentleman from Utah, Congressman HANSEN, would require, prior to construction of the airport, a full environmental assessment under the National Environmental Policy Act, with the Departments of Interior and Transportation as co-lead agencies. If, at the conclusion of the NEPA process, the FAA and Clark County determine that the site is not suitable for an airport facility, custody of the land would revert back to the Department of Interior. This provision is pivotal in ensuring that all potential impacts of aircraft overflights on the Mojave Preserve are assessed before any construction begins.

Passage of H.R. 1695 will allow the Las Vegas area to plan for its future growth by increasing air capacity, while preserving the integrity of the environment in the Mojave Preserve. I urge my colleagues to support this important legislation.

Mr. HANSEN. Mr. Chairman, I reserve the balance of my time.

Mr. GEORGE MILLER of California. Mr. Chairman, I yield back the balance of my time.

Mr. HANSEN. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the committee amendment in the nature of a substitute printed in the bill is considered as an original bill for the purpose of amendment and is considered read.

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

H.R. 1695

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Ivanpah Valley Airport Public Lands Transfer Act''.

SEC. 2. CONVEYANCE OF LANDS TO CLARK COUNTY, NEVADA.

(a) IN GENERAL.—Notwithstanding the land use planning requirements contained in sections 202 and 203 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1712 and 1713), but subject to subsection (b) of this section, the Secretary shall convey to the County all right, title, and interest of the United States in and to the Federal public lands identified for disposition on the map entitled ''Ivanpah Valley, Nevada-Airport Selections'' numbered 01, and dated April 1999, for the purpose of developing an airport facility and related infrastructure. The Secretary shall keep such map on file and available for public inspection in the offices of the Director of the Bureau of Land Management and in the district office of the Bureau located in Las Vegas, Nevada.

(b) CONDITIONS.—The Secretary shall make no conveyance under subsection (a) until each of the following conditions are fulfilled:

(1) The County has conducted an airspace assessment to identify any potential adverse effects on access to the Las Vegas Basin under visual flight rules that would result from the construction and operation of a commercial or primary airport, or both, on the land to be conveyed.

(2) The Federal Aviation Administration has made a certification under section 4(b).

(3) The County has entered into an agreement with the Secretary to retain ownership of Jean Airport, located at Jean, Nevada, and to maintain and operate such airport for general aviation purposes.

(c) PAYMENT.—

(1) IN GENERAL.—As consideration for the conveyance of each parcel, the County shall pay to the United States an amount equal to the fair market value of the parcel.

(2) DEPOSIT IN SPECIAL ACCOUNT.—The Secretary shall deposit the payments received under paragraph (1) in the special account described in section 4(e)(1)(C) of the Southern Nevada Public Land Management Act (31 U.S.C. 6901 note).

(d) REVERSION AND REENTRY.—

(1) IN GENERAL.—During the 5-year period beginning 20 years after the date on which the Secretary conveys the lands under subsection (a), if the Secretary determines that the County is not developing or progressing toward the development of the conveyed lands as an airport facility, all right, title, and interest in those lands shall revert to the United States, and the Secretary may reenter such lands.

(2) PROCEDURE.—Any determination of the Secretary under paragraph (1) shall be made only on the record after an opportunity for a hearing.

(3) REFUND.—If any right, title, and interest in lands revert to the United States under this subsection, the Secretary shall refund to the County all payments made to the United States for such lands under subsection (c).

SEC. 3. MINERAL ENTRY FOR LANDS ELIGIBLE FOR CONVEYANCE.

The public lands referred to in section 2(a) are withdrawn from mineral entry under the Act of May 10, 1872 (30 U.S.C. 22 et seq.; popularly known as the Mining Law of 1872) and the Mineral Leasing Act (30 U.S.C. 181 et seq.).

SEC. 4. ACTIONS BY THE DEPARTMENT OF TRANSPORTATION.

(a) DEVELOPMENT OF AIRPSACE MANAGEMENT PLAN.—The Secretary of Transportation shall, in consultation with the Secretary, develop an airspace management plan for the Ivanpah Valley Airport that shall, to the maximum extent practicable and without adversely impacting safety considerations, restrict aircraft arrivals and departures over the Mojave Desert Preserve in California.

(b) CERTIFICATION OF ASSESSMENT.—The Administrator of the Federal Aviation Administration shall certify to the Secretary that the assessment made by the County under section 2(b)(1) is thorough and that alternatives have been developed to address each adverse effect identified in the assessment, including alternatives that ensure access to the Las Vegas Basin under visual flight rules at a level that is equal to or better than existing access.

SEC. 5. COMPLIANCE WITH NATIONAL ENVIRONMENTAL POLICY ACT OF 1969 REQUIRED.

Prior to operation of an airport facility on lands conveyed under section 2, all actions required under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) with respect to that operation shall be completed.

SEC. 6. DEFINITIONS.

In this Act—

(1) the term ''County'' means Clark County, Nevada; and

(2) the term ''Secretary'' means the Secretary of the Interior.

The CHAIRMAN. The amendment printed in House Report 106–515 shall be considered read and shall not be subject to a demand for division of the question.

During consideration of the bill for amendment, the Chair may accord priority in recognition to a Member offering an amendment that he has printed

in the designated place in the CONGRESSIONAL RECORD. Those amendments will be considered read.

The Chairman of the Committee of the Whole may postpone a request for a recorded vote on any amendment and may reduce to a minimum of 5 minutes the time for voting on any postponed question that immediately follows another vote, provided that the time for voting on the first question shall be a minimum of 15 minutes.

AMENDMENT NO. 1 OFFERED BY MR. HANSEN

Mr. HANSEN. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 1 printed in House Report 106–515 offered by Mr. HANSEN:

Page 2, line 12, after ''section'' insert ''and valid existing rights''.

Page 3, strike line 22 and insert the following:

Management Act of 1998 (112 Stat. 2345). The second sentence of section 4(f) of such Act (112 Stat. 2346) shall not apply to interest earned on amounts deposited under this paragraph.

Page 3, strike line 23 and all that follows through page 4, line 14, and insert the following:

(d) REVERSION AND REENTRY.—If, following completion of compliance with section 5 of this Act, the Federal Aviation Administration and the County determine that an airport cannot be constructed on the conveyed lands—

(1) the Secretary of the Interior shall immediately refund to the County all payments made to the United States for such lands under subsection (c); and

(2) upon such payment—

(A) all right, title, and interest in the lands conveyed to the County under this Act shall revert to the United States; and

(B) the Secretary may reenter such lands.

Page 5, strike line 16 and all that follows through line 19 and insert the following:

Prior to construction of an airport facility on lands conveyed under section 2, all actions required under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) with respect to initial planning and construction shall be completed by the Secretary of Transportation and the Secretary of the Interior as joint lead agencies.

Mr. HANSEN. Mr. Chairman, I am happy to note that we recently reached a compromise with the minority to add these en bloc amendments to the bill. The amendments would make fairly technical changes to the environmental review requirements and the revisionary clause in the bill.

The original reversionary clause of this bill in section 2(d) gave a lengthy period of time before the Secretary of the Interior could assess the development and progress of land and determine whether it should be given back to the United States. Under the amendment, Clark County and the FAA would determine whether the airport could be constructed on the conveyed lands through the NEPA process. If it was determined that the airport could not be constructed, the title to the land would immediately revert to the United States and the Secretary of the Interior must refund to the county all payments made for the land. This language is agreed to by the majority and the minority as well as the airport authority.

The second major change is a complete rewrite of section 5 dealing with compliance of the National Environmental Protection Act of 1969. Under the amendment, NEPA compliance must occur prior to the initial planning and construction of the airport. Moreover, the language provides that the Secretary of Transportation and Secretary of the Interior will be joint lead agencies in conducting the NEPA work for the initial planning and construction. However, we do not expect the Secretary of the Interior to be a joint lead agency in subsequent NEPA compliance which the airport may experience during its long-term development.

Lastly, Mr. Chairman, there is a technical amendment to the nature of how the proceeds are expended by the Secretary. This amendment is made at the request of the Committee on the Budget.

Mr. Chairman, these are bipartisan amendments that serve to make this bill acceptable to both sides of the aisle. I urge my colleagues to support the amendments.

Mr. GEORGE MILLER of California. Mr. Chairman, I rise in support of this amendment. I thank the gentleman from Utah, the gentleman from Nevada, and the gentlewoman from Nevada for working out this amendment to make the bill acceptable to both sides of the aisle. I urge Members to support the amendment.

Mr. GIBBONS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise today in strong support of the en bloc amendments to H.R. 1695 as offered by the gentleman from Utah (Mr. HANSEN). First as we have already heard, there is a change to how the revenues generated from the sale of this property to Clark County, Nevada will be handled. This amendment simply states that those revenues were to be applied under section 4(f) of the act, 112 Statutes 2346, which provided for those proceeds to be generated in the same fashion that the southern Nevada land sales proceeds were developed. However, the Committee on the Budget decided that it needed to revise its treatment of the interest since that was not covered in the prior act. That interest amount will go to the general treasury on any funds that are generated from the sale of this property.

Secondly, as the gentleman from Utah has already explained, the reentry revision finally recognizes that, if under the Secretary's determination that this project cannot go forward under the NEPA process and that there is a determination of a no-action alternative, this property then will be reverted back to the United States and title to the United States and the money which will be paid by Clark County shall be returned to Clark County for the reversionary interest.

Lastly, of course, is the determination that prior to construction, facility owned lands will be required to address all of the National Environmental Policy Act requirements of 1969. To dispel any concerns, Mr. Chairman, that Members may have, I would like to share with them the environmental process that this airport will have to comply with. Under title 49, section 47101, subsection H, Consultation, let me say that to carry out the policy of this section, the Secretary of Transportation shall consult with the Secretary of Interior and the administrator of the Environmental Protection Agency about any project included in a project grant application involving the location of an airport or runway or any major runway extension that may have a significant effect on, one, natural resources including fish and wildlife; two, natural scenic and recreational assets; three, water and air quality; or, four, another factor affecting the environment.

Under subsection C, the environmental requirements, the Secretary of Transportation may approve an application under this subchapter for an airport development project involving the location of an airport or runway or a major runway extension, A, only if the sponsor certifies to the secretary that (i) an opportunity for a public hearing was given to consider the economic, social and environmental impacts of the location and the location's consistency with the objectives of any planning that the community has carried out and (ii) the airport management board has voting representation from the communities in which the project is located or has advised the communities that they have the right to petition the secretary about a proposed project.

Subsection B of that part says that only if the chief executive officer of the State in which the project will be located certifies in writing to the secretary that there is a reasonable assurance that the project will be located, designed, constructed and operated in compliance with the applicable air and water quality standards, except that the administrator of the Environmental Protection Agency shall make the certification instead of the chief executive officer if, subsection (i) the State has not approved any applicable State or local standards, and (ii) the administrator has prescribed applicable standards.

And subsection C finally says that if the application is found to have a significant adverse effect on natural resources including fish and wildlife, natural, scenic and recreational assets, water and air quality, or another factor affecting the environment, only after finding that no possible and prudent alternative to the project exists and that every reasonable step has been taken to minimize the adverse effect.

Mr. Chairman, these are simply items that this project is going to have to comply with. There is no attempt in

this bill to skirt or circumvent any of the environmental process. We think that this amendment brings forward and highlights those aspects. We certainly rise in support of the en bloc amendment offered by the gentleman from Utah.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Utah (Mr. HANSEN).

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. HANSEN. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 417, noes 3, not voting 14, as follows:

[Roll No. 36]

AYES—417

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Collins
Combest
Condit
Conyers
Cook
Costello
Cox
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Hostettler
Houghton
Hoyer
Hulshof
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson, E.B.
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kucinich
Kuykendall
LaFalce
LaHood
Lampson
Lantos
Largent
Larson
Latham
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McDermott
McGovern
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pascrell
Pastor
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sabo
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Schakowsky
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spratt
Stabenow
Stark
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiahrt
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wilson
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NOES—3

Chenoweth-Hage
Coburn
Paul

NOT VOTING—14

Brown (OH)
Cooksey
Granger
Horn
Hunter
Johnson, Sam
LaTourette
McCollum
Murtha
Scarborough
Schaffer
Spence
Vento
Wise

1224

So the amendment was agreed to.

The result of the vote was announced as above recorded.

The CHAIRMAN. Are there any other amendments? If not, the question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. OSE) having assumed the chair, Mr. LAHOOD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1695) to provide for the conveyance of certain Federal public lands in the Ivanpah Valley, Nevada, to Clark County, Nevada, for the development of an airport facility, and for other purposes, pursuant to House Resolution 433, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on the amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HANSEN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 420, nays 1, not voting 13, as follows:

[Roll No. 37]

YEAS—420

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth-Hage
Clay
Clayton
Clement
Clyburn
Coburn
Collins
Combest
Condit
Conyers
Cook
Costello
Cox
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Filner

Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson, E. B.
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kucinich
Kuykendall
LaFalce
LaHood
Lampson
Lantos
Largent
Larson
Latham
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McDermott
McGovern
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pascrell
Pastor
Paul
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sabo
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Schakowsky
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spratt
Stabenow
Stark
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—1

Coble

NOT VOTING—13

Brown (OH)
Cooksey
Granger
Johnson, Sam
LaTourette
McCollum
Saxton
Scarborough
Schaffer
Spence
Tiahrt
Vento
Waters

1339

Mr. SENSENBRENNER and Mr. BRADY of Texas changed their vote from ''nay'' to ''yea.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. COBLE. Mr. Speaker, on rollcall No. 37 I inadvertently pressed the ''no'' button. I meant to vote ''yes.''

GENERAL LEAVE

Mr. GIBBONS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the bill, H.R. 1695.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Nevada?

There was no objection.

PROVIDING FOR CONSIDERATION OF H.R. 3081, WAGE AND EMPLOYMENT GROWTH ACT OF 1999, AND H.R. 3846, MINIMUM WAGE INCREASE ACT

Mr. SESSIONS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 434 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 434

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes. The bill shall be considered as read for amendment. In lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, an amendment in the nature of a substitute consisting of the text of H.R. 3832 shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, to final passage without intervening motion except: (1) two hours of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; and (2) one motion to recommit with or without instructions.

SEC. 2. Upon the adoption of this resolution it shall be in order to consider in the House the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes. The bill shall be considered as read for amendment. The previous question shall be considered as ordered on the bill and any amendment thereto to final passage without intervening motion except: (1) one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce; (2) the amendments printed in the report of the Committee on Rules accompanying this resolution, which shall be in order without intervention of any point of order (except those arising under section 425 of the Congressional Budget Act of 1974) and which may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, and shall be separately debatable for the time specified in the report equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

SEC. 3. (a) In the engrossment of H.R. 3081, the Clerk shall—

(1) await the disposition of H.R. 3846;

(2) add the text of H.R. 3846, as passed by the House, as new matter at the end of H.R. 3081;

(3) conform the title of H.R. 3081 to reflect the addition of the text of H.R. 3846 to the engrossment;

(4) assign appropriate designations to provisions within the engrossment; and

(5) conform provisions for short titles within the engrossment.

(b) Upon the addition of the text of H.R. 3846 to the engrossment of H.R. 3081, H.R. 3846 shall be laid on the table.

1345

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from Texas (Mr. SESSIONS) is recognized for 1 hour.

Mr. SESSIONS. Mr. Speaker, for the purposes of debate only, I yield the customary 30 minutes to the gentleman and my friend from Massachusetts (Mr. MOAKLEY), pending which I yield myself such time as I may consume. During consideration of this resolution, all time is yielded for the purpose of debate only.

Mr. Speaker, this resolution provides for the consideration of H.R. 3081 in the House under a closed rule without intervention of any point of order.

The rule provides that the bill be considered as read and that, in lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, the text H.R. 3832 shall be considered as adopted.

The rule provides two hours of debate equally divided and controlled by the chairman and the ranking minority member of the Committee on Ways and Means.

The rule provides one motion to recommit H.R. 3081 with or without instructions.

The rule also provides for consideration of H.R. 3846 in the House under a modified closed rule. It provides that the bill be considered as read and provides for 1 hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce.

The rule provides for consideration of the amendments printed in the Committee on Rules report accompanying the resolution, which shall be in order without intervention of any point of order, except those arising under section 425 of the Congressional Budget

Act of 1974, prohibiting consideration of legislation containing certain unfunded mandates.

The rule provides that the amendments printed in the Committee on Rules report accompanying the resolution may only be offered by the Member designated in the report, shall be considered as read, and shall be separately debatable for the time specified in the report equally divided and controlled by the proponent and an opponent.

The rule provides one motion to recommit H.R. 3846 with or without instructions.

Finally, the rule provides that in the engrossment of H.R. 3081, The Clerk shall add the text of H.R. 3846 as passed by the House as a new matter at the end of H.R. 3081, after which H.R. 3846 shall be laid upon the table.

Mr. Speaker, the rule before us today is a carefully crafted rule that makes in order two separate bills. The first is a bill out of the Committee on Ways and Means, H.R. 3081, the Wage and Employment Growth Act of 1999, which provides a series of tax benefits to small businesses.

The second piece of legislation, H.R. 3846, is a bill to increase the minimum wage by $1.00 through incremental steps over the course of 3 years.

Mr. Speaker, the Committee on Ways and Means bill, like almost every tax bill for many, many years, will not be open to further amendments on the House Floor. This long-standing policy is designed to keep the Internal Revenue Code from becoming more cluttered than it is already with special interest provisions.

Also, amendments offered on short notice on the House floor might have unintended consequences which may not be fully appreciated without the adequate time to research those issues.

The Committee on Ways and Means bill will be subject to 2 hours of debate and allows the minority a motion to recommit with instructions. The minimum wage bill will receive 1 hour of general debate and makes in order two amendments, one to increase the minimum wage over the course of 2 years rather than 3 and another allows States flexibility to determine their own minimum wage.

By making these amendments in order, the rule facilitates a thorough debate and vote on the major issues associated with the two bills under consideration, and by allowing a motion to recommit the legislation with or without instructions, the minority is assured their perspective on this issue will be aired and will be voted upon.

Mr. Speaker, I am particularly pleased that Congress is undertaking an important effort to give tax relief to hard working people who run small businesses and create jobs. Through small business provisions, they include an acceleration of the increase in the self-employed health insurance deduction to 100 percent. This is crucial to making health care more available to innovative people who take risks by starting and running their own businesses.

It is often too difficult and costly for a small business to set up pensions or retirement plans for their employees, especially in their new and start-up years. The legislation before the House today provides pension reform and improves retirement security. It increases contribution and benefit levels and limits in tax-favored retirement plans. It shortens investing requirements of employer matching contributions which is very important in today's marketplace, where a worker often spends only a few years on the job and then moves on.

Mr. Speaker, I represent a district in Texas that has many, many small businesses. In my district and all across America, small businesses are an important part of our economy. Small business is the engine that drives the economy and creates new jobs in America. In fact, small businesses create more jobs than any other types of businesses, including large corporations. Too many businesses fail because our unfair Tax Code and because of heavy regulatory burdens that consume critical operating capital in their early years. These small business tax provisions do not just help small businesses but they help everyone by encouraging job growth.

I remind my colleague that this rule allows for vigorous debate on every major issue related to the underlying legislation.

Mr. Speaker, like many other conservative Members of this body, I question if raising the minimum wage might actually hurt those it is intended to help. I am afraid that employers may look at their rising payroll ledgers and decide to cut back on the number of employees that they hire to offset the added expense of the minimum wage hike.

Having said that, it is apparent to me that a majority of Members feel now that it is the appropriate time to pass a minimum wage increase. I strongly support this rule because by allowing for an increase in the minimum wage, it ensures measures to offset the impact of doing so as part of a major deal that has been encouraged by my party.

Mr. Speaker, I encourage all Members to support the rule so that the House may debate the important issues contained in the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. MOAKLEY. Mr. Speaker, I thank my colleague and my friend from Texas (Mr. SESSIONS) for yielding me the customary half-hour, and I yield myself such time as I may consume.

Mr. Speaker, this rule provides for the consideration of two bills, a minimum wage bill and a bill providing predominately estate tax breaks. Then once both bills pass, they lump them together and they go to the entire White House.

Mr. Speaker, this is a very bad combination of tax breaks and much too slow minimum wage hikes. By stretching the minimum wage out to 3 years, the Republican minimum wage bill is a year late and several dollars short, while their tax bill could just as well be called who wants to make a millionaire a multimillionaire.

Mr. Speaker, once again my Republican colleagues have taken a perfectly good idea to raise the $5.15 minimum wage by a dollar and turned it into another way to make the rich richer while stiffing the rest of the citizenry.

Furthermore, Mr. Speaker, by linking these two bills together and creating this very unholy marriage, they have doomed both of these bills to the veto bin, and American workers deserve better.

Over 10 million people work for minimum wage in this country, and minimum wage workers are predominately women and minorities. They are the people who take care of our youngsters, our senior citizens. They clean up our offices. They cook our food. They pump our gas. Mr. Speaker, despite working full-time they earn only $10,700 a year.

Let me repeat, Mr. Speaker, full-time a minimum wage worker in the United States makes only $10,700 a year. That is only $3,200 below the poverty line. I think it is high time they get a raise, even if it is only a dollar an hour, but my Republican colleagues want to phase this raise in over 3 years instead of 2.

Mr. Speaker, for those who say there is not much difference between 2 and 3 years, let me add that that extra year will mean a net loss of $1,000 over 3 years to minimum wage workers.

Any Member who is committed to welfare reform, any Member who is committed to getting families off the dole and into the workplace should take that commitment to the next step and give these people that very much needed raise. They will still be below the poverty level but at least the poverty line will be in sight.

A dollar an hour may not sound like much to most people, but let me say it does make a big difference. It will mean an overall raise of about $2,000 to over 10 million Americans. Instead of giving these people the help they need, my Republican colleagues are watering it down by stretching it out to 3 years and then dooming it by attaching this very lopsided tax break for the very rich.

Last month, my colleagues on the Republican side of the aisle introduced a marriage penalty bill and most of the benefits of that bill went to the top 25 percent of wage earners and half of it went to people who pay no marriage tax at all. Today's Republican tax bill is no different. 91.4 percent of the tax cuts in this bill will go to the richest top 10 percent of taxpayers and most of those people do not even own small businesses.

What it means, Mr. Speaker, is that for every dollar in higher wages for

minimum wage workers, the rich will get $10.90 in tax breaks. We had a marriage penalty bill for people who pay no marriage penalty, and now we have a small business tax bill for people who do not own small businesses.

Mr. Speaker, this is just the second installment of that $800 billion tax break that they tried to get through last year.

Mr. Speaker, minimum wage workers are not looking for a handout. They work hard for a living, and they deserve a fair day's pay. Our country is enjoying a tremendous economic expansion so now really is the time to make sure that the minimum wage workers can share in it.

My Democratic colleagues want to offer a minimum wage bill, a real minimum wage bill, to make sure that they can share in it, and we want to offer a small business tax bill that will actually help small businesses. Yes, we have a small business tax bill that will help small businesses instead of helping the rich get richer. Under this rule, we just cannot do it.

Just this morning, a Washington Post editorial warns that these tax cuts are much too high a price to pay for a wage increase to which they bear very little relationship.

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If I may at this time read a column from The Washington Post, today's editorial page.

> Inverting the Minimum Wage. Congressional Republicans are seeking enactment of still another batch of deceptively packaged tax cuts whose long-term cost the Government just cannot afford. The latest are to be voted on today in the House in connection with the minimum-wage increase. The gloss is that they will compensate small employers for the added cost of the higher wage. The fact is that most of the benefit will go to other than small employers and has nothing to do with the wage.

Then I will skip, Mr. Speaker, because I do not want to read the whole thing, but it is a very interesting column, and these are not my words, these are the words of the editorial writers of the Washington Post. Then they say,

> An estimated three-fourths of the tax savings in the bill would go to the highest income 1 percent of all the taxpayers and 90 percent to the highest income 10 percent. The tax savings are 11 times greater than the estimated cost to employers of the minimum wage increase because that is the pretext for them.

Then it goes on to say, Mr. Speaker, ''The tax cuts are too high a price to pay for the wage increase to which they bear so little relation.''

It goes on and on, Mr. Speaker. I think the people in this Chamber get the picture.

I urge my colleagues to really look at this closely and see if the title really matches the contents. I urge my colleagues to defeat the previous question in order that we can put a Democratic alternative forward that really does give a minimum wage and really does help small business.

Mr. Speaker, I reserve the balance of my time.

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

I really enjoy being in debates with my colleagues on the other side. They want to argue about how we have to give and give and give, but when it comes time for the taxpayer or the small businessperson or the person that has made the investment to get something that is fair treatment back, they get nothing in return from my friends. I would like to also add that there were 48 of my colleagues on the other side of the aisle that voted for this outrageous marriage penalty; 48 Democrats joined the majority party because it is the right thing to do for the American families to get 1,400 more dollars rather than giving it to Uncle Sam.

Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DREIER), the chairman of the Committee on Rules.

Mr. DREIER. Mr. Speaker, I thank my friend for yielding and I congratulate him on managing what obviously is a somewhat challenging and controversial rule.

I happen to be one who believes very much that we have a responsibility to put into place economic policies which will ensure that everyone, regardless of where they are on the economic scale, has an opportunity to improve their plight. I want to see those at the lower end of the economic spectrum get their wages up. I want us to encourage growth and investment and productivity so that those wages can increase.

I do have a difficulty, however, with having the Federal Government mandate a wage rate that frankly has the potential to jeopardize economic growth and has the potential again to hurt most those we are trying to assist.

Now, having said that, I realize that a majority of this House supports an increase in the minimum wage. I am in the minority here in believing that we should simply encourage economic growth through tax and other investment incentives. But I am in the minority. I am in the minority, so I feel the responsibility to do everything that we possibly can to allow a free flow of ideas and debate on these very important questions that are before us; and that is why we have, as the gentleman from Texas (Mr. SESSIONS) has outlined, an extraordinarily fair and balanced rule which allows all of the alternatives that are out there to be considered. One over two, one over three. We have tax incentives which some of us do support. So we have a wide range of options that are there, put into place.

I will say that I happen to think that tax relief is something that is much needed, and the issues that my friend from his summer spot in South Boston mentioned, the tax issue, is something that enjoys bipartisan support. The gentleman from Texas (Mr. SESSIONS) said that 48 Democrats joined in support of the marriage tax penalty. President Clinton stood here during his State of the Union message and talked about his support for that. He indicated that he was adamantly opposed to increasing the earnings cap for retirees. Now, he is prepared to sign it and we welcome that.

So aspects that were in that tax bill that he vetoed last year, he has clearly indicated that he supports and we welcome that kind of support and recognition of the fact that we as a country need to do everything, and as a Congress, need to do everything that we can to encourage this kind of economic growth.

Specifically, the items that are in this tax package that are particularly beneficial, of course, allow us to deal with this health care question by providing for the self-employed workers to deduct their health care insurance expenses. We also, and I see my very dear friend from New York (Mr. RANGEL) here, we want to encourage community redevelopment. We want the community renewal movement to go ahead. Again, President Clinton has joined with Speaker HASTERT in supporting that. So I know that my friend from New York will strongly embrace that provision that is in this measure.

So there are very, very good aspects of it; and I hope that we will see a strong vote for this rule. But before my colleagues get a chance to vote for the rule, I suspect that there just may be a vote on the previous question. So in light of that, I urge my colleagues on both sides of the aisle to join in support of the previous question so that we can move ahead with a fair, balanced rule that allows all of the different ideas out there to be considered, and then we will do what Speaker Hastert said when he on the opening day of the 106th Congress just a little over a year ago stood here and said we will allow the House to work its will so that the majority will prevail.

Mr. MOAKLEY. Mr. Speaker, I am very happy that my chairman really has the courage to say he is against the minimum wage. Unfortunately, many people are hiding behind this bill who are also against the minimum wage.

Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. RANGEL), the ranking Democrat on the Committee on Ways and Means, who is in favor of a real minimum-wage increase.

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

Mr. RANGEL. Mr. Speaker, let me join in congratulating the distinguished chairman of the Committee on Rules. His honesty in terms of opposing the minimum wage for the lowest working employees is really to be commended for coming forward and saying it, because like Governor Bush, I wondered about the meanness on this side of the aisle; and it is good to see that people are willing to say that there is a reason behind it.

Mr. Speaker, one can be reforming and want results if one is going to cave in to the things that one believes in, and I would like to join with my Senator who makes it abundantly clear that the country is really not looking for tax cuts, but looking for us to do the right thing, protecting Social Security, Medicare, the Patients' Bill of Rights, affordable drugs. These are the things that the Congress, not Republicans and not Democrats, but working together, should be doing. There is very, very little compassion for the working people at a time that our country is doing so great.

I oppose the rule because my colleagues do not even give us an opportunity to have an alternative. What is the fear in just allowing the House to work its will? There was a time that the tax-writing committee used to be involved in taxes. We yield to the distinguished people on the Committee on Rules to pick and choose what they would like. But when they do not have the courage of the gentleman from California (Mr. DREIER) to say that they are against the minimum-wage increase, for God's sake, do not kill it by just burdening taxes on it. Just say that we do not want reform on this side of the House of Representatives.

How dare my colleagues say, how dare my colleagues say that the tax provisions in this bill is to protect small businesses. That is outrageous. It is an insult to the American people. It is clear that two-thirds of the tax benefits, they do not go to small businesses, they go to the richest Republicans that we have. So do what you want politically and kill the minimum-wage bill, but for God's sake, do not say that you are doing it fairly.

The same thing applies to the Patients' Bill of Rights. If you do not want patients to have a bill of rights, and your leadership does not, do not compromise and say you are coming out for it and then load it up with hundreds of billions of dollars in tax cuts.

Mr. Speaker, it was clear to us a long time ago what our Republican colleagues' game plan was, and that is to do absolutely nothing and get out of this House of Representatives. And how did they intend to do it? By getting this big $800 billion tax cut, thinking about anything you could imagine, and having the President veto it so that you could go home and campaign on just how we Democrats are against tax cuts. Well, guess what? We Democrats are for tax cuts, but we also are for saving Social Security, saving Medicare, and helping all Americans enjoy it and not just the chosen and the blessed few.

Why is it that when my colleagues' tax cut was vetoed, they did not move to override the veto? Could it be that they had lack of votes, or could it be they had lack of guts? In any event, now they have to give us an $800 billion tax cut $200 billion at a time. What does the $122 billion tax cut have to do with giving working people a buck increase from $5.15 to $6.15? Why did my Republican colleagues wait until the President said he would veto it before they brought it to the floor?

Many of the things that my colleagues have in the tax provision we support. Why did they overdo it? If they really wanted to be fair, why did they not give us a chance really to report out a tax bill that the President will sign?

Now, if my Republican colleagues want to be against the working poor, do it. But at least have the courage to stand up here and to say that every time you steal one of the President's good ideas that you have to load it up with some piece of the $800 billion tax cut until you have to force him to veto it.

So if we want to talk about reformists with results, we better walk away from many of the critics outside of our side of the aisle that are talking about the way my colleagues on the other side of the aisle are not taking care of the people's business.

Mr. Speaker, I want to thank my colleagues for seeing their way clear to allowing the gentleman from Ohio (Mr. TRAFICANT) to have an amendment to this bill, and I wondered why my colleagues could not reach beyond that to allow some of us on the tax-writing committee to have an amendment to the tax bill.

I know one thing: my Republican colleagues may be for reform, but they certainly are not supporting results.

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

Hearing my colleagues talk about this rule would make me think that they simply do not understand what the Committee on Rules did. First of all, the Committee on Rules, under Republicans, has always insisted or guaranteed that there will be a motion to recommit to the minority party. As my recollection tells me, that rarely happened when the Democrats were in control.

Secondly, the fairness of this rule is very obvious to everyone. We will have a separate vote that will be on the provisions for minimum wage from the vote for the tax package, which means if the gentleman from New York or any of my colleagues wish to vote yes or no on minimum wage, they will be allowed to do that. If they want to vote yes or no on the tax package, they will be allowed to do that. If we were being unfair, we would have put them together. Then we would have heard that would be a poison pill, and I think that that could be said and it would be true.

The fact of the matter is that the wisdom of this Committee on Rules is that we are trying to present an opportunity of fairness to fully debate the issue, to allow open votes that will take place; and I am very, very proud of what we have done. I believe that any criticism like this is from someone that simply has not read the rule, taken the time to read the rule, or who is trying to dissuade someone else by not using the facts that are at hand.

Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois (Mr. SHIMKUS).

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

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Mr. SHIMKUS. Mr. Speaker, I want to thank the Committee on Rules and commend them for the work they have done. We worked in a bipartisan manner with a group of Republicans and Democrats, myself, the gentleman from New York (Mr. LAZIO), the gentleman from California (Mr. CONDIT), and the gentleman from Alabama (Mr. CRAMER) to try to reach across the divide to address an issue that would do two things: It would increase the minimum wage, while protecting those jobs that could be lost through the increase of a minimum wage.

In this rule, the will of the House will be heard. I think that is the important thing. If we want to judge the fairness of a rule, the question is, does the House have the ability to have their will heard on votes? We will have a debate, and we will have a vote on the tax cut portion of this bill, so those who believe that it is important to cut taxes to help offset the cost of small business can vote yes, and those who do not can vote no.

Not many people in the 20th District of Illinois read the Washington Post. I have great respect for the gentleman from Massachusetts (Mr. MOAKLEY), but they do read the Herald and Review from Decatur, Illinois.

In an October 26, 1999, editorial, it reads: ''Minimum Wage Tax Break Sensible.'' I will quote just a portion of it.

The paper stated that ''When the minimum wage increases, someone has to pay for it, because business owners have to maintain a profit level. The result could be higher prices or fewer jobs at minimum wage. Just as a worker will offer his labor at an acceptable wage level, an employer will pay workers a wage that will permit his company to earn a profit. That is why a minimum wage increase alone won't work, and why a bill to raise the rate linked to some tax breaks for small businesses makes sense.''

Again, that is from the October 26 Herald and Review from Decatur, Illinois.

So we are going to have a vote on the tax cut. We are going to have a vote and debate on an issue that me and my friends on the conservative side want, State flexibility. We are going to have a debate. We are going to have a debate and a vote, and the will of the House is going to move forward.

We are going to have a debate and we are going to have a vote on the increase, whether it should be $1 over 3 years or $1 over 2 years. The will of the House will have an opportunity to be spoken.

I think the rule is pretty fair and pretty balanced, but what I really appreciate about the rule is that I think

it respects the work that we tried to do over an entire year of keeping a balance, trying to get to the center ground to raise the minimum wage and cut taxes and protect jobs, a group of two Republicans and two Democrats that worked long and hard to get to the point where we are here today.

I want to thank the gentleman from California (Mr. DREIER), the chairman, I want to thank the Committee on Rules, and I urge all my colleagues to support the rule.

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

Mr. Speaker, I would just like to correct my dear friend, the gentleman from Texas. Since 1892, the rules of the House have prohibited the Committee on Rules from reporting any rule that prevents a motion to recommit from being made.

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

Mr. MOAKLEY. I yield to the gentleman from Texas.

Mr. SESSIONS. A motion to recommit with instructions.

Mr. MOAKLEY. I thought the gentleman was just talking about a motion to recommit.

Mr. SESSIONS. With instructions.

Mr. MOAKLEY. That was added later.

Mr. SESSIONS. I thank the gentleman for helping me with that history, Mr. Speaker.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri (Mr. GEPHARDT), the leader of the Democratic Party in the House of Representatives.

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

Mr. GEPHARDT. Mr. Speaker, do not be fooled. This is not an illustration of bipartisanship at work. This debate is a good illustration of how to turn what should have been a proud bipartisan moment for the House into a partisan action by Republican leaders. The majority is performing a charade of bipartisanship. It is not the real thing.

For more than 2 years, there has been a true bipartisan effort in this House to increase the minimum wage by $1 over 2 years. This effort has repeatedly run head on into the desire by Republican leaders to keep this issue off the floor for good, but the bipartisan coalition never gave up, thanks to the efforts of Members on both sides of the aisle like the gentleman from Michigan (Mr. BONIOR) and the gentleman from New York (Mr. QUINN). Because of their persistence and because of the insistence of the American people, Republican leaders had no choice but to bring a minimum wage bill to the floor.

Like so many times before, Republican leaders decided if they could not kill a popular bill they disagree with, they would kill it through neglect. They would try and kill it, attacking it in the light of day on the floor of the House with legislative trickery.

Today they are dispensing dollars to the wealthy through the tax bill that is going to be attached at the end, but pennies to the working poor. Republican leaders are forcing us to vote on a minimum wage bill originally designed to help hard-working low-income families that is tied to a regressive tax bill designed to give $120 billion in tax breaks to the very wealthiest Americans. They are preventing Democrats from even offering an alternative that would provide tax cuts targeted to owners of small businesses and family farms, giving relief to those who need it.

For every penny that would go to working low-income Americans, Republicans want to give 10 cents or a dime to the wealthiest Americans among us.

It is really emblematic of their values. Republicans do not seem able to ever give a break to working families without making sure that they first take care of the wealthiest in America with even greater largesse.

We should be voting on a minimum wage that provides a real pay increase and a tax package that provides sensible, responsible tax relief to small businesses, just as the Democratic tax alternative would do. We should be voting on a bill that will be signed by the President, so we can get this minimum wage increase to the people who need it now.

The Republican rule is designed to produce a bill that will eliminate the possibility that we can ever get this minimum wage done this year. The people who need it need it now. They do not need to have a bill vetoed by the President because the bill gets joined up with a tax bill that the President will not sign.

If we are really, truly committed to working in a bipartisan manner and ensuring that a minimum wage bill passes this year, Members will join me in voting against this rule and putting together a rule that will allow us to have a tax bill joined with the minimum wage that will get this bill signed by the President of the United States.

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri (Mr. CLAY), the ranking member of the Committee on Education and the Workforce, a gentleman who knows what the minimum wage is, he has been fighting it for so long.

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

Mr. Speaker, I rise in opposition to this rule, because it limits the opportunity for Members to have a fair and open debate on a pocketbook issue affecting millions of workers.

First, it denies us an opportunity to offer a Democratic substitute that would phase in a $1 increase over a 2-year period. This parliamentary maneuver bars Members from debating and amending provisions of the bill that repeal overtime pay for millions of employees working in computers, sales, and funeral services.

This maneuver is even more insulting to Members of this body because the effect of these overtime provisions were never considered in this Congress by the Committee on Education and the Workforce, or evaluated by expert witnesses to determine what impact they may have on the work force.

Second, Mr. Speaker, the rule automatically includes the DeMint amendment, which will destroy the concept of a Federal minimum wage by allowing 50 States to enact 50 different Federal minimum wage provisions.

What a disaster, Mr. Speaker. What an administrative nightmare: fifty States, some of them competing against each other to see who can reduce their State's minimum wage to a level as close to Mexico's and other Nations that exploit their workers.

Mr. Speaker, this House should not be in the business of relegating our workers to slave wages in order to compete with cruel, insensitive economic systems of Third World countries. This rule should be opposed because it abuses the House rules, because it violates fair play, and because it stacks the deck against American workers. I urge its defeat, Mr. Speaker.

Mr. MOAKLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan (Mr. BONIOR), the Democratic whip.

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

Mr. Speaker, the dictionary defines ''outrage'' as a forcible violation of others' rights, and a gross or wanton offense or indignity. That definition could easily apply to this rule. But what else can we expect when the Republican leader once again this year tells the American people that raising the minimum wage is, and I quote ''the wrong thing?''

Let me tell the Members what Democrats think is wrong, Mr. Speaker. We think it is wrong that even as our economy is surging ahead, millions of Americans are left behind. They are the workers who earn the minimum wage. These are the folks that look after our children at day care, that take care of our parents and our grandparents when they are sick. These are the folks who work in our hospitals, who clean our offices.

Most of them are women. They have families of their own, in many instances. They struggle to keep a roof over their heads, the heads of their children, food on the table; to give their kids a better life, a little bit of hope; to spend some time with them, but they cannot spend any time with them because they are making $10,700 a year, $2,300 below the poverty level, if they have two children.

What do they end up doing? They are out there working two and often three jobs, and it is not right. They deserve a raise, just like the rest of America. By providing a $1 increase over 2 years, our plan will help them achieve just that.

Some may ask, what is the difference between a $1 increase over 2 years or $1 over 3 years? The answer to that is,

$1,000. I know some of my Republican leadership friends may seem to think, well, that is pocket change. That is not a lot of money. But to a poverty wage worker, it can make all the difference in the world. It can make a difference on whether their children get another pair of blue jeans, whether they can meet the bills at the end of the month, whether they may even have a little left over to go to the movies. It makes a heck of a difference.

Our initiative does not stop with providing a fair wage, Mr. Speaker. We understand that small businesses are creating most of the jobs in this country and we want to help them. That is why our plan expands the tax relief for family businesses and family farms. It provides for the deductibility of health care premium insurance. Our plan offers a higher minimum wage to workers who have earned it, and tax relief to the businesses who need it.

Under the outrageous rule that we have before us right now, it is a plan we will not even have a fair chance to consider. Instead, the leadership on this side of the aisle is presenting us with an elaborate scheme. They will provide a wage increase all right, but only if it is tied to this jumbo tax cut for the wealthy and the super rich, tax cuts that are reckless and that are enormous.

Their message basically is this, to working families: Sure, we will give you a little bologna sandwich, but first you have to buy my friends who belong to the country club a really nice, thick, juicy steak dinner. Mr. Speaker, we have news for the Republican leaders, and it is that the minimum wage was never intended to become a meal ticket for their fat cat friends.

Mr. Speaker, what the Republican leaders propose is not policy-making, it is a shell game. No wonder the President has pledged that he will veto the Republican plan. Whether we agree with it or not, every Member of this House deserves a chance to consider our substitute, but this rule would deny us that opportunity, and that is why we are fighting it.

We will not be denied. We will offer motions to recommit that will give workers a fair minimum wage and provide real tax relief for small businesses and family farms.

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Mr. Speaker, our plan is the only one that provides the raise that workers have earned and the tax relief small business and family farms need. Vote against this outrageous rule. Bring back a rule that will give us some sense of equity and fairness and stand with us for America's workers, for small business, for the family farmer. We are not asking for anything more; and by God, the country deserves nothing less.

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

Mr. Speaker, when I hear the debate on the other side, the debate is as though these Republicans have not allowed a fair and open rule, a great vote for people who think we ought to raise the minimum wage and a great vote and an opportunity for small businesses, men and women who create opportunity for America. You would think by listening to the other side that they do not want to create opportunity and jobs and growth and happiness and the opportunity for the next generation to be employed.

I want to stand up and say that my Republican Party has the provisions that accelerate the increase and the self-employed health insurance deduction to 100 percent because we want people to be able to have, not only health insurance, we want people to have their own doctors; that we want to do the things that will extend work opportunities and tracks credits to extend welfare to work.

We want to put America to work, want to have opportunity and jobs that are available for everyone. That is what this fair and open rule is about.

Mr. Speaker, I yield 3 minutes to the gentlewoman from Perry Township, Ohio (Ms. PRYCE) who sits on the Committee on Rules with me.

Ms. PRYCE of Ohio. Mr. Speaker, I rise in support of this very fair rule which will allow the House to work its will on the question of raising the minimum wage and providing tax relief to the very businesses that will pay the cost of this new Federal mandate.

Now, no matter what my colleagues' position may be on the minimum wage or on tax relief, they will have an opportunity to make their views very clear through the procedure by which we will consider these two bills. Now what could be fairer?

For those who support this minimum wage, this rule makes in order legislation to increase it by a dollar over 3 years. If that table is not fast enough, the rule allows Members to vote for a Democrat amendment that increases the minimum wage by $1 over 2 years.

Now, of course, many of my colleagues do not think the government should play any role in setting the wages and telling businesses what to pay employees. Even these Members will have at least two opportunities to make their disapproval known when they vote against the Martinez-Traficant amendment and final passage.

Whatever one's view is on the minimum wage, I hope that we all recognize that this policy is not free. Someone actually has to pay the higher wages. Those who pay the highest prices are the small businesses across this Nation, the engines of our economy, those businesses which are creating jobs for some of our workers who are the very, very hardest to employ.

That is why this rule also allows the House to vote on tax relief for these small companies. The mom and pop store fronts and the new start-up businesses, the dreams of our country's entrepreneurs.

Under this rule, Members can register their support for these businesses by voting for legislation that increases the self-employed health insurance deduction to 100 percent, reduces the death tax so that family businesses can be passed on from one generation to the next. It increases the deduction for business meal expenses, and it reforms pension laws to help businesses offer more retirement security to their workers.

All of these changes will be helpful to the businessmen and women who are responsible for the innovations and job creation that are making this economy so very strong.

Mr. Speaker, we are dealing with some controversial issues today on which Members of the House have very, very different views. But this rule gives all Members a fair opportunity to express their position and let the House work its will.

Many of my colleagues on the other side of the aisle are not happy, but believe me, Mr. Speaker, many of our colleagues on this side of the aisle are not happy either; and it is my experience that that usually means we have a pretty good rule.

I urge all of my colleagues to support it.

Mr. MOAKLEY. Mr. Speaker, I yield 1 minute to the gentleman from Ohio (Mr. KUCINICH).

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

Mr. KUCINICH. Mr. Speaker, I rise today to support raising the minimum wage over a period of 2 years instead of 3 years. The current minimum wage is $5.15 per hour. At this rate, a full-time year-round minimum wage earner in the United States makes approximately $10,712 per year. In 1998, the yearly salary determined necessary for a family of three to rise above the poverty level in this country was $13,003, an amount $2,291 more than the minimum wage salary provides. Clearly, the current minimum wage is too low.

Congress has already inexcusably allowed the value of the minimum wage to fall 21 percent lower than in 1979. If the minimum wage is not increased by the year 2001, recent studies show that the inflation adjusted value will fall to $4.90 per hour.

It is essential that the minimum wage is raised over the course of 2 years instead of 3. That is why I will support the Traficant amendment, and I urge everyone to support the Traficant amendment.

Mr. MOAKLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. STENHOLM).

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

Mr. STENHOLM. Mr. Speaker, the previous speaker was right. Not all of us are happy with this rule. I believe it deals fairly with the minimum wage question. But I continue to not understand why the majority party continues to refuse to allow a substitute

tax bill when there are sufficient Members on both sides of the aisle who I believe would like our version better than the version that is put before us.

But here again, the fundamental question is why not allow a simple vote? Why not allow the package put together by the gentleman from New York (Mr. RANGEL) and the gentleman from Tennessee (Mr. TANNER) to have the opportunity to have the will of the House worked?

The bill that we will be voting on today continues the fiscal irresponsible pattern of legislation coming from the majority side that, once again, will squander our national surplus and our opportunity to deal with Social Security and Medicare. This, when one adds up this $122 billion unpaid for, will amount to something over $400 billion now voted by the House and by the Senate in spending the surplus that is not yet real.

The tax bill that this rule will allow is the latest in the series of tax bills that will drain the projected budget surplus drip by drip without regard for the consequences.

If we pass this bill today, it will be fiscally reckless for this body to continue to rush down this path of passing tax cuts and spending bills without a road map.

Why do we continue to casually waive the budget rules? Why do we just continue to come to this floor of the House without first bringing a road map so we can deal with how we are going to spend money and cut taxes this year?

The tax bill before us is simply a political document that will never become law. We know this. It appears the majority wants a political issue rather than dealing with the estates of family farmers and small businessmen and women.

If my colleagues are truly concerned about estate tax relief, which I am and have been, I very much appreciate what could have been an opportunity to vote on an immediate exemption exclusion of $4 million estates immediately. But, yet, the bill that we have before us pays more attention to estates over $10 million. I do not understand this.

The President has promised that he will sign into law the Democratic tax package. The fact the leadership will not allow the House to vote on this amendment suggests they are more interested in keeping a political issue, which I fail to understand, than they are on actually providing tax relief to small businesses.

This rule is unfair to our children and grandchildren who will face the consequences of our fiscal irresponsibility if this bill should become law, which it will not.

What I do not understand is why we never allow the House of Representatives to work our will so that we might send something to the President that the President will actually sign. Mr. Speaker, I ask that simple question. Why not let the House be the House?

Mr. MOAKLEY. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina (Mr. WATT).

Mr. WATT of North Carolina. Mr. Speaker, I was sitting in my office not intending to participate in this debate and really got incensed. I sat there, and I wondered, what must the American people be thinking is going on here? What must my Republican colleagues be thinking? Do they think the American people are stupid? What are they doing?

It is obvious that their leadership does not support the minimum wage increase, and they are trying to kill the minimum wage increase by loading it up with an irresponsible tax cut that benefits the richest people in America. Are we stupid? Do they think we are stupid? That is exactly what is going on here.

The President has said, I will veto this bill. We cannot stand here on the floor and say, hey, we are being bipartisan. There is no bipartisanship here.

All we are trying to do is get a wage increase for people in America who need it and want it. All they are trying to do is kill that minimum wage increase. They will try anything and everything to accomplish that objective.

We should not sit here and pretend that we are doing something being bipartisan. There is nobody being bipartisan in this House. If they were being bipartisan, they would separate these two bills, let them be voted up or down, give us the opportunity to offer amendments on both bills, and let the House work its will.

That is all we are asking for in this equation. It is quite obvious that the Republicans are not going to give it to us and not going to give the opportunity to the American people to have a wage increase.

Mr. MOAKLEY. Mr. Speaker, just directing my conversation to the gentleman from Texas (Mr. SESSIONS), is he the only remaining speaker?

Mr. SESSIONS. Mr. Speaker, I have one additional speaker who I am going to give 7 minutes to, rundown the time to where we have a minute or so left, and then I will reserve 1 minute for myself when that speaker is through.

Mr. MOAKLEY. Then I would be delighted to sit back and listen to the gentleman's speaker for 7 minutes right now.

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

In response to both gentlemen who have just spoken, the fact of the matter is that the Republican House of Representatives is not going to send a tax increase, which is what President Clinton wants to sign. The American people understand this. The bills that the President wants to sign are tax increases that take money away from people.

Forty-eight of my colleagues on the Democrat side came across just within weeks to sign the marriage penalty. The President of the United States cannot join us.

What we are doing today is talking about a minimum wage that is good for America and great for the people who employ those people, small businesses.

Mr. Speaker, I yield 7 minutes to the gentleman from Ohio (Mr. TRAFICANT).

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

Mr. TRAFICANT. Mr. Speaker, I disagree with the Democrat leadership on their analysis of this bill. I support the rule. I will support the tax break. I will support an amendment to increase the minimum wage $1 over a 24-month span, and I will vote for final passage when they are linked together.

My district desperately needs an increase in the minimum wage. The sharpest politician to ever sit on Independence Avenue, with great political wisdom, owns two-thirds of the votes, and there are many political machinations that follow down the road on this bill. But a tax break for the boss who raises the wages of my workers is a decent trade-off for me.

Am I totally crazy about their tax break? Not totally. There is a thing called a conference. But in the last 4 years, we have had two increases in the minimum wage that were under Republican Party leadership.

The Republicans could have brought a bill out here today that did not have an opportunity for $1 over 2 years. They could have left it $1 over 3 years. They did that. I thank them for that. But I want to also say this, those who say that the Republican Party's tactics are simply mean spirited, trying to kill a minimum wage are not truthful.

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Their concerns over inflation causing a downward spiral that could hurt my workers is a valid concern that I share, just as they do. I believe our economy is strong enough that it can absorb both.

But I think the point that I would like to make today is this: there are many people who come from different backgrounds. I look around and I see great Members coming from very, very poor families. I come from a very poor family. My dad finally got on his feet maybe when I was about 11 years old. My dad never worked for a poor man.

This business of bashing one another should stop. Is this bill good for America or not? My Democrat colleagues are saying it is not. I am a Democrat. I am saying it is, after it goes through the conference and after we go through the political machinations to work out those problems. That is what the process is all about, my colleagues.

But let us look at this. How many times do we come to the floor that we bash, that we pit old against the young; rich against the poor; black against the white; man against the woman; worker against the company? My colleagues, without a company there is no worker. Without an entrepreneur there is no company. I think the Democrat Party has got to look at this issue.

I am appealing to the Democrat Party to pass the rule. I do not want to see the Republican Party on their own pass the rule and give an opportunity for a minimum-wage increase on their own, because President Clinton is sharp. I believe if the Clinton White House and the Republican leadership, whose intentions I believe are honorable, were to get together in reasonableness on that tax scheme, we will have a minimum-age increase, and my people desperately need it.

My colleagues, the gas prices in America are beginning to approach $2 a gallon. So I want to say this: I want to commend the Republican Party and the Republican leadership for bringing out an opportunity for a minimum-wage increase and, yes, politically machinating the process to accommodate some of their goals. That is what we do here. We are not the Rotary.

In closing, Democrats, my amendment does this: the bill says there is a $1 increase over 3 years. The Traficant bill would accelerate the minimum wage of $1 over 2 years. I am asking for a positive vote. I will vote ''yes'' on the previous question; I will vote ''yes'' on the rule.

And I will also say this in closing: I served on the majority and on the minority; and we have had, in my opinion, much fairer rules coming from this majority party than we did when I was in the majority. That is telling it like it is.

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

Mr. Speaker, I urge Members to vote ''no'' on the previous question. If the previous question is defeated, I will offer an amendment to the rule that will allow the Democrats to offer a substitute to both the minimum-wage bill and to the small business tax bill.

It is extremely unfortunate that the majority leadership in this House has shut the minority out of the amendment process on these two very critical bills. The two substitutes proposed by the Democrats are reasonable, and they are responsible alternatives to the two bills being offered by the Republicans. Members deserve an opportunity to choose between these two approaches. So, Mr. Speaker, I urge Members to vote ''no'' on the previous question so that we may consider these two sensible alternatives.

THE VOTE ON THE PREVIOUS QUESTION: WHAT IT REALLY MEANS

This vote, the vote on whether to order the previous question on a special rule, is not merely a procedural vote. A vote against ordering the previous question is a vote against the Republican majority agenda and a vote to allow the opposition, at least for the moment, to offer an alternative plan. It is a vote about what the House should be debating.

Mr. Clarence Cannon's Precedents of the House of Representatives, (VI, 308–311) describes the vote on the previous question on the rule as ''a motion to direct or control the consideration of the subject before the House being made by the Member in charge.'' To defeat the previous question is to give the opposition a chance to decide the subject before the House. Cannon cities the Speaker's ruling of January 13, 1920, to the effect that ''the refusal of the House to sustain the demand for the previous question passes the control of the resolution to the opposition'' in order to offer an amendment. On March 15, 1909, a member of the majority party offered a rule resolution. The House defeated the previous question and a member of the opposition rose to a parliamentary inquiry, asking who was entitled to recognition. Speaker Joseph G. Cannon (R–Illinois) said: ''The previous question having been refused, the gentleman from New York, Mr. Fitzgerald, who had asked the gentleman to yield to him for an amendment, is entitled to the first recognition.

Because the vote today may look bad for the Republican majority they will say ''the vote on the previous question is simply a vote on whether to proceed to an immediate vote on adopting the resolution . . . [and] has no substantive legislation or policy implications whatsoever.'' But that is not what they have always said. Listen to the Republican Leadership Manual on the Legislative Process in the United States House of Representatives, (6th edition, page 135). Here's how the Republicans describe the previous question vote in their own manual: ''Although it is generally not possible to amend the rule because the majority Member controlling the time will not yield for the purpose of offering an amendment, the same result may be achieved by voting down the previous question on the rule . . . When the motion for the previous question is defeated, control of the time passes to the Member who led the opposition to ordering the previous question. That Member, because he then controls the time, may offer an amendment to the rule, or yield for the purpose of amendment.''

Deschler's Procedure in the U.S. House of Representatives, the subchapter titled ''Amending Special Rules'' states: ''a refusal to order the previous question on such a rule [a special rule reported from the Committee on Rules] opens the resolution to amendment and further debate.'' (Chapter 21, section 21.2) Section 21.3 continues: ''Upon rejection of the motion for the previous question on a resolution reported from the Committee on Rules, control shifts to the Member leading the opposition to the previous question, who may offer a proper amendment or motion and who controls the time for debate thereon.''

The vote on the previous question on a rule does have substantive policy implications. It is one of the only available tools for those who oppose the Republican majority's agenda to offer an alternative plan.

Mr. Speaker, I submit for the RECORD the text of the amendments I have just referred to and other extraneous materials:

PREVIOUS QUESTION FOR H. RES. SMALL BUSINESS TAX AND MINIMUM WAGE INCREASE H.R. 3081 AND H.R. 3846—MARCH 9, 2000

Strike all after the resolving clause and insert in lieu thereof the following:

Providing for consideration of the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes, and for consideration of the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes. The bill shall be considered as read for amendment. In lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, the amendment in the nature of a substitute printed in part A of the report of the Committee on Rules accompanying this resolution shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, and on any further amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; (2) the amendment in the nature of a substitute printed in section 4 of this resolution, if offered by Representative Rangel or a designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

SEC. 2. After disposition of H.R. 3081, it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes. The bill shall be considered as read for amendment. The previous question shall be considered as ordered on the bill and on any amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce; (2) the amendment in the nature of a substitute printed in section 5 of this resolution, if offered by Representative Bonior or a designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

SEC. 3. (a) In the engrossment of H.R. 3081, the Clerk shall—

(1) await the disposition of H.R. 3846;

(2) add the text of H.R. 3846, as passed by the House, as new matter at the end of H.R. 3081;

(3) conform the title of H.R. 3081 to reflect the addition of the text of H.R. 3846 to the engrossment;

(4) assign appropriate designations to provisions within the engrossment; and

(5) conform provisions for short titles within the engrossment.

(b) Upon the addition of the text of H.R. 3846 to the engrossment of H.R. 3081, H.R. 3846 shall be laid on the table.

SEC. 4. The second amendment specified in the first section of this resolution is as follows:

Strike all after the enacting clause, and insert the following:

TITLE II—AMENDMENTS OF INTERNAL REVENUE CODE OF 1986

SEC. 200. SHORT TITLE.

(a) SHORT TITLE.—This title may be cited as the ''Small Business Tax Relief Act of 2000''.

(b) TABLE OF CONTENTS.—

TITLE II—AMENDMENTS OF INTERNAL REVENUE CODE OF 1986

Sec. 200. Table of contents.

Subtitle A—Permanent Extension of Work Opportunity Credit and Welfare-to-Work Credit
Sec. 201. Work opportunity credit and welfare-to-work credit; repeal of age limitation on eligibility of food stamp recipients.
Subtitle B—Deduction for 100 Percent of Health Insurance Costs of Self-Employed Individuals
Sec. 211. Deduction for 100 percent of health insurance costs of self-employed individuals.
Subtitle C—Pension Provisions
Sec. 221. Treatment of multiemployer plans under section 415.
Sec. 222. Early retirement limits for certain plans.
Sec. 223. Certain post-secondary educational benefits provided by an employer to children of employees excludable from gross income as a scholarship.
Subtitle D—Business Tax Relief
Sec. 231. Increase in expense treatment for small businesses.
Sec. 232. Small businesses allowed increased deduction for meal and entertainment expenses.
Sec. 233. Restoration of deduction for travel expenses of spouse, etc. accompanying taxpayer on business travel.
Sec. 234. Increased credit and amortization deduction for reforestation expenditures.
Sec. 235. Repeal of modification of installment method.
Subtitle E—Expansion of Incentives for Public Schools
Sec. 241. Expansion of incentives for public schools.
Subtitle F—Increased Estate Tax Relief for Family-Owned Business Interests
Sec. 251. Increase in estate tax benefit for family-owned business interests.
Subtitle G—Revenue Offsets
PART I—REVISION OF TAX RULES ON EXPATRIATION
Sec. 261. Revision of tax rules on expatriation.
PART II—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES
SUBPART A—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES; INCREASE IN PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES
Sec. 266. Disallowance of noneconomic tax attributes.
Sec. 267. Increase in substantial underpayment penalty with respect to disallowed noneconomic tax attributes.
Sec. 268. Penalty on marketed tax avoidance strategies which have no economic substance, etc.
Sec. 269. Effective dates.
SUBPART B—LIMITATIONS ON IMPORTATION OR TRANSFER OF BUILT-IN LOSSES
Sec. 271. Limitation on importation of built-in losses.
Sec. 272. Disallowance of partnership loss transfers.
PART III—ESTATE AND GIFT TAX OFFSETS
Sec. 276. Valuation rules for transfers involving nonbusiness assets.
Sec. 277. Correction of technical error affecting largest estates.
PART IV—OTHER OFFSETS
Sec. 281. Consistent amortization periods for intangibles.
Sec. 282. Modification of foreign tax credit carryover rules.
Sec. 283. Recognition of gain on transfers to swap funds.

Subtitle A—Permanent Extension of Work Opportunity Credit and Welfare-to-Work Credit

SEC. 201. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT; REPEAL OF AGE LIMITATION ON ELIGIBILITY OF FOOD STAMP RECIPIENTS.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—

(A) Section 51(c) of the Internal Revenue Code of 1986 is amended by striking paragraph (4).

(B) Section 51A of such Code is amended by striking subsection (f).

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who begin work for the employer after December 31, 2001.

(b) REPEAL OF AGE LIMITATION ON ELIGIBILITY OF FOOD STAMP RECIPIENTS.—

(1) IN GENERAL.—Subparagraph (A) of section 51(d)(8) of such Code is amended to read as follows:

''(A) IN GENERAL.—The term 'qualified food stamp recipient' means any individual who is certified by the designated local agency as being a member of a family—

''(i) receiving assistance under a food stamp program under the Food Stamp Act of 1977 for the 6- month period ending on the hiring date, or

''(ii) receiving such assistance for at least 3 months of the 5-month period ending on the hiring date, in the case of a member of a family who ceases to be eligible for such assistance under section 6(o) of the Food Stamp Act of 1977.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle B—Deduction for 100 Percent of Health Insurance Costs of Self-Employed Individuals

SEC. 211. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) of the Internal Revenue Code of 1986 is amended to read as follows:

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle C—Pension Provisions

SEC. 221. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) of the Internal Revenue Code of 1986 (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 of such Code (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsection (b)(1)(A).''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 of such Code (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

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

SEC. 222. EARLY RETIREMENT LIMITS FOR CERTAIN PLANS.

(a) IN GENERAL.—Subparagraph (F) of section 415(b)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

''(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—In the case of a governmental plan (within the meaning of section 414(d)), a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle, a multiemployer plan (as defined in section 414(f)), or a qualified merchant marine plan—

''(i) subparagraph (C) shall be applied—

''(I) by substituting 'age 62' for 'social security retirement age' each place it appears, and

''(II) as if the last sentence thereof read as follows: 'The reduction under this subparagraph shall not reduce the limitation of paragraph (1)(A) below (i) 80 percent of such limitation as in effect for the year, or (ii) if the benefit begins before age 55, the equivalent of such 80 percent amount for age 55.', and

''(ii) subparagraph (D) shall be applied by substituting 'age 65' for 'social security retirement age' each place it appears.

For purposes of this subparagraph, the term 'qualified merchant marine plan' means a plan in existence on January 1, 1986, the participants in which are merchant marine officers holding licenses issued by the Secretary of Transportation under title 46, United States Code.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 223. CERTAIN POST-SECONDARY EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME AS A SCHOLARSHIP.

(a) IN GENERAL.—Section 117 of the Internal Revenue Code of 1986 (relating to qualified scholarships) is amended by adding at the end the following:

''(e) EMPLOYER-PROVIDED POST-SECONDARY EDUCATIONAL BENEFITS PROVIDED TO CHILDREN OF EMPLOYEES.—

''(1) IN GENERAL.—In determining whether any amount is a qualified scholarship for purposes of subsection (a), the fact that such amount is provided in connection with an employment relationship shall be disregarded if—

''(A) such amount is provided by the employer to a child (as defined in section 151(c)(3)) of an employee or former employee of such employer,

''(B) such amount is provided pursuant to a plan which meets the nondiscrimination requirements of subsection (d)(3), and

''(C) amounts provided under such plan are in addition to any other compensation payable to employees and such plan does not provide employees with a choice between such amounts and any other benefit.

For purposes of subparagraph (C), the business practices of the employer (as well as such plan) shall be taken into account.

''(2) DOLLAR LIMITATIONS.—

''(A) PER CHILD.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year with respect to amounts provided to each child of such employee shall not exceed $2,000.

''(B) AGGREGATE LIMIT.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year (after the application of subparagraph (A)) shall not exceed the excess of the dollar amount contained in section 127(a)(2) over the amount excluded from the employee's gross income under section 127 for such year.

''(3) PRINCIPAL SHAREHOLDERS AND OWNERS.—Paragraph (1) shall not apply to any amount provided to any child of any individual if such individual (or such individual's spouse) owns (on any day of the year) more than 5 percent of the stock or of the capital or profits interest in the employer.

''(4) SPECIAL RULES OF APPLICATION.—In the case of an amount which is treated as a qualified scholarship by reason of this subsection—

''(A) subsection (a) shall be applied without regard to the requirement that the recipient be a candidate for a degree, and

''(B) subsection (b)(2)(A) shall be applied by substituting 'section 529(e)(5)' for 'section 170(b)(1)(A)(ii)'.

''(5) CERTAIN OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (7) of section 127(c) shall apply for purposes of this subsection.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle D—Business Tax Relief

SEC. 231. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) IN GENERAL.—Paragraph (1) of section 179(b) of the Internal Revenue Code of 1986 (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 232. SMALL BUSINESSES ALLOWED INCREASED DEDUCTION FOR MEAL AND ENTERTAINMENT EXPENSES.

(a) IN GENERAL.—Subsection (n) of section 274 (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR SMALL BUSINESSES.—

''(A) IN GENERAL.—In the case of any taxpayer which is a small business, paragraph (1) shall be applied by substituting for '50 percent'—

''(i) '55 percent' in the case of taxable years beginning in 2001 and 2002, and

''(ii) '60 percent' in the case of taxable years beginning in 2003, 2004, 2005 and 2006, and

''(iii) '65 percent' in the case of taxable years beginning after 2006.

''(B) SMALL BUSINESS.—For purposes of this paragraph, the term 'small business' means, with respect to expenses paid or incurred during any taxable year—

''(i) any C corporation which meets the requirements of section 55(e)(1) for such year, and

''(ii) any S corporation, partnership, or sole proprietorship which would meet such requirements if it were a C corporation.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 233. RESTORATION OF DEDUCTION FOR TRAVEL EXPENSES OF SPOUSE, ETC. ACCOMPANYING TAXPAYER ON BUSINESS TRAVEL.

(a) IN GENERAL.—Subsection (m) of section 274 of the Internal Revenue Code of 1986 (relating to additional limitations on travel expenses) is amended by striking paragraph (3).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 234. INCREASED CREDIT AND AMORTIZATION DEDUCTION FOR REFORESTATION EXPENDITURES.

(a) INCREASE IN CREDIT.—Paragraph (1) of section 48(b) of the Internal Revenue Code of 1986 (relating to reforestation credit) is amended by striking ''10 percent'' and inserting ''20 percent''.

(b) REDUCTION IN AMORTIZATION PERIOD.—Subsection (a) of section 194 of such Code (relating to amortization of reforestation expenditures) is amended—

(1) by striking ''84 months'' and inserting ''36 months'', and

(2) by striking ''84-month period'' and inserting ''36-month period''.

(c) INCREASE IN MAXIMUM AMOUNT WHICH MAY BE AMORTIZED.—Paragraph (1) of section 194(b) of such Code is amended by striking ''$10,000 ($5,000'' and inserting ''$20,000 ($10,000''.

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

SEC. 235. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

(b) APPLICABILITY.—The Internal Revenue Code of 1986 shall be applied and administered as if that subsection (and the amendments made by that subsection) had not been enacted.

Subtitle E—Expansion of Incentives for Public Schools

SEC. 241. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

"Subchapter X—Public School Modernization Provisions

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

''Part II. Qualified school construction bonds.

''Part III. Incentives for education zones.

"PART I—CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS

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

"SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

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

''(b) AMOUNT OF CREDIT.—

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

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified public school modernization bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

''(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—

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

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

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

''(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

''(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term 'qualified public school modernization bond' means—

''(A) a qualified zone academy bond, and

''(B) a qualified school construction bond.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

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

''(e) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(4) PUBLIC SCHOOL FACILITY.—The term 'public school facility' shall not include—

''(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

''(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

''(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

''(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization 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.

''(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

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

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

''(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

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

''(l) PENALTY ON CONTRACTORS FAILING TO PAY PREVAILING WAGE.—

''(1) IN GENERAL.—If any contractor on any project funded by any qualified public school modernization bond has failed, during any portion of such contractor's taxable year, to pay prevailing wages that would be required under section 439 of the General Education Provisions Act if such funding were an applicable program under such section, the tax imposed by chapter 1 on such contractor for such taxable year shall be increased by 200 percent of the amount involved in such failure.

''(2) AMOUNT INVOLVED.—For purposes of paragraph (1), the amount involved with respect to any failure is the excess of the amount of wages such contractor would be so required to pay under such section over the amount of wages paid.

''(3) ABATEMENT OF TAX IF FAILURE CORRECTED.—If a failure to pay prevailing wages is corrected within a reasonable period, then any tax imposed by paragraph (1) with respect to such failure (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment.

''(4) NO CREDITS AGAINST TAX.—The tax imposed by paragraph (1) shall not be treated as a tax imposed by this chapter for purposes of determining—

''(A) the amount of any credit allowable under this chapter, or

''(B) the amount of the minimum tax imposed by section 55.

''(m) TERMINATION.—This section shall not apply to any bond issued after December 31, 2004.

"PART II—QUALIFIED SCHOOL CONSTRUCTION BONDS

''Sec. 1400G. Qualified school construction bonds.

"SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.

''(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

''(3) the issuer designates such bond for purposes of this section, and

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

''(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

''(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

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

''(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

''(1) $11,000,000,000 for 2001,

''(2) except as provided in subsection (f), zero after 2001.

''(d) HALF OF LIMITATION ALLOCATED AMONG STATES.—

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

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

''(3) MINIMUM ALLOCATIONS TO STATES.—

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

''(i) the amount allocated to such State under this subsection for such year, and

''(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

''(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

''(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

''(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, $200,000,000 for calendar year 2001 shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

''(6) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term 'approved State application' means an application which is approved by the Secretary of Education and which includes—

''(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, including descriptions of—

''(i) health and safety problems at such facilities,

''(ii) the capacity of public schools in the State to house projected enrollments, and

''(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

''(B) a description of how the State will allocate to local educational agencies, or otherwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

''(i) give highest priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

''(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, and

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

Any allocation under paragraph (1) by a State shall be binding if such State reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

''(e) HALF OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

''(1) IN GENERAL.—One-half of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year. No qualified school construction bond may be issued by reason of an allocation to a large local educational agency under the preceding sentence unless such agency has an approved local application.

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

''(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

''(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term 'large local educational agency' means, with respect to a calendar year, any local educational agency if such agency is—

''(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

''(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

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

''(A) the results of a recent publicly-available survey (undertaken by the local educational agency or the State with the involvement of school officials, members of the public, and experts in school construction and management) of such agency's needs for public school facilities, including descriptions of—

''(i) the overall condition of the local educational agency's school facilities, including health and safety problems,

''(ii) the capacity of the agency's schools to house projected enrollments, and

''(iii) the extent to which the agency's schools offer the physical infrastructure needed to provide a high-quality education to all students,

''(B) a description of how the local educational agency will use its allocation under this subsection to address the needs identified under subparagraph (A), and

''(C) a description of how the local educational agency will ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, or repair in the locality that would have occurred in the absence of such allocation.

A rule similar to the rule of the last sentence of subsection (d)(6) shall apply for purposes of this paragraph.

''(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

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

''(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

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

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

''(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

''(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

''(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

''(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

''PART III—INCENTIVES FOR EDUCATION ZONES

''Sec. 1400H. Qualified zone academy bonds.

''SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.

''(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'qualified zone academy bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

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

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

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

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

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

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the local educational agency) of—

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

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the local educational agency.

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

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

''(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

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

''(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(4) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

''(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

''(C) providing equipment for use at such academy,

''(D) developing course materials for education to be provided at such academy, and

''(E) training teachers and other school personnel in such academy.

''(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

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

''(A) $400,000,000 for 1998,

''(B) $400,000,000 for 1999,

''(C) $400,000,000 for 2000,

''(D) $1,400,000,000 for 2001,

''(E) except as provided in paragraph (3), zero after 2001.

''(2) ALLOCATION OF LIMITATION.—

''(A) ALLOCATION AMONG STATES.—

''(i) 1998, 1999, and 2000 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998, 1999, and 2000 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

''(ii) LIMITATION AFTER 2000.—The national zone academy bond limitation for any calendar year after 2000 shall be allocated by

any calendar year after 2000 shall be allocated by the Secretary among the States in the manner prescribed by section 1400G(d); except that in making the allocation under this clause, the Secretary shall take into account—

''(I) Basic Grants attributable to large local educational agencies (as defined in section 1400G(e)).

''(II) the national zone academy bond limitation.

''(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State education agency to qualified zone academies within such State.

''(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under this subsection for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.''.

(b) REPORTING.—Subsection (d) of section 6049 of such Code (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

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

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400F(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400F(d)(2)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''

(c) OTHER CONFORMING AMENDMENTS.—

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

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

''Subchapter X. Public school modernization provisions.''

(3) The table of parts of subchapter U of chapter 1 of such Code is amended by striking the last 2 items and inserting the following item:

''Part IV. Regulations.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 2000.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

Subtitle F—Increased Estate Tax Relief for Family-Owned Business Interests

SEC. 251. INCREASE IN ESTATE TAX BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.

(a) TRANSFER TO CREDIT PROVISIONS.—Section 2057 of the Internal Revenue Code of 1986 (relating to family-owned business interests) is hereby moved to part II of subchapter A of chapter 11 of such Code, inserted after section 2010, and redesignated as section 2010A.

(b) INCREASE IN CREDIT; SURVIVING SPOUSE ALLOWED UNUSED CREDIT OF DECEDENT.—Subsection (a) of section 2010A of such Code, as redesignated by subsection (a) of this section, is amended to read as follows:

''(a) INCREASE IN UNITED CREDIT.—For purposes of determining the unified credit under section 2010 in the case of an estate of a decedent to which this section applies—

''(1) IN GENERAL.—The applicable exclusion amount under section 2010(c) shall be increased (but not in excess of $2,000,000) by the adjusted value of the qualified family-owned business interests of the decedent which are described in subsection (b)(2) and for which no deduction is allowed under section 2056.

''(2) TREATMENT OF UNUSED LIMITATION OF PREDECEASED SPOUSE.—In the case of a decedent—

''(A) having no surviving spouse, but

''(B) who was the surviving spouse of a decedent—

''(i) who died after December 31, 2000, and

''(ii) whose estate met the requirements of subsection (b)(1) other than subparagraph (B) thereof,

there shall be substituted for '$2,000,000' in paragraph (1) an amount equal to the excess of $4,000,000 over the exclusion equivalent of the credit allowed under section 2010 (as increased by this section) to the estate of the decedent referred to in subparagraph (B). For purposes of the preceding sentence, the exclusion equivalent of the credit is the amount on which a tentative tax under section 2001(c) equal to such credit would be imposed.''

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part IV of subchapter A of chapter 11 of such Code is amended by striking the item relating to section 2057.

(2) Paragraph (10) of section 2031(c) of such Code is amended by striking ''section 2057(e)(3)'' and inserting ''section 2010A(e)(3)''.

(3) The table of sections for part II of subchapter A of chapter 11 of such Code is amended by inserting after the item relating to section 2010 the following new item:

''Sec. 2010A. Family-owned business interests.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

Subtitle G—Revenue Offsets

PART I—REVISION OF TAX RULES ON EXPATRIATION

SEC. 261. REVISION OF TAX RULES ON EXPATRIATION.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 877 the following new section:

''SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

''(a) GENERAL RULES.—For purposes of this subtitle—

''(1) MARK TO MARKET.—Except as provided in subsection (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

''(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

''(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

''(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

''(3) EXCLUSION FOR CERTAIN GAIN.—The amount which would (but for this paragraph) be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by $600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

''(b) ELECTION TO DEFER TAX.—

''(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

''(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

''(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

''(4) SECURITY.—

''(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided with respect to such property.

''(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

''(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2)(A) for the property, or

''(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

''(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

''(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be under paragraph (1) with respect to an interest in a

trust with respect to which gain is required to be recognized under subsection (f)(1).

''(7) INTEREST.—For purposes of section 6601, the last date for the payment of tax shall be determined without regard to the election under this subsection.

''(c) COVERED EXPATRIATE.—For purposes of this section—

''(1) IN GENERAL.—The term 'covered expatriate' means an expatriate who meets the requirements of subparagraph (A) or (B) of section 877(a)(2).

''(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

''(A) the individual—

''(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

''(ii) has been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) for not more than 8 taxable years during the 15-taxable year period ending with the taxable year during which the expatriation date occurs, or

''(B)(i) the individual's relinquishment of United States citizenship occurs before such individual attains age 18½, and

''(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

''(d) SECTION NOT TO APPLY TO CERTAIN PROPERTY.—This section shall not apply to the following property:

''(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

''(2) INTEREST IN CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(c)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.

''(B) FOREIGN PENSION PLANS.—

''(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.

''(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed $500,000.

''(e) DEFINITIONS.—For purposes of this section—

''(1) EXPATRIATE.—The term 'expatriate' means—

''(A) any United States citizen who relinquishes his citizenship, and

''(B) any long-term resident of the United States who—

''(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

''(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

''(2) EXPATRIATION DATE.—The term 'expatriation date' means—

''(A) the date an individual relinquishes United States citizenship, or

''(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

''(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the earliest of—

''(A) the date the individual renounces his United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

''(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

''(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

''(D) the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

''(4) LONG-TERM RESIDENT.—The term 'long-term resident' has the meaning given to such term by section 877(e)(2).

''(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES' INTERESTS IN TRUST.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

''(A) the individual shall not be treated as having sold such interest,

''(B) such interest shall be treated as a separate share in the trust, and

''(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

''(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

''(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii).

''(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

''(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

''(i) paragraph (1) and subsection (a) shall not apply, and

''(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

''(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

''(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

''(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

''(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

''(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

''(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods.

''(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

''(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

''(II) in the case of a person holding a nonvested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

''(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary's interest in a trust is the amount of gain which would be allocable to such beneficiary's vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

''(E) TAX DEDUCTED AND WITHHELD.—

''(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

''(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

''(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

''(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

''(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

''(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

''(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

''(G) DEFINITIONS AND SPECIAL RULE.—For purposes of this paragraph—

''(i) QUALIFIED TRUST.—The term 'qualified trust' means a trust—

''(I) which is organized under, and governed by, the laws of the United States or a State, and

''(II) with respect to which the trust instrument requires that at least 1 trustee of the trust be an individual citizen of the United States or a domestic corporation.

''(ii) VESTED INTEREST.—The term 'vested interest' means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

''(iii) NONVESTED INTEREST.—The term 'nonvested interest' means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest

shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

''(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

''(3) DETERMINATION OF BENEFICIARIES' INTEREST IN TRUST.—

''(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary's interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar advisor.

''(B) OTHER DETERMINATIONS.—For purposes of this section—

''(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

''(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

''(I) the methodology used to determine that taxpayer's trust interest under this section, and

''(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

''(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

''(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

''(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

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

(b) TAX ON GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—

(1) IN GENERAL.—Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is amended by inserting after chapter 13 the following new chapter:

''CHAPTER 13A—GIFTS AND BEQUESTS FROM EXPATRIATES

''Sec. 2681. Imposition of tax.

''SEC. 2681. IMPOSITION OF TAX.

''(a) IN GENERAL.—If, during any calendar year, any United States citizen or resident receives any covered gift or bequest, there is hereby imposed a tax equal to the product of—

''(1) the highest rate of tax specified in the table contained in section 2001(c) as in effect on the date of such receipt, and

''(2) the value of such covered gift or bequest.

''(b) TAX TO BE PAID BY RECIPIENT.—The tax imposed by subsection (a) on any covered gift or bequest shall be paid by the person receiving such gift or bequest.

''(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection (a) shall apply only to the extent that the covered gifts and bequests received during the calendar year exceed $10,000.

''(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE TAX.—The tax imposed by subsection (a) on any covered gift or bequest shall be reduced by the amount of any gift or estate tax paid to a foreign country with respect to such covered gift or bequest.

''(e) COVERED GIFT OR BEQUEST.—

''(1) IN GENERAL.—For purposes of this chapter, the term 'covered gift or bequest' means—

''(A) any property acquired by gift directly or indirectly from an individual who, at the time of such acquisition, was an expatriate, and

''(B) any property acquired by bequest, devise, or inheritance directly or indirectly from an individual who, at the time of death, was an expatriate.

''(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Such term shall not include—

''(A) any property shown on a timely filed return of tax imposed by chapter 12 which is a taxable gift by the expatriate, and

''(B) any property shown on a timely filed return of tax imposed by chapter 11 of the estate of the expatriate.

''(3) TRANSFERS IN TRUST.—Any covered gift or bequest which is made in trust shall be treated as made to the beneficiaries of such trust in proportion to their respective interests in such trust (as determined under section 877A(f)(3)).

''(f) EXPATRIATE.—For purposes of this section, the term 'expatriate' has the meaning given to such term by section 877A(e)(1).''.

(2) CLERICAL AMENDMENT.—The table of chapters for subtitle B of such Code is amended by inserting after the item relating to chapter 13 the following new item:

''Chapter 13A. Gifts and bequests from expatriates.''

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

''(47) TERMINATION OF UNITED STATES CITIZENSHIP.—

''(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(3).

''(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.''

(d) CONFORMING AMENDMENT.—Paragraph (1) of section 6039G(d) of such Code is amended by inserting ''or 877A'' after ''section 877''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after March 9, 2000.

(2) GIFTS AND BEQUESTS.—Chapter 13A of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to covered gifts and bequests (as defined in section 2681 of such Code, as so added) received on or after March 9, 2000.

PART II—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES

Subpart A—Disallowance of Noneconomic Tax Attributes; Increase in Penalty With Respect to Disallowed Noneconomic Tax Attributes

SEC. 266. DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.

Section 7701 of the Internal Revenue Code of 1986 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.—

''(1) IN GENERAL.—In determining liability for any tax under subtitle A, noneconomic tax attributes shall not be allowed.

''(2) NONECONOMIC TAX ATTRIBUTE.—For purposes of this subsection, a noneconomic tax attribute is any deduction, loss, or credit claimed to result from any transaction unless—

''(A) the transaction changes in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and

''(B)(i) the present value of the reasonably expected potential income from the transaction (and the taxpayer's risk of loss from the transaction) are substantial in relationship to the present value of the tax benefits claimed, or

''(ii) in the case of a transaction which is in substance the borrowing of money or the acquisition of financial capital, the deductions claimed with respect to the transaction for any period are not significantly in excess of the economic return for such period realized by the person lending the money or providing the financial capital.

''(3) PRESUMPTION OF NONECONOMIC TAX ATTRIBUTES.—For purposes of paragraph (2), the following factors shall give rise to a presumption that a transaction fails to meet the requirements of paragraph (2):

''(A) The fact that the payments, liabilities, or assets that purport to create a loss (or other benefit) for tax purposes are not reflected to any meaningful extent on the taxpayer's books and records for financial reporting purposes.

''(B) The fact that the transaction results in an allocation of income or gain to a tax-indifferent party which is substantially in excess of such party's economic income or gain from the transaction.

''(4) TREATMENT OF BUILT-IN LOSS.—The determination of whether a transaction results in the realization of a built-in loss shall be made under subtitle A as if this subsection had not been enacted. For purposes of the preceding sentence, the term 'built-in loss' means any loss or deduction to the extent that such loss or deduction had economically been incurred before such transaction is entered into and to the extent that the loss or deduction was economically borne by the taxpayer.

''(5) DEFINITION AND SPECIAL RULES.—For purposes of this subsection—

''(A) TAX-INDIFFERENT PARTY.—The term 'tax-indifferent party' means any person or entity exempt from tax under subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if, by reason of such person's method of accounting, the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

''(B) SERIES OF RELATED TRANSACTION.—A transaction which is part of a series of related transactions shall be treated as meeting the requirements of paragraph (2) only if—

''(i) such transaction meets such requirements without regard to the other transactions, and

''(ii) such transactions, if treated as 1 transaction, would meet such requirements.

A similar rule shall apply to a multiple step transaction with each step being treated as a separate related transaction.

''(C) NORMAL BUSINESS TRANSACTIONS.—In the case of a transaction which is an integral part of a taxpayer's trade or business and which is entered into in the normal course of such trade or business, the determination of the potential income from such transaction shall be made by taking into account its relationship to the overall trade or business of the taxpayer.

''(D) TREATMENT OF FEES.—In determining whether there is risk of loss from a transaction (and the amount thereof), potential loss of fees and other transaction expenses shall be disregarded.

''(E) TREATMENT OF ECONOMIC RETURN ENHANCEMENTS.—The following shall be treated as economic returns and not tax benefits:

''(i) The credit under section 29 (relating to credit for producing fuel from a nonconventional source).

''(ii) The credit under section 42 (relating to low-income housing credit).

''(iii) The credit under section 45 (relating to electricity produced from certain renewable resources).

''(iv) The credit under section 1397E (relating to credit to holders of qualified zone academy bonds) or any similar program hereafter enacted.

''(v) Any other tax benefit specified in regulations.

''(F) EXCEPTIONS FOR NONBUSINESS TRANSACTIONS.—

''(i) INDIVIDUALS.—In the case of an individual, this subsection shall only apply to transactions entered into in connection with a trade or business or activity engaged in for profit.

''(ii) CHARITABLE TRANSFERS.—This subsection shall not apply in determining the amount allowable as a deduction under section 170, 545(b)(2), 556(b)(2), or 642(c).

''(6) ECONOMIC SUBSTANCE DOCTRINE, ETC., NOT AFFECTED.—The provisions of this subsection shall not be construed as altering or supplanting any rule of law referred to in section 6662(i)(2)(B) and the requirements of this subsection shall be construed as being in addition to any such rule of law.''

SEC. 267. INCREASE IN SUBSTANTIAL UNDERPAYMENT PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES.

(a) IN GENERAL.—Section 6662 of the Internal Revenue Code of 1986 (relating to imposition of accuracy-related penalty) is amended by adding at the end the following new subsection:

''(i) INCREASE IN PENALTY IN CASE OF DISALLOWED NONECONOMIC TAX ATTRIBUTES.—

''(1) IN GENERAL.—In the case of the portion of the underpayment to which this subsection applies—

''(A) subsection (a) shall be applied with respect to such portion by substituting '40 percent' for '20 percent', and

''(B) subsection (d)(2)(B) and section 6664(c) shall not apply.

''(2) UNDERPAYMENTS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to an underpayment to which this section applies by reason of paragraph (1) or (2) of subsection (b) but—

''(A) only to the extent that such underpayment is attributable to—

''(i) the disallowance of any noneconomic tax attribute (determined under section 7701(m)), or

''(ii) the disallowance of any other benefit—

''(I) because of a lack of economic substance or business purpose for the transaction giving rise to the claimed benefit,

''(II) because the form of the transaction did not reflect its substance, or

''(III) because of any other similar rule of law, and

''(B) only if the underpayment so attributable exceeds $1,000,000.

''(3) INCREASE IN PENALTY NOT TO APPLY IF COMPLIANCE WITH DISCLOSURE REQUIREMENTS.—Paragraph (1)(A) shall not apply if the taxpayer—

''(A) discloses to the Secretary within 30 days after the closing of the transaction appropriate documents describing the transaction, and

''(B) files with the taxpayer's return of tax imposed by subtitle A—

''(i) a statement verifying that such disclosure has been made,

''(ii) a detailed description of the facts, assumptions of facts, and factual conclusions with respect to the business or economic purposes or objectives of the transaction that are relied upon to support the manner in which it is reported on the return,

''(iii) a description of the due diligence performed to ascertain the accuracy of such facts, assumptions, and factual conclusions,

''(iv)(I) a statement (signed by the senior financial officer of the corporation under penalty of perjury) that the facts, assumptions, or factual conclusions relied upon in reporting the transaction are true and correct as of the date the return is filed, to the best of such officer's knowledge and belief, and

''(II) if the actual facts varied materially from the facts, assumptions, or factual conclusions relied upon, a statement describing such variances,

''(v) copies of any written material provided in connection with the offer of the transaction to the taxpayer by a third party,

''(vi) a full description of any express or implied agreement or arrangement with any advisor, or with any offeror, that the fee payable to such person would be contingent or subject to possible reimbursement, and

''(vii) a full description of any express or implied warranty from any person with respect to the anticipated tax results from the transaction.''

(b) MODIFICATIONS TO PENALTY ON SUBSTANTIAL UNDERSTATEMENT OF INCOME TAX.—

(1) MODIFICATION OF THRESHOLD.—Subparagraph (A) of section 6662(d)(2) of such Code is amended to read as follows:

''(A) IN GENERAL.—For purposes of this section, there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

''(i) $1,000,000, or

''(ii) the greater of 10 percent of the tax required to be shown on the return for the taxable year or $5,000.''

(2) REDUCTION OF PENALTY ON ACCOUNT OF DISCLOSURE NOT TO APPLY TO TAX SHELTERS.—Subparagraph (C) of section 6662(d)(2) of such Code is amended by striking clause (ii), by redesignating clause (iii) as clause (ii), and by striking clause (i) and inserting the following new clause:

''(i) IN GENERAL.—Subparagraph (B) shall not apply to any item attributable to a tax shelter.''

(c) TREATMENT OF AMENDED RETURNS.—Subsection (a) of section 6664 of such Code is amended by adding at the end the following new sentence: ''For purposes of this subsection, an amended return shall be disregarded if such return is filed on or after the date the taxpayer is first contacted by the Secretary regarding the examination of the return.''

SEC. 268. PENALTY ON MARKETED TAX AVOIDANCE STRATEGIES WHICH HAVE NO ECONOMIC SUBSTANCE, ETC.

(a) PENALTY.—

(1) IN GENERAL.—Section 6700 of the Internal Revenue Code of 1986 (relating to promoting abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) PENALTY ON SUBSTANTIAL PROMOTERS FOR PROMOTING TAX AVOIDANCE STRATEGIES WHICH HAVE NO ECONOMIC SUBSTANCE, ETC.—

''(1) IMPOSITION OF PENALTY.—Any substantial promoter of a tax avoidance strategy shall pay a penalty in the amount determined under paragraph (2) with respect to such strategy if any tax benefit attributable to such strategy (or any similar strategy promoted by such promoter) is not allowable by reason of any rule of law referred to in section 6662(i)(2)(A).

''(2) AMOUNT OF PENALTY.—The penalty under paragraph (1) with respect to a promoter of a tax avoidance strategy is an amount equal to 100 percent of the gross income derived (or to be derived) by such promoter from such strategy.

''(3) TAX AVOIDANCE STRATEGY.—For purposes of this subsection, the term 'tax avoidance strategy' means any entity, plan, arrangement, or transaction a significant purpose of the structure of which is the avoidance or evasion of Federal income tax.

''(4) SUBSTANTIAL PROMOTER.—For purposes of this subsection —

''(A) IN GENERAL.—The term 'substantial promoter' means, with respect to any tax avoidance strategy, any promoter if—

''(i) such promoter offers such strategy to more than 1 potential participant, and

''(ii) such promoter may receive fees in excess of $1,000,000 in the aggregate with respect to such strategy.

''(B) AGGREGATION RULES.—For purposes of this paragraph—

''(i) RELATED PERSONS.—A promoter and all persons related to such promoter shall be treated as 1 person.

''(ii) SIMILAR STRATEGIES.—All similar tax avoidance strategies of a promoter shall be treated as 1 tax avoidance strategy.

''(C) PROMOTER.—The term 'promoter' means any person who participates in the promotion, offering, or sale of the tax avoidance strategy.

''(D) RELATED PERSON.—Persons are related if they bear a relationship to each other which is described in section 267(b) or 707(b).

''(4) COORDINATION WITH SUBSECTION (a).—No penalty shall be imposed by this subsection on any promoter with respect to a tax avoidance strategy if a penalty is imposed under subsection (a) on such promoter with respect to such strategy.''

(2) CONFORMING AMENDMENT.—Subsection (d) of section 6700 of such Code is amended—

(A) by striking ''PENALTY'' and inserting ''PENALTIES'', and

(B) by striking ''penalty'' the first place it appears in the text and inserting ''penalties''.

(b) INCREASE IN PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—The first sentence of section 6700(a) of such Code is amended by striking ''a penalty equal to'' and all that follows and inserting ''a penalty equal to the greater of $1,000 or 100 percent of the gross income derived (or to be derived) by such person from such activity.''

SEC. 269. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsections (b) and (c), the amendments made by this subpart shall apply to transactions after the date of the enactment of this Act.

(b) SECTION 267.—The amendments made by subsections (b) and (c) of section 267 shall

apply to taxable years ending after the date of the enactment of this Act.

(c) SECTION 268.—The amendments made by subsection (a) of section 268 shall apply to any tax avoidance strategy (as defined in section 6700(c) of the Internal Revenue Code of 1986, as amended by this title) interests in which are offered to potential participants after the date of the enactment of this Act.

Subpart B—Limitations on Importation or Transfer of Built-in Losses

SEC. 271. LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 of the Internal Revenue Code of 1986 (relating to basis to corporations) is amended by adding at the end the following new subsection:

''(e) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

''(1) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in paragraph (2) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

''(2) PROPERTY DESCRIBED.—For purposes of paragraph (1), property is described in this paragraph if—

''(A) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

''(B) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner's proportionate share of the property of such partnership.

''(3) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of paragraph (1), there is an importation of a net built-in loss in a transaction if the transferee's aggregate adjusted bases of property described in paragraph (2) which is transferred in such transaction would (but for this subsection) exceed the fair market value of such property immediately after such transaction.''

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) of such Code (relating to liquidation of subsidiary) is amended to read as follows:

''(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

''(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

''(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(2) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

SEC. 272. DISALLOWANCE OF PARTNERSHIP LOSS TRANSFERS.

(a) TREATMENT OF CONTRIBUTED PROPERTY WITH BUILT-IN LOSS.—Paragraph (1) of section 704(c) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following:

''(C) if any property so contributed has a built-in loss—

''(i) such built-in loss shall be taken into account only in determining the amount of items allocated to the contributing partner, and

''(ii) except as provided in regulations, in determining the amount of items allocated to other partners, the basis of the contributed property in the hands of the partnership shall be treated as being equal to its fair market value immediately after the contribution.

For purposes of subparagraph (C), the term 'built-in loss' means the excess of the adjusted basis of the property over its fair market value immediately after the contribution.''

(b) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY ON TRANSFER OF PARTNERSHIP INTEREST IF THERE IS SUBSTANTIAL BUILT-IN LOSS.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 743 of such Code (relating to optional adjustment to basis of partnership property) is amended by inserting before the period ''or unless the partnership has a substantial built-in loss immediately after such transfer''.

(2) ADJUSTMENT.—Subsection (b) of section 743 of such Code is amended by inserting ''or with respect to which there is a substantial built-in loss immediately after such transfer'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BUILT-IN LOSS.—Section 743 of such Code is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BUILT-IN LOSS.—For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in a partnership if the transferee partner's proportionate share of the adjusted basis of the partnership property exceeds 110 percent of the basis of such partner's interest in the partnership.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 743 of such Code is amended to read as follows:

''SEC. 743. ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BUILT-IN LOSS.''

(B) The table of sections for subpart C of part II of subchapter K of chapter 1 of such Code is amended by striking the item relating to section 743 and inserting the following new item:

''Sec. 743. Adjustment to basis of partnership property where section 754 election or substantial built-in loss.''

(c) ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY IF THERE IS SUBSTANTIAL BASIS REDUCTION.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 734 of such Code (relating to optional adjustment to basis of undistributed partnership property) is amended by inserting before the period ''or unless there is a substantial downward adjustment''.

(2) ADJUSTMENT.—Subsection (b) of section 734 of such Code is amended by inserting ''or unless there is a substantial downward adjustment'' after ''section 754 is in effect''.

(3) SUBSTANTIAL DOWNWARD ADJUSTMENT.—Section 734 of such Code is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL DOWNWARD ADJUSTMENT.—For purposes of this section, there is a substantial downward adjustment with respect to a distribution if the sum of the amounts described in subparagraphs (A) and (B) of subsection (b)(2) exceeds 10 percent of the aggregate adjusted basis of partnership property immediately after the distribution.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 734 of such Code is amended to read as follows:

''SEC. 734. ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BASIS REDUCTION.''

(B) The table of sections for subpart B of part II of subchapter K of chapter 1 of such Code is amended by striking the item relating to section 734 and inserting the following new item:

''Sec. 734. Adjustment to basis of undistributed partnership property where section 754 election or substantial basis reduction.''

(d) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to contributions made after the date of the enactment of this Act.

(2) SUBSECTION (b).—The amendments made by subsection (a) shall apply to transfers after the date of the enactment of this Act.

(3) SUBSECTION (c).—The amendments made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

PART III—ESTATE AND GIFT TAX OFFSETS

SEC. 276. VALUATION RULES FOR TRANSFERS INVOLVING NONBUSINESS ASSETS.

(a) IN GENERAL.—Section 2031 of the Internal Revenue Code of 1986 (relating to definition of gross estate) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.—For purposes of this chapter and chapter 12—

''(1) IN GENERAL.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092), the value of such interest shall be determined by taking into account—

''(A) the value of such interest's proportionate share of the nonbusiness assets of such entity (and no valuation discount shall be allowed with respect to such nonbusiness assets), plus

''(B) the value of such entity determined without regard to the value taken into account under subparagraph (A).

''(2) NONBUSINESS ASSETS.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonbusiness asset' means any asset which is not used in the active conduct of 1 or more trades or businesses.

''(B) EXCEPTION FOR CERTAIN PASSIVE ASSETS.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

''(i) the asset is property described in paragraph (1) or (4) of section 1221(a) or is a hedge with respect to such property, or

''(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.

''(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required

working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

''(3) PASSIVE ASSET.—For purposes of this subsection, the term 'passive asset' means any—

''(A) cash or cash equivalents,

''(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in any entity,

''(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

''(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B),

''(E) annuity,

''(F) real property used in 1 or more real property trades or businesses (as defined in section 469(c)(7)(C)),

''(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

''(H) commodity,

''(I) collectible (within the meaning of section 401(m)), or

''(J) any other asset specified in regulations prescribed by the Secretary.

''(4) LOOK-THRU RULES.—

''(A) IN GENERAL.—If a nonbusiness asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.

''(B) 10-PERCENT INTEREST.—The term '10-percent interest' means—

''(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

''(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and

''(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

''(5) COORDINATION WITH SUBSECTION (b).—Subsection (b) shall apply after the application of this subsection.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

SEC. 277. CORRECTION OF TECHNICAL ERROR AFFECTING LARGEST ESTATES.

(a) IN GENERAL.—Paragraph (2) of section 2001(c) of the Internal Revenue Code of 1986 is amended by striking ''$10,000,000'' and all that follows and inserting ''$10,000,000. The amount of the increase under the preceding sentence shall not exceed the sum of the applicable credit amount under section 2010(c) (as increased by section 2010A) and $359,200.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

PART IV—OTHER OFFSETS

SEC. 281. CONSISTENT AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Paragraph (1) of section 195(b) of the Internal Revenue Code of 1986 (relating to start-up expenditures) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

''(i) the amount of start-up expenditures with respect to the active trade or business, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed $50,000, and

''(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the active trade or business begins.''

(2) CONFORMING AMENDMENT.—Subsection (b) of section 195 is amended by striking ''AMORTIZE'' and inserting ''DEDUCT'' in the heading.

(b) ORGANIZATIONAL EXPENDITURES.—Subsection (a) of section 248 of such Code (relating to organizational expenditures) is amended to read as follows:

''(a) ELECTION TO DEDUCT.—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

''(1) the corporation shall be allowed a deduction for the taxable year in which the corporation begins business in an amount equal to the lesser of—

''(A) the amount of organizational expenditures with respect to the taxpayer, or

''(B) $5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed $50,000, and

''(2) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.''

(c) TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.—Section 709(b) of such Code (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (4) and by amending paragraph (1) to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

''(i) the amount of organizational expenses with respect to the partnership, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed $50,000, and

''(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

''(2) DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165.''

(d) CONFORMING AMENDMENT.—Subsection (b) of section 709 of such Code is amended by striking ''AMORTIZATION'' and inserting ''DEDUCTION'' in the heading.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 282. MODIFICATION OF FOREIGN TAX CREDIT CARRYOVER RULES.

(a) IN GENERAL.—Section 904(c) of the Internal Revenue Code of 1986 (relating to limitation on credit) is amended—

(1) by striking ''in the second preceding taxable year,'', and

(2) by striking ''or fifth'' and inserting ''fifth, sixth, or seventh''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 2000.

SEC. 283. RECOGNITION OF GAIN ON TRANSFERS TO SWAP FUNDS.

(a) INTERESTS SIMILAR TO PREFERRED STOCK TREATED AS STOCK.—Clause (vi) of section 351(e)(1)(B) of the Internal Revenue Code of 1986 (relating to transfer of property to an investment company) is amended to read as follows:

''(vi) except as otherwise provided in regulations prescribed by the Secretary—

''(I) any interest in an entity if the return on such interest is limited and preferred, and

''(II) interests (not described in subclause (I)) in any entity if substantially all of the assets of such entity consist (directly or indirectly) of any assets described in subclause (I), any preceding clause, or clause (viii).''

(b) CERTAIN TRANSFERS DEEMED TO BE TO INVESTMENT COMPANIES.—Subsection (e) of section 351 of such Code is amended by adding at the end the following new paragraph:

''(3) TRANSFERS OF MARKETABLE SECURITIES TO CERTAIN CORPORATIONS.—A transfer of property to a corporation if—

''(A) such property is marketable securities (as defined in section 731(c)(2)), other than a diversified portfolio of securities,

''(B) such corporation—

''(i) is registered under the Investment Company Act of 1940 as an investment company, or is exempt from registration as a investment company under section 3(c)(7) of such Act because interests in such corporation are offered to qualified purchasers within the meaning of section 2(a)(51) of such Act, or

''(ii) is formed or availed of for purposes of allowing persons who have significant blocks of marketable securities with unrealized appreciation to diversify those holdings without recognition of gain, and

''(C) the transfer results, directly or indirectly, in diversification of the transferor's interest.''

(c) TRANSFERS TO PARTNERSHIPS.—Subsection (b) of section 721 of such Code is amended to read as follows:

''(b) SPECIAL RULE.—Subsection (a) shall not apply to gain realized on a transfer of property to a partnership if, were the partnership incorporated—

''(1) such partnership would be treated as an investment company (within the meaning of section 351), or

''(2) section 351 would not apply to such transfer by reason of section 351(e)(3).''

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transfers after March 8, 2000.

(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transfer pursuant to a written binding contract in effect on August 4, 1999, and at all times thereafter before such transfer if such contract provides for the transfer of a fixed amount of property.

SEC. 5. The amendment specified in section 2 of this resolution is as follows:

Strike all after the enacting clause and insert the following:

At the appropriate place, insert the following:

TITLE —MINIMUM WAGE INCREASE

SEC. 01. SHORT TITLE.

This title may be cited as the ''Fair Minimum Wage Act of 2000.''

SEC. 02. MINIMUM WAGE INCREASE.

Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.65 an hour during the year beginning on the date that is 30 days after the date of enactment of the Fair Minimum Wage Act of 2000; and

''(B) $6.15 an hour beginning on the date that is 1 year after the date on which the increase in subparagraph (A) takes effect;''.

SEC. 03. MINIMUM WAGE IN THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

(a) IN GENERAL.—Subject to subsection (b), the provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

(b) TRANSITION.—

(1) IN GENERAL.—Notwithstanding subsection (a), the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be $3.55 an hour beginning on the date that is 30 days after the date of enactment of this section.

(2) INCREASES IN MINIMUM WAGE.—

(A) IN GENERAL.—On the date that is 6 months after the date of enactment of this Act, and every 6 months thereafter, the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be increased by $0.50 per hour (or such a leaser amount as may be necessary to equal the minimum wage under such section) until such time as the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under this subsection is equal to the minimum wage set forth in section 6(a)(1) of such Act for the date involved.

(B) FURTHER INCREASES.—With respect to dates beginning after the minimum wage applicable to the Commonwealth of the Northern Mariana Islands is equal to the minimum wage set forth in section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)), as provided in subparagraph (A), such applicable minimum wage shall be immediately increased so as to remain equal to the minimum wage set forth in section 6(a)(1) of such Act for the date involved.

Mr. MOAKLEY: Mr. Speaker, I yield back the balance of my time.

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

Today, we have had an opportunity to have a vigorous debate about the rule, the rule which will decide how we are going to follow forth on talking about the bill that is before us.

We have a tax bill, a tax bill that gives an opportunity to the workers of America to have more small businesses, and more people who want to take that risk and opportunity to go and invest their savings and to open up their own stores and to do things that might be a lifetime dream. On the other hand, we are going to allow a vote that would be very directly for people who wish to support raising the minimum wage.

What we have done is we have crafted a fair rule. We have talked about the essence of what Republicans and Democrats are all about today; and I am very, very proud of what we have done and appreciate those who have spoken today.

There is an amendment at the desk, Mr. Speaker. The amendment will strike out the language allowing States to opt out of the minimum-wage increase.

AMENDMENT OFFERED BY MR. SESSIONS

Mr. SESSIONS. Mr. Speaker, I ask unanimous consent that the amendment at the desk be considered as adopted.

The SPEAKER pro tempore (Mr. LAHOOD). The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. SESSIONS:

Strike section 2 and insert the following:

SEC. 2. Upon the adoption of this resolution it shall be in order to consider in the House the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes. An amendment striking section 5 shall be considered adopted. The bill, as amended, shall be considered as read for amendment. The previous question shall be considered as ordered on the bill, as amended, and any further amendment thereto to final passage without intervening motion except: (1) one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce; (2) the amendment numbered 2 in House Report 106–516, which shall be in order without intervention of any point of order (except those arising under section 425 of the Congressional Budget Act of 1974) and which may be offered only by a Member designated in the report, shall be considered as read, and shall be separately debatable for the time specified in the report equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

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

There was no objection.

The SPEAKER pro tempore. The amendment is agreed to.

Mr. SESSIONS. Mr. Speaker, I move the previous question on the resolution, as amended.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MOAKLEY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Pursuant to clause 9 of rule XX, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device, if ordered, will be taken on the question of agreeing to the resolution, as amended.

The vote was taken by electronic device, and there were—yeas 216, nays 208, not voting 10, as follows:

[Roll No. 38]

YEAS—216

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Biggert
Bilbray
Bilirakis
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Cook
Cox
Crane
Cubin
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Everett
Ewing
Fletcher
Foley
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Greenwood
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jenkins
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
King (NY)
Kingston
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
Martinez
McCrery
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Morella
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NAYS—208

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Gordon
Green (TX)
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Hoyer
Inslee
Jackson (IL)

Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Larson
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McIntyre
McKinney
McNulty
Meehan
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Shows
Sisisky
Skelton
Slaughter
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Wise
Woolsey
Wu
Wynn

NOT VOTING—10

Brown (OH)
Cooksey
Granger
McCollum
Meek (FL)
Myrick
Scarborough
Schaffer
Spence
Vento

1516

Messrs. JEFFERSON, JOHN and POMEROY changed their vote from ''yea'' to ''nay.''

Mr. PITTS and Mr. GILMAN changed their vote from ''nay'' to ''yea.''

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. LAHOOD). The question is on the resolution, as amended.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. MOAKLEY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 214, noes 211, not voting 10, as follows:

[Roll No. 39]

AYES—214

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Biggert
Bilbray
Bilirakis
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Cook
Cox
Crane
Cubin
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Everett
Ewing
Fletcher
Foley
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Greenwood
Hansen
Hastert
Hastings (WA)
Hayes
Hayworth
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Jenkins
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
King (NY)
Kingston
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
Martinez
McCrery
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Morella
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOES—211

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Gordon
Green (TX)
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hastings (FL)
Hefley
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Hoyer
Inslee
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E.B.
Jones (OH)
Kanjorski
Kaptur
Kennedy
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Larson
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Shows
Sisisky
Skelton
Slaughter
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Wise
Woolsey
Wu
Wynn

NOT VOTING—10

Brown (OH)
Cooksey
Granger
McCollum
Myrick
Scarborough
Schaffer
Spence
Terry
Vento

1527

So the resolution, as amended, was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. TERRY. Mr. Speaker, on rollcall No. 39, I was inadvertently detained. Had I been present, I would have voted ''yes.''

WAGE AND EMPLOYMENT GROWTH ACT OF 1999

Mr. ARCHER. Mr. Speaker, pursuant to House Resolution 434, I call up the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. PEASE). Pursuant to House Resolution 434, the bill is considered read for amendment.

The text of H.R. 3081 is as follows:

H.R. 3081

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Wage and Employment Growth Act of 1999''.

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

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; references; table of contents.

TITLE I—AMENDMENTS TO FAIR LABOR STANDARDS ACT OF 1938

Sec. 101. Minimum wage.

Sec. 102. Exemption for computer professionals.
Sec. 103. Exemption for certain sales employees.
Sec. 104. Exemption for funeral directors.
TITLE II—SMALL BUSINESS PROVISIONS
Sec. 201. Deduction for 100 percent of health insurance costs of self-employed individuals.
Sec. 202. Increase in expense treatment for small businesses.
Sec. 203. Small businesses allowed increased deduction for meal expenses.
Sec. 204. Increased deductibility of business meal expenses for individuals subject to Federal limitations on hours of service.
Sec. 205. Repeal of occupational taxes relating to distilled spirits, wine, and beer.
TITLE III—PENSION PROVISIONS
Subtitle A—Expanding Coverage
Sec. 301. Increase in benefit and contribution limits.
Sec. 302. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 303. Modification of top-heavy rules.
Sec. 304. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 305. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 306. Elimination of user fee for requests to IRS regarding pension plans.
Sec. 307. Deduction limits.
Sec. 308. Option to treat elective deferrals as after-tax contributions.
Sec. 309. Reduced PBGC premium for new plans of small employers.
Sec. 310. Reduction of additional PBGC premium for new and small plans.
Subtitle B—Enhancing Fairness for Women
Sec. 321. Catchup contributions for individuals age 50 or over.
Sec. 322. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 323. Faster vesting of certain employer matching contributions.
Sec. 324. Simplify and update the minimum distribution rules.
Sec. 325. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 326. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.
Subtitle C—Increasing Portability for Participants
Sec. 331. Rollovers allowed among various types of plans.
Sec. 332. Rollovers of IRAs into workplace retirement plans.
Sec. 333. Rollovers of after-tax contributions.
Sec. 334. Hardship exception to 60-day rule.
Sec. 335. Treatment of forms of distribution.
Sec. 336. Rationalization of restrictions on distributions.
Sec. 337. Purchase of service credit in governmental defined benefit plans.
Sec. 338. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 339. Minimum distribution and inclusion requirements for section 457 plans.
Subtitle D—Strengthening Pension Security and Enforcement
Sec. 341. Repeal of 150 percent of current liability funding limit.
Sec. 342. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 343. Missing participants.
Sec. 344. Periodic pension benefits statements.
Sec. 345. Civil penalties for breach of fiduciary responsibility.
Sec. 346. Excise tax relief for sound pension funding.
Sec. 347. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
Sec. 348. Protection of investment of employee contributions to 401(k) plans.
Sec. 349. Treatment of multiemployer plans under section 415.
Sec. 350. Technical corrections to Saver Act.
Sec. 351. Model spousal consent language and qualified domestic relations order.
Sec. 352. Elimination of ERISA double jeopardy.
Subtitle E—Reducing Regulatory Burdens
Sec. 361. Modification of timing of plan valuations.
Sec. 362. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 363. Repeal of transition rule relating to certain highly compensated employees.
Sec. 364. Employees of tax-exempt entities.
Sec. 365. Clarification of treatment of employer-provided retirement advice.
Sec. 366. Reporting simplification.
Sec. 367. Improvement of employee plans compliance resolution system.
Sec. 368. Substantial owner benefits in terminated plans.
Sec. 369. Modification of exclusion for employer provided transit passes.
Sec. 370. Repeal of the multiple use test.
Sec. 371. Flexibility in nondiscrimination, coverage, and line of business rules.
Sec. 372. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
Sec. 373. Notice and consent period regarding distributions.
Sec. 374. Annual report dissemination.
Sec. 375. Excess benefit plans.
Sec. 376. Benefit suspension notice.
Sec. 377. Clarification of church welfare plan status under State insurance law.
Subtitle F—Plan Amendments
Sec. 381. Provisions relating to plan amendments.
TITLE IV—EXTENSION OF WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT
Sec. 401. Work opportunity credit and welfare-to-work credit.
TITLE V—ESTATE TAX RELIEF
Subtitle A—Reductions of Estate and Gift Tax Rates
Sec. 501. Reductions of estate and gift tax rates.
Subtitle B—Unified Credit Replaced With Unified Exemption Amount
Sec. 511. Unified credit against estate and gift taxes replaced with unified exemption amount.
Subtitle C—Modifications of Generation-skipping Transfer Tax
Sec. 521. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
Sec. 522. Severing of trusts.
Sec. 523. Modification of certain valuation rules.
Sec. 524. Relief provisions.
Subtitle D—Conservation Easements
Sec. 531. Expansion of estate tax rule for conservation easements.
TITLE VI—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES
Subtitle A—American Community Renewal Act of 1999
Sec. 601. Short title.
Sec. 602. Designation of and tax incentives for renewal communities.
Sec. 603. Extension of expensing of environmental remediation costs to renewal communities.
Sec. 604. Extension of work opportunity tax credit for renewal communities.
Sec. 605. Conforming and clerical amendments.
Subtitle B—Timber Incentives
Sec. 611. Temporary suspension of maximum amount of amortizable reforestation expenditures.
TITLE VII—REAL ESTATE PROVISIONS
Subtitle A—Improvements in Low-Income Housing Credit
Sec. 701. Modification of State ceiling on low-income housing credit.
Sec. 702. Modification of criteria for allocating housing credits among projects.
Sec. 703. Additional responsibilities of housing credit agencies.
Sec. 704. Modifications to rules relating to basis of building which is eligible for credit.
Sec. 705. Other modifications.
Sec. 706. Carryforward rules.
Sec. 707. Effective date.
Subtitle B—Provisions Relating to Real Estate Investment Trusts
PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES
Sec. 711. Modifications to asset diversification test.
Sec. 712. Treatment of income and services provided by taxable REIT subsidiaries.
Sec. 713. Taxable REIT subsidiary.
Sec. 714. Limitation on earnings stripping.
Sec. 715. 100 percent tax on improperly allocated amounts.
Sec. 716. Effective date.
PART II—HEALTH CARE REITS
Sec. 721. Health care REITs.
PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES
Sec. 731. Conformity with regulated investment company rules.
PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME
Sec. 741. Clarification of exception for independent operators.
PART V—MODIFICATION OF EARNINGS AND PROFITS RULES
Sec. 751. Modification of earnings and profits rules.
Subtitle C—Private Activity Bond Volume Cap
Sec. 761. Acceleration of phase-in of increase in volume cap on private activity bonds.
Subtitle D—Exclusion From Gross Income for Certain Forgiven Mortgage Obligations.
Sec. 771. Exclusion from gross income for certain forgiven mortgage obligations.
TITLE VIII—MISCELLANEOUS PROVISIONS
Sec. 801. Credit for modifications to intercity buses required under the Americans with Disabilities Act of 1990.

Sec. 802. Certain educational benefits provided by an employer to children of employees excludable from gross income as a scholarship.
Sec. 803. Tax incentives for qualified United States independent film and television production.

TITLE I—AMENDMENTS TO FAIR LABOR STANDARDS ACT OF 1938

SEC. 101. MINIMUM WAGE.

(a) INCREASE.—Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.15 an hour beginning September 1, 1997,

''(B) $5.48 an hour during the year beginning April 1, 2000,

''(C) $5.81 an hour during the year beginning April 1, 2001, and

''(D) $6.15 an hour during the year beginning April 1, 2002.''.

(b) OVERTIME.—Section 7(e) of such Act (29 U.S.C. 207(e)) is amended by striking paragraph (1).

SEC. 102. EXEMPTION FOR COMPUTER PROFESSIONALS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)) is amended by amending paragraph (17) to read as follows:

''(17) any employee who is a computer systems, network, or database analyst, designer, developer, programmer, software engineer, or other similarly skilled worker—

''(A) whose primary duty is—

''(i) the application of systems or network or database analysis techniques and procedures, including consulting with users, to determine hardware, software, systems, network, or database specifications (including functional specifications);

''(ii) the design, configuration, development, integration, documentation, analysis, creation, testing, securing, or modification of, or problem resolution for, computer systems, networks, databases, or programs, including prototypes, based on and related to user, system, network, or database specifications, including design specifications and machine operating systems;

''(iii) the management or training of employees performing duties described in clause (i) or (ii); or

''(iv) a combination of duties described in clauses (i), (ii), or (iii) the performance of which requires the same level of skills; and

''(B) who, in the case of an employee who is compensated on an hourly basis, is compensated at a rate of not less than $27.63 an hour.

For purposes of paragraph (17), the term 'network' includes the Internet and intranet networks and the world wide web. An employee who meets the exemption provided by paragraph (17) shall be considered an employee in a professional capacity pursuant to paragraph (1).''.

SEC. 103. EXEMPTION FOR CERTAIN SALES EMPLOYEES.

(a) AMENDMENT.—Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)) is amended by striking the period at the end of paragraph (17) and inserting a semicolon and by adding at the end the following:

''(18) any employee employed in a sales position if—

''(A) the employee has specialized or technical knowledge related to products or services being sold;

''(B) the employee's—

''(i) sales are predominantly to persons or entities to whom the employee's position has made previous sales; or

''(ii) position does not involve initiating sales contacts;

''(C) the employee has a detailed understanding of the needs of those to whom the employee is selling;

''(D) the employee exercises discretion in offering a variety of products and services;

''(E) the employee receives—

''(i) base compensation, determined without regard to the number of hours worked by the employee, of not less than an amount equal to one and one-half times the minimum wage in effect under section 6(a)(1) multiplied by 2,080; and

''(ii) in addition to the employee's base compensation, compensation based upon each sale attributable to the employee;

''(F) the employee's aggregate compensation based upon sales attributable to the employee is not less than 40 percent of one and one-half times the minimum wage multiplied by 2,080;

''(G) the employee receives a rate of compensation based upon each sale attributable to the employee which is beyond sales required to reach the compensation required by subparagraph (F) which rate is not less than the rate on which the compensation required by subparagraph (F) is determined; and

''(H) the rate of annual compensation or base compensation for any employee who did not work for an employer for an entire calendar year is prorated to reflect annual compensation which would have been earned if the employee had been compensated at the same rate for the entire calendar year.''.

(b) CONSTRUCTION.—The amendment made by subsection (a) may not be construed to apply to individuals who are employed as route sales drivers.

SEC. 104. EXEMPTION FOR FUNERAL DIRECTORS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)) is amended by striking the period at the end of paragraph (18) and inserting ''; or'' and by adding after paragraph (18) the following:

''(19) any employee employed as a licensed funeral director or a licensed embalmer.''.

TITLE II—SMALL BUSINESS PROVISIONS

SEC. 201. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) is amended to read as follows:

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

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

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

SEC. 202. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

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

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 203. SMALL BUSINESSES ALLOWED INCREASED DEDUCTION FOR MEAL EXPENSES.

(a) IN GENERAL.—Subsection (n) of section 274 (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR SMALL BUSINESSES.—

''(A) IN GENERAL.—In the case of any taxpayer which is a small business, paragraph (1) shall be applied by substituting for '50 percent' with respect to expenses for food or beverages—

''(i) '55 percent' in the case of taxable years beginning in 2001, and

''(ii) '60 percent' in the case of taxable years beginning after 2001.

''(B) SMALL BUSINESS.—For purposes of this paragraph, the term 'small business' means, with respect to expenses paid or incurred during any taxable year—

''(i) any C corporation which meets the requirements of section 55(e)(1) for such year, and

''(ii) any S corporation, partnership, or sole proprietorship which would meet such requirements if it were a C corporation.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 204. INCREASED DEDUCTIBILITY OF BUSINESS MEAL EXPENSES FOR INDIVIDUALS SUBJECT TO FEDERAL LIMITATIONS ON HOURS OF SERVICE.

(a) IN GENERAL.—Paragraph (3) of section 274(n) (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended to read as follows:

''(3) SPECIAL RULE FOR INDIVIDUALS SUBJECT TO FEDERAL HOURS OF SERVICE.—In the case of any expenses for food or beverages consumed while away from home (within the meaning of section 162(a)(2)) by an individual during, or incident to, the period of duty subject to the hours of service limitations of the Department of Transportation, paragraph (1) shall be applied by substituting '80 percent' for '50 percent'.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 205. REPEAL OF OCCUPATIONAL TAXES RELATING TO DISTILLED SPIRITS, WINE, AND BEER.

(a) REPEAL OF OCCUPATIONAL TAXES.—

(1) IN GENERAL.—The following provisions of part II of subchapter A of chapter 51 of the Internal Revenue Code of 1986 (relating to occupational taxes) are hereby repealed:

(A) Subpart A (relating to rectifier).

(B) Subpart B (relating to brewer).

(C) Subpart D (relating to wholesale dealers) (other than sections 5114 and 5116).

(D) Subpart E (relating to retail dealers) (other than section 5124).

(E) Subpart G (relating to general provisions) (other than sections 5142, 5143, 5145, and 5146).

(2) NONBEVERAGE DOMESTIC DRAWBACK.—Section 5131 is amended by striking '', on payment of a special tax per annum,''.

(3) INDUSTRIAL USE OF DISTILLED SPIRITS.—Section 5276 is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1)(A) The heading for part II of subchapter A of chapter 51 and the table of subparts for such part are amended to read as follows:

''PART II—MISCELLANEOUS PROVISIONS

''Subpart A. Manufacturers of stills.

''Subpart B. Nonbeverage domestic drawback claimants.

''Subpart C. Recordkeeping by dealers.

''Subpart D. Other provisions.''

(B) The table of parts for such subchapter A is amended by striking the item relating

to part II and inserting the following new item:

''Part II. Miscellaneous provisions.''

(2) Subpart C of part II of such subchapter (relating to manufacturers of stills) is redesignated as subpart A.

(3)(A) Subpart F of such part II (relating to nonbeverage domestic drawback claimants) is redesignated as subpart B and sections 5131 through 5134 are redesignated as sections 5111 through 5114, respectively.

(B) The table of sections for such subpart B, as so redesignated, is amended—

(i) by redesignating the items relating to sections 5131 through 5134 as relating to sections 5111 through 5114, respectively, and

(ii) by striking ''and rate of tax'' in the item relating to section 5111, as so redesignated.

(C) Section 5111, as redesignated by subparagraph (A), is amended—

(i) by striking ''and rate of tax'' in the section heading,

(ii) by striking the subsection heading for subsection (a), and

(iii) by striking subsection (b).

(4) Part II of subchapter A of chapter 51 is amended by adding after subpart B, as redesignated by paragraph (3), the following new subpart:

''Subpart C. Recordkeeping by Dealers

''Sec. 5121. Recordkeeping by wholesale dealers.

''Sec. 5122. Recordkeeping by retail dealers.

''Sec. 5123. Preservation and inspection of records, and entry of premises for inspection.''

(5)(A) Section 5114 (relating to records) is moved to subpart C of such part II and inserted after the table of sections for such subpart.

(B) Section 5114 is amended—

(i) by striking the section heading and inserting the following new heading:

''SEC. 5121. RECORDKEEPING BY WHOLESALE DEALERS.'',

and

(ii) by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) WHOLESALE DEALERS.—For purposes of this part—

''(1) WHOLESALE DEALER IN LIQUORS.—The term 'wholesale dealer in liquors' means any dealer (other than a wholesale dealer in beer) who sells, or offers for sale, distilled spirits, wines, or beer, to another dealer.

''(2) WHOLESALE DEALER IN BEER.—The term 'wholesale dealer in beer' means any dealer who sells, or offers for sale, beer, but not distilled spirits or wines, to another dealer.

''(3) DEALER.—The term 'dealer' means any person who sells, or offers for sale, any distilled spirits, wines, or beer.

''(4) PRESUMPTION IN CASE OF SALE OF 20 WINE GALLONS OR MORE.—The sale, or offer for sale, of distilled spirits, wines, or beer, in quantities of 20 wine gallons or more to the same person at the same time, shall be presumptive evidence that the person making such sale, or offer for sale, is engaged in or carrying on the business of a wholesale dealer in liquors or a wholesale dealer in beer, as the case may be. Such presumption may be overcome by evidence satisfactorily showing that such sale, or offer for sale, was made to a person other than a dealer.''

(C) Paragraph (3) of section 5121(d), as so redesignated, is amended by striking ''section 5146'' and inserting ''section 5123''.

(6)(A) Section 5124 (relating to records) is moved to subpart C of part II of subchapter A of chapter 51 and inserted after section 5121.

(B) Section 5124 is amended—

(i) by striking the section heading and inserting the following new heading:

''SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.'',

(ii) by striking ''section 5146'' in subsection (c) and inserting ''section 5123'', and

(iii) by redesignating subsection (c) as subsection (d) and inserting after subsection (b) the following new subsection:

''(c) RETAIL DEALERS.—For purposes of this section—

''(1) RETAIL DEALER IN LIQUORS.—The term 'retail dealer in liquors' means any dealer (other than a retail dealer in beer) who sells, or offers for sale, distilled spirits, wines, or beer, to any person other than a dealer.

''(2) RETAIL DEALER IN BEER.—The term 'retail dealer in beer' means any dealer who sells, or offers for sale, beer, but not distilled spirits or wines, to any person other than a dealer.

''(3) DEALER.—The term 'dealer' has the meaning given such term by section 5121(c)(3).''

(7) Section 5146 is moved to subpart C of part II of subchapter A of chapter 51, inserted after section 5122, and redesignated as section 5123.

(8) Part II of subchapter A of chapter 51 is amended by inserting after subpart C the following new subpart:

''Subpart D. Other Provisions

''Sec. 5131. Packaging distilled spirits for industrial uses.

''Sec. 5132. Prohibited purchases by dealers.''

(9) Section 5116 is moved to subpart D of part II of subchapter A of chapter 51, inserted after the table of sections, redesignated as section 5131, and amended by inserting ''(as defined section 5121(c))'' after ''dealer'' in subsection (a).

(10) Subpart D of part II of subchapter A of chapter 51 is amended by adding at the end thereof the following new section:

''SEC. 5132. PROHIBITED PURCHASES BY DEALERS.

''(a) IN GENERAL.—Except as provided in regulations prescribed by the Secretary, it shall be unlawful for a dealer to purchase distilled spirits from any person other than a wholesale dealer in liquors who is required to keep the records prescribed by section 5121.

''(b) PENALTY AND FORFEITURE.—

''For penalty and forfeiture provisions applicable to violations of subsection (a), see sections 5687 and 7302.''

(11) Subsection (b) of section 5002 is amended—

(A) by striking ''section 5112(a)'' and inserting ''section 5121(c)(3)'',

(B) by striking ''section 5112'' and inserting ''section 5121(c)'',

(C) by striking ''section 5122'' and inserting ''section 5122(c)''.

(12) Subparagraph (A) of section 5010(c)(2) is amended by striking ''section 5134'' and inserting ''section 5114''.

(13) Subsection (d) of section 5052 is amended to read as follows:

''(d) BREWER.—For purposes of this chapter, the term 'brewer' means any person who brews beer or produces beer for sale. Such term shall not include any person who produces only beer exempt from tax under section 5053(e).''

(14) The text of section 5182 is amended to read as follows:

''For provisions requiring recordkeeping by wholesale liquor dealers, see section 5112, and by retail liquor dealers, see section 5122.''

(15) Subsection (b) of section 5402 is amended by striking ''section 5092'' and inserting ''section 5052(d)''.

(16) Section 5671 is amended by striking ''or 5091''.

(17)(A) Part V of subchapter J of chapter 51 is hereby repealed.

(B) The table of parts for such subchapter J is amended by striking the item relating to part V.

(18)(A) Sections 5142, 5143, and 5145 are moved to subchapter D of chapter 52, inserted after section 5731, redesignated as sections 5732, 5733, and 5734, respectively, and amended by striking ''this part'' each place it appears and inserting ''this subchapter''.

(B) Section 5732, as redesignated by subparagagph (A), is amended by striking ''(except the tax imposed by section 5131)'' each place it appears.

(C) Subsection (c) of section 5733, as redesignated by subparagraph (A), is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(D) The table of sections for subchapter D of chapter 52 is amended by adding at the end thereof the following:

''Sec. 5732. Payment of tax.

''Sec. 5733. Provisions relating to liability for occupational taxes.

''Sec. 5734. Application of State laws.''

(E) Section 5731 is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(19) Subsection (c) of section 6071 is amended by striking ''section 5142'' and inserting ''section 5732''.

(20) Paragraph (1) of section 7652(g) is amended—

(A) by striking ''subpart F'' and inserting ''subpart B'', and

(B) by striking ''section 5131(a)'' and inserting ''section 5111(a)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act, but shall not apply to taxes imposed for periods before such date.

TITLE III—PENSION PROVISIONS

Subtitle A—Expanding Coverage

SEC. 301. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62''.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000'', and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000'', and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENT.—Section 415(b)(2) is amended by striking subparagraph (F).

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000'', and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000'', and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000'', and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount'', and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Clause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 302. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2000.

SEC. 303. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i),

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'',

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)'', and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 304. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 305. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 211, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

SEC. 306. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the 5th plan year the pension benefit plan is in existence, or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 307. DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as participant's compensation under subparagraph (C) or (D) of section 415(c)(3).''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

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

SEC. 308. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established

for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

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

SEC. 309. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 310. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)) is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2000.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2000.

Subtitle B—Enhancing Fairness for Women

SEC. 321. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

''(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

''(ii) the excess (if any) of—

''(I) the participant's compensation for the year, over

''(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in:	**The applicable percentage is:**
2001	10 percent
2002	20 percent
2003	30 percent
2004	40 percent
2005 and thereafter	50 percent.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

''(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

''(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

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

''(A) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

''(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(C) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (B)(iii) for any year to which section 457(b)(3) applies.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 322. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Wage and Employment Growth Act of 1999)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 211) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Wage and Employment Growth Act of 1999)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 323. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 324. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and

(B) modify such regulations to—

(i) reflect current life expectancy, and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) EFFECTIVE DATE FOR REGULATIONS.—Regulations referred to in paragraph (1) shall be effective for years beginning after December 31, 2000, and shall apply in such years without regard to whether an individual had previously begun receiving minimum distributions.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading, and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him,''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'',

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'',

(iii) by striking ''the date on which the employee would have attained the age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,'', and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 325. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 326. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2000.

Subtitle C—Increasing Portability for Participants

SEC. 331. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403 (b) PLANS.—

(1) ROLLOVERS FROM SECTION 403 (b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover

amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403 (b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 332. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendments made by this section.

SEC. 333. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.

SEC. 334. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 229, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 335. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased

tion 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 205, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 205(c)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendments made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 336. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 337. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(17))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

SEC. 338. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 339. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

Subtitle D—Strengthening Pension Security and Enforcement

SEC. 341. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan the beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

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

SEC. 342. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

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

SEC. 343. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 344. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) The administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request.

''(B) The administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a participant or beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be communicated in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

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

SEC. 345. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 346. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 347. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT TO 1986 CODE.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan

participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) any participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

who may reasonably be expected to be affected by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412,

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.''.

(b) AMENDMENT TO ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraph:

''(3)(A) A plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow individuals to understand the effect of the plan amendment.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''.

(c) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 and section 204(h)(3) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 348. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 349. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 350. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking subparagraph (D) and inserting the following:

''(D) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(B) by redesignating subparagraph (G) as subparagraph (J); and

(C) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and''; and

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

SEC. 351. MODEL SPOUSAL CONSENT LANGUAGE AND QUALIFIED DOMESTIC RELATIONS ORDER.

(a) MODEL SPOUSAL CONSENT LANGUAGE.—Section 205(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)) is amended by adding at the end the following new paragraph:

''(9) Not later than January 1, 2001, the Secretary of Labor shall develop model language for the spousal consent required under paragraph (2) which—

''(A) is written in a manner calculated to be understood by the average person, and

''(B) discloses in plain terms whether—

''(i) the waiver is irrevocable, and

''(ii) the waiver may be revoked by a qualified domestic relations order.''.

(b) MODEL QUALIFIED DOMESTIC RELATIONS ORDER.—Section 206(d)(3) of such Act (29 U.S.C. 1056(d)(3)) is amended by adding at the end the following new subparagraph:

''(O) Not later than January 1, 2001, the Secretary shall develop language for a qualified domestic relations order which meets—

''(i) the requirements of subparagraph (B)(i), and

''(ii) the requirements of this Act related to the need to consider the treatment of any lump sum payment, qualified joint and survivor annuity, or qualified preretirement survivor annuity.''.

(c) PUBLICITY.—The Secretary of Labor shall include publicity for the model language required by the amendments made by this section in the pension outreach efforts undertaken by each Secretary.

SEC. 352. ELIMINATION OF ERISA DOUBLE JEOPARDY.

(a) ELIMINATION OF SECOND LAWSUITS BY THE SECRETARY.—Section 502(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(h)) is amended—

(1) by inserting ''(1)'' after ''(h)'', and

(2) by adding at the end the following:

''(2) In any case in which—

''(A) a complaint in an action brought against a person under subsection (a)(2) is served in accordance with paragraph (1), and

''(B) the action is maintained as a class action or derivative action under the Federal Rules of Civil Procedure,

''(C) the action is resolved by a court-approved settlement agreement,

''(D) the complaint is served upon the Secretary at least 90 days prior to final court approval of the settlement agreement, and

''(E) the Secretary receives a fully executed copy of the settlement agreement within the time established by the court for notifying the plan's participants of the proposed compromise pursuant to Rule 23 or 23.1 of the Federal Rules of Civil Procedure,

the Secretary shall be barred from litigating any claim against such person under subsection (a)(2) that was, or could have been, brought in that action with respect to the same plan. Notwithstanding this paragraph, the Secretary shall not be barred from litigating any claim against such person under subsection (a)(2) if the Secretary filed a complaint under subsection (a)(2) prior to the final court approval of the settlement agreement.''.

(b) EFFECTIVE DATE.—The amendments made by this section are effective with respect to all actions or claims commenced by the Secretary that are pending on or after the date of the enactment of this Act.

Subtitle E—Reducing Regulatory Burdens

SEC. 361. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—For purposes'', and

(2) by adding at the end the following:

''(B) ELECTION TO USE PRIOR YEAR VALUATION.—

''(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii) EXCEPTIONS.—

''(I) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)'', and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii)(I) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

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

SEC. 362. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

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

SEC. 363. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 364. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401 (k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401 (k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 365. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

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

SEC. 366. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the first day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2001.

SEC. 367. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program,

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures,

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures,

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit, and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 368. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2000, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of the enactment of this Act.

SEC. 369. MODIFICATION OF EXCLUSION FOR EMPLOYER PROVIDED TRANSIT PASSES.

(a) IN GENERAL.—Section 132(f)(3) (relating to cash reimbursements) is amended by striking the last sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 370. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 371. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2000, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 372. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting ''or by an international organization which is described in section 414(d)'' after ''or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS.—'' after ''(G)''.

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

SEC. 373. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055) is amended by striking ''90-day'' and inserting ''180-day''.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations of such Secretary under part 2 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 to the extent that they relate to sections 203(e) and 205 of such Act to substitute ''180 days'' for ''90 days'' each place it appears.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 2000.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 205 of the Employee Retirement Income Security Act of 1974 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2000.

SEC. 374. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

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

SEC. 375. EXCESS BENEFIT PLANS.

(a) IN GENERAL.—Section 3(36) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(36)) is amended to read as follows:

''(36) The term 'excess benefit plan' means a plan, without regard to whether such plan is funded, maintained by an employer solely for the purpose of providing benefits to employees in excess of any limitation imposed by section 401(a)(17) or 415 of the Internal Revenue Code of 1986 or any other limitation on contributions or benefits in such Code on plans to which any of such sections apply. To the extent that a separable part of a plan (as determined by the Secretary of Labor) maintained by an employer is maintained for such purpose, that part shall be treated as a separate plan which is an excess benefit plan.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 376. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that, except in the case of employment, subsequent to the commencement of payment of benefits, with a former employer, the notification required by such regulation—

(1) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(2) need not include a copy of the relevant plan provisions.

(c) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 1999.

SEC. 377. CLARIFICATION OF CHURCH WELFARE PLAN STATUS UNDER STATE INSURANCE LAW.

For purposes of determining the status under State insurance law of a church plan (as defined in section 414(e) of the Internal Revenue Code and section 3(33) of the Employee Retirement Income Security Act that is a welfare plan (as defined in section 3(1)), such church plan (and any trust under such plan) shall be deemed a single-employer plan that—

(1) reimburses costs from general church assets;

(2) purchases insurance coverage with general church assets; or

(3) both.

For purposes of this paragraph, the term ''reimbursing costs from general church assets'' means engaging in a practice that does not have the effect of transferring or spreading risk. The scope of this paragraph is limited to determining the status of a church welfare plan under State insurance law, and does not otherwise recharacterized the status, or modify or affect the rights, of any plan participant, including those who make plan contributions.

Subtitle F—Plan Amendments

SEC. 381. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2003.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

TITLE IV—EXTENSION OF WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT

SEC. 401. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''June 30, 1999'' and inserting ''December 31, 2001''.

(b) CLARIFICATION OF FIRST YEAR OF EMPLOYMENT.—Paragraph (2) of section 51(i) is amended by striking ''during which he was not a member of a targeted group''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 1999.

TITLE V—ESTATE TAX RELIEF

Subtitle A—Reductions of Estate and Gift Tax Rates

SEC. 501. REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—

(1) IN GENERAL.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

''Over $2,500,000 ..... $1,025,800, plus 50% of the excess over $2,500,000.''.

(2) PHASE-IN OF REDUCED RATE.—Subsection (c) of section 2001 is amended by adding at the end the following new paragraph:

''(3) PHASE-IN OF REDUCED RATE.—In the case of decedents dying, and gifts made, during 2001, the last item in the table contained in paragraph (1) shall be applied by substituting '53%' for '50%'.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2) and redesignating paragraph (3), as added by subsection (a), as paragraph (2).

(c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—Subsection (c) of section 2001, as so amended, is amended by adding at the end the following new paragraph:

''(3) PHASEDOWN OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2002—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced by the number of percentage points determined under subparagraph (B), and

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

''(B) PERCENTAGE POINTS OF REDUCTION.—

''For calendar year:	The number of percentage points is:
2003	1.0
2004 and thereafter	2.0.

''(C) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under subsection (c).''.

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2002.

Subtitle B—Unified Credit Replaced With Unified Exemption Amount

SEC. 511. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—

(1) ESTATE TAX.—Part IV of subchapter A of chapter 11 is amended by inserting after section 2051 the following new section:

''SEC. 2052. EXEMPTION.

''(a) IN GENERAL.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an amount equal to the excess (if any) of—

''(1) the exemption amount for the calendar year in which the decedent died, over

''(2) the sum of—

''(A) the aggregate amount allowed as an exemption under section 2521 with respect to gifts made by the decedent after December 31, 2000, and

''(B) the aggregate amount of gifts made by the decedent for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Wage and Employment Growth Act of 1999).

Gifts which are includible in the gross estate of the decedent shall not be taken into account in determining the amounts under paragraph (2).

''(b) EXEMPTION AMOUNT.—For purposes of subsection (a), the term 'exemption amount' means the amount determined in accordance with the following table:

''In the case of calendar year:	The exemption amount is:
2001	$675,000
2002 and 2003	$700,000
2004	$850,000
2005	$950,000
2006 or thereafter	$1,000,000.''.

(2) GIFT TAX.—Subchapter C of chapter 12 (relating to deductions) is amended by inserting before section 2522 the following new section:

''SEC. 2521. EXEMPTION.

''In computing taxable gifts for any calendar year, there shall be allowed as a deduction in the case of a citizen or resident of the United States an amount equal to the excess of—

''(1) the exemption amount determined under section 2052 for such calendar year, over

''(2) the sum of—

''(A) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2000, and

''(B) the aggregate amount of gifts for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Wage and Employment Growth Act of 1999).''.

(b) REPEAL OF UNIFIED CREDITS.—

(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 2001(b)(1) is amended by inserting before the comma ''reduced by the amount described in section 2052(a)(2)(B)''.

(2)(A) Subsection (b) of section 2011 is amended—

(i) by striking ''adjusted'' in the table, and

(ii) by striking the last sentence.

(B) Subsection (f) of section 2011 is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(3) Subsection (a) of section 2012 is amended by striking ''and the unified credit provided by section 2010''.

(4)(A) Subsection (b) of section 2013 is amended by inserting before the period at the end of the first sentence ''and increased by the exemption allowed under section 2052 or 2106(a)(4) (or the corresponding provisions of prior law) in determining the taxable estate of the transferor for purposes of the estate tax''.

(B) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2010,''.

(5) Paragraph (2) of section 2014(b) is amended by striking ''2010,''.

(6) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows:

''(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Wage and Employment Growth Act of 1999) or the exemption allowable under section 2052 with respect to the decedent as a credit under section 2505 (as so in effect) or exemption under section 2521 (as the case may be) allowable to such surviving spouse for purposes of determining the amount of the exemption allowable under section 2521 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year,''.

(7) Paragraph (3) of section 2057(a) is amended to read as follows:

''(3) COORDINATION WITH EXEMPTION AMOUNT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), if this section applies to an estate, the exemption amount under section 2052 shall be $625,000.

''(B) INCREASE IN EXEMPTION AMOUNT IF DEDUCTION IS LESS THAN $675,000.—If the deduction allowed by this section is less than $675,000, the amount of the exemption amount under section 2052 shall be increased (but not above the amount which would apply to the estate without regard to this section) by the excess of $675,000 over the amount of the deduction allowed.''.

(8)(A) Subparagraph (B) of section 2101(b)(1) is amended by inserting before the comma ''reduced by the aggregate amount of gifts for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Wage and Employment Growth Act of 1999)''

(B) Subsection (b) of section 2101 is amended by striking the last sentence.

(9) Section 2102 is amended by striking subsection (c).

(10) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

''(4) EXEMPTION.—

''(A) IN GENERAL.—An exemption of $60,000.

''(B) RESIDENTS OF POSSESSIONS OF THE UNITED STATES.—In the case of a decedent who is considered to be a nonresident not a citizen of the United States under section 2209, the exemption under this paragraph shall be the greater of—

''(i) $60,000, or

''(ii) that proportion of $175,000 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH TREATIES.—To the extent required under any treaty obligation of the United States, the exemption allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 2052 (for the calendar year in which the decedent died) as the value of the part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.

''(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2505 as in effect on the day before the date of the enactment of the Wage and Employment Growth Act of 1999) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under 2521 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed).''.

(11)(A) Subsection (a) of section 2107 is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON EXEMPTION AMOUNT.—Subparagraphs (B) and (C) of section 2106(a)(4) shall not apply in applying section 2106 for purposes of this section.''.

(B) Subsection (c) of section 2107 is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking the second sentence of paragraph (2) (as so redesignated).

(12) Section 2206 is amended by striking ''the taxable estate'' in the first sentence and inserting ''the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate''.

(13) Section 2207 is amended by striking ''the taxable estate'' in the first sentence and inserting ''the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate''.

(14) Subparagraph (B) of section 2207B(a)(1) is amended to read as follows:

''(B) the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate.''.

(15) Subsection (a) of section 2503 is amended by striking ''section 2522'' and inserting ''section 2521''.

(16) Paragraph (1) of section 6018(a) is amended by striking ''the applicable exclusion amount in effect under section 2010(c)'' and inserting ''the exemption amount under section 2052''.

(17) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

''(A) the amount of the tax which would be imposed by chapter 11 on an amount of taxable estate equal to $1,000,000, or''.

(18) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2010.

(19) The table of sections for part IV of subchapter A of chapter 11 is amended by inserting after the item relating to section 2051 the following new item:

''Sec. 2052. Exemption.''.

(20) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(21) The table of sections for subchapter C of chapter 12 is amended by inserting before the item relating to section 2522 the following new item:

''Sec. 2521. Exemption.''.

(d) EFFECTIVE DATE.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2000, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2000.

Subtitle C—Modifications of Generation-skipping Transfer Tax

SEC. 521. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 1999, and to estate tax inclusion periods ending after December 31, 1999.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after the date of the enactment of this Act.

SEC. 522. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

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

SEC. 523. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 1431 of the Tax Reform Act of 1986.

SEC. 524. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FOR LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FOR LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, the date of the enactment of this Act.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall take effect on the date of the enactment of this Act and shall apply to allocations made prior to such date for purposes of determining the tax consequences of generation-skipping transfers with respect to which the period of time for filing claims for refund has not expired. No implication is intended with respect to the availability of relief for late elections or the application of a rule of substantial compliance prior to the enactment of this amendment.

Subtitle D—Conservation Easements

SEC. 531. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles'', and

(B) striking ''10 miles'' and inserting ''25 miles''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 1999.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—

(1) IN GENERAL.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 1997.

TITLE VI—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A—American Community Renewal Act of 1999

SEC. 601. SHORT TITLE.

This subtitle may be cited as the ''American Community Renewal Act of 1999''.

SEC. 602. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

''Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

''PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

''SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'); and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 15 nominated areas as renewal communities of which—

''(i) only 5 may be designated during the first 12 months of the period referred to in paragraph (4)(B),

''(ii) an additional 5 may be designated during the second 12 months of such period, and

''(iii) the remaining 5 may be designated during the last 12 months of such period.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 3 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

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

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) all shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

''(ii) two shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A);

''(ii) the parameters relating to the size and population characteristics of a renewal community; and

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

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 36-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

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

''(I) to nominate such area for designation as a renewal community;

''(II) to make the State and local commitments described in subsection (d); and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe; and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2007,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

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

''(A) the area is within the jurisdiction of one or more local governments;

''(B) the boundary of the area is continuous; and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater; or

''(II) 1,000 in any other case; or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress;

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate;

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

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

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area; and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

''(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community—

''(A) licensing requirements for occupations that do not ordinarily require a professional degree;

''(B) zoning restrictions on home-based businesses which do not create a public nuisance;

''(C) permit requirements for street vendors who do not create a public nuisance;

''(D) zoning or other restrictions that impede the formation of schools or child care centers; and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for

and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community; and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

''(3) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development; and

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock;

''(B) any qualified community partnership interest; and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

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

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any capital or profits interest in a domestic partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

''(ii) the original use of such property in the renewal community commences with the taxpayer; and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

''(ii) any land on which such property is located.

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

''PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Designation of earned income tax credit payments for deposit to family development account.

''SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit; and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRAS.—No deduction shall be allowed under this section for any taxable year to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid for such taxable year into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in section 72(t)(8)).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any trade or business other than any trade or business—

''(i) which consists of the operation of any facility described in section 144(c)(6)(B), or

''(ii) which contravenes any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash; and

''(B) contributions will not be accepted for the taxable year in excess of $3,000.

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year; and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by 10 percent of the portion of such amount which is includible in gross income.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) APPLICATION OF SECTION.—This section shall apply to amounts paid to a family development account for any taxable year beginning after December 31, 2000, and before January 1, 2008.

''SEC. 1400I. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

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

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

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

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2007.

''PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization deduction.

''Sec. 1400L. Increase in expensing under section 179.

''SEC. 1400K. COMMERCIAL REVITALIZATION DEDUCTION.

''(a) GENERAL RULE.—At the election of the taxpayer, either—

''(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

''(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

The deduction provided by this section with respect to such expenditure shall be in lieu of any depreciation deduction otherwise allowable on account of such expenditure.

''(b) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 2000;

''(B) a commercial revitalization deduction amount is allocated to the building under subsection (d); and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building (without regard to this section).

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

''(I) nonresidential real property; or

''(II) an addition or improvement to property described in subclause (I);

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation; and

''(iii) for land (including land which is functionally related to such property and subordinate thereto).

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the deduction under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(ii) CREDITS.—Any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(c) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(d) LIMITATION ON AGGREGATE DEDUCTIONS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the deduction determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization deduction amount (in the case of an amount determined under subsection (a)(2), the present value of such amount as determined under the rules of section 42(b)(2)(C) by substituting '100 percent' for '72 percent' in clause (ii) thereof) allocated to such building under this subsection by the commercial revitalization agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION DEDUCTION AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization deduction amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization deduction ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION DEDUCTION CEILING.—The State commercial revitalization deduction ceiling applicable to any State—

''(i) for each calendar year after 2000 and before 2008 is $6,000,000 for each renewal community in the State; and

''(ii) zero for each calendar year thereafter.

''(C) COMMERCIAL REVITALIZATION AGENCY.—For purposes of this section, the term 'commercial revitalization agency' means any agency authorized by a State to carry out this section.

''(e) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization deduction amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part; and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions;

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process;

''(ii) the amount of any increase in permanent, full-time employment by reason of any project; and

''(iii) the active involvement of residents and nonprofit groups within the renewal community; and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(f) REGULATIONS.—For purposes of this section, the Secretary shall, by regulations, provide for the application of rules similar to the rules of section 49 and subsections (a) and (b) of section 50.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2007.

''SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000; or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

''(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

''(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''.

SEC. 603. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E) with respect to expenditures paid or incurred after December 31, 2000.''.

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2007, in the case of a renewal community, as defined in section 1400E).''.

SEC. 604. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES.

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year; and

''(II) 30 percent of the qualified second-year wages for such year;

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000';

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect; and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with

respect to such individual determined under clause (ii).''.

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who begin work for the employer after December 31, 2000.

SEC. 605. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (19) the following new paragraph:

''(20) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1).''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of family development accounts, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the accounts (other than a qualified rollover, as defined in section 1400H(c)(7)), over

''(B) the amount allowable as a deduction under section 1400H for such contributions; and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the accounts for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);

''(B) the distributions out of the accounts for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3); and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year.

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.''; and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219''; and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''.

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION DEDUCTION.—

(1) Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) NO CARRYBACK OF SECTION 1400K DEDUCTION BEFORE DATE OF THE ENACTMENT.—No portion of the net operating loss for any taxable year which is attributable to any commercial revitalization deduction determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''.

(2) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(3) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by inserting ''AND COMMERCIAL REVITALIZATION DEDUCTION'' after ''CREDIT'' in the heading.

(h) CLERICAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''.

Subtitle B—Timber Incentives

SEC. 611. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.

(a) INCREASE IN DOLLAR LIMITATION.—Paragraph (1) of section 194(b) (relating to amortization of reforestation expenditures) is amended by striking ''$10,000 ($5,000'' and inserting ''$25,000 ($12,500''.

(b) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following new paragraph:

''(5) SUSPENSION OF DOLLAR LIMITATION.—Paragraph (1) shall not apply to taxable years beginning after December 31, 1999, and before January 1, 2004.

(c) CONFORMING AMENDMENT.—Paragraph (1) of section 48(b) is amended by striking ''section 194(b)(1)'' and inserting ''section 194(b)(1) and without regard to section 194(b)(5)''.

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

TITLE VII—REAL ESTATE PROVISIONS

Subtitle A—Improvements in Low-Income Housing Credit

SEC. 701. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.

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

''(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

''(ii) the greater of—

''(I) the applicable amount under subparagraph (H) multiplied by the State population, or

''(II) $2,000,000,''.

(b) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

''(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(ii), the applicable amount shall be determined under the following table:

''For calendar year:	The applicable amount is:
2000	$1.35
2001	1.45
2002	1.55
2003	1.65
2004 and thereafter	1.75.''.

(c) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies), as amended by subsection (c), is amended by adding at the end the following new subparagraph:

''(I) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a calendar year after 2004, the $2,000,000 in subparagraph (C) and the $1.75 amount in subparagraph (H) shall each be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—

''(I) In the case of the amount in subparagraph (C), any increase under clause (i) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(II) In the case of the amount in subparagraph (H), any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 42(h)(3)(C), as amended by subsection (a), is amended—

(A) by striking ''clause (ii)'' in the matter following clause (iv) and inserting ''clause (i)'', and

(B) by striking ''clauses (i)'' in the matter following clause (iv) and inserting ''clauses (ii)''.

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

(A) by striking ''subparagraph (C)(ii)'' and inserting ''subparagraph (C)(i)'', and

(B) by striking ''clauses (i)'' in subclause (II) and inserting ''clauses (ii)''.

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

SEC. 702. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

(a) SELECTION CRITERIA.—Subparagraph (C) of section 42(m)(1) (relating to certain selection criteria must be used) is amended—

(1) by inserting '', including whether the project includes the use of existing housing as part of a community revitalization plan'' before the comma at the end of clause (iii), and

(2) by striking clauses (v), (vi), and (vii) and inserting the following new clauses:

''(v) tenant populations with special housing needs,

''(vi) public housing waiting lists,

''(vii) tenant populations of individuals with children, and

''(viii) projects intended for eventual tenant ownership.''.

(b) PREFERENCE FOR COMMUNITY REVITALIZATION PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause (ii) of section 42(m)(1)(B) is amended by striking ''and'' at the end of subclause (I), by adding ''and'' at the end of subclause (II), and by inserting after subclause (II) the following new subclause:

''(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan,''.

SEC. 703. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

(a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—Subparagraph (A) of section 42(m)(1) (relating to responsibilities of housing credit agencies) is amended by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting a comma, and by adding at the end the following new clauses:

''(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and

''(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.''.

(b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (relating to qualified allocation plan) is amended by inserting before the period ''and in monitoring for noncompliance with habitability standards through regular site visits''.

SEC. 704. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

(a) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4) of section 42(d) (relating to special rules relating to determination of adjusted basis) is amended—

(1) by striking ''subparagraph (B)'' in subparagraph (A) and inserting ''subparagraphs (B) and (C)'',

(2) by redesignating subparagraph (C) as subparagraph (D), and

(3) by inserting after subparagraph (B) the following new subparagraph:

''(C) INCLUSION OF BASIS OF PROPERTY USED TO PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

''(i) IN GENERAL.—The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C)) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

''(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 10 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as one facility.

''(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term 'community service facility' means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).''.

(b) CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE DISREGARDED IN DETERMINING WHETHER BUILDING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of section 42(i)(2) (relating to determination of whether building is federally subsidized) is amended—

(1) in clause (i), by inserting ''or the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) (as in effect on October 1, 1997)'' after ''this subparagraph)'', and

(2) in the subparagraph heading, by inserting ''OR NATIVE AMERICAN HOUSING ASSISTANCE'' after ''HOME ASSISTANCE''.

SEC. 705. OTHER MODIFICATIONS.

(a) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILDINGS.—

(1) The first sentence of section 42(h)(1)(E)(ii) is amended by striking ''(as of'' the first place it appears and inserting ''(as of the later of the date which is 6 months after the date that the allocation was made or''.

(2) The last sentence of section 42(h)(3)(C) is amended by striking ''project which'' and inserting ''project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which''.

(b) DETERMINATION OF WHETHER BUILDINGS ARE LOCATED IN HIGH COST AREAS.—The first sentence of section 42(d)(5)(C)(ii)(I) is amended—

(1) by inserting ''either'' before ''in which 50 percent'', and

(2) by inserting before the period ''or which has a poverty rate of at least 25 percent''.

SEC. 706. CARRYFORWARD RULES.

(a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D) (relating to unused housing credit carryovers allocated among certain States) is amended by striking ''the excess'' and all that follows and inserting ''the excess (if any) of—

''(I) the unused State housing credit ceiling for the year preceding such year, over

''(II) the aggregate housing credit dollar amount allocated for such year.''.

(b) CONFORMING AMENDMENT.—The second sentence of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking ''clauses (i) and (iii)'' and inserting ''clauses (i) through (iv)''.

SEC. 707. EFFECTIVE DATE.

Except as otherwise provided in this subtitle, the amendments made by this subtitle shall apply to—

(1) housing credit dollar amounts allocated after December 31, 1999, and

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

Subtitle B—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

SEC. 711. MODIFICATIONS TO ASSET DIVERSIFICATION TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows:

''(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)), and

''(ii) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—

''(I) not more than 5 percent of the value of its total assets is represented by securities of any one issuer,

''(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any one issuer, and

''(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any one issuer.''.

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

''(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (4).—Securities of an issuer which are straight debt (as defined in section 1361(c)(5) without regard to subparagraph (B)(iii) thereof) shall not be taken into account in applying paragraph (4)(B)(ii)(III) if—

''(A) the issuer is an individual, or

''(B) the only securities of such issuer which are held by the trust or a taxable REIT subsidiary of the trust are straight debt (as so defined), or

''(C) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.''.

SEC. 712. TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES.

(a) INCOME FROM TAXABLE REIT SUBSIDIARIES NOT TREATED AS IMPERMISSIBLE TENANT SERVICE INCOME.—Clause (i) of section 856(d)(7)(C) (relating to exceptions to impermissible tenant service income) is amended by inserting ''or through a taxable REIT subsidiary of such trust'' after ''income''.

(b) CERTAIN INCOME FROM TAXABLE REIT SUBSIDIARIES NOT EXCLUDED FROM RENTS FROM REAL PROPERTY.—

(1) IN GENERAL.—Subsection (d) of section 856 (relating to rents from real property defined) is amended by adding at the end the following new paragraphs:

''(8) SPECIAL RULE FOR TAXABLE REIT SUBSIDIARIES.—For purposes of this subsection, amounts paid to a real estate investment trust by a taxable REIT subsidiary of such trust shall not be excluded from rents from real property by reason of paragraph (2)(B) if the requirements of either of the following subparagraphs are met:

''(A) LIMITED RENTAL EXCEPTION.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is rented to persons other than taxable REIT subsidiaries of such trust and other than persons described in section 856(d)(2)(B). The preceding sentence shall apply only to the extent that the amounts paid to the trust as rents from real property (as defined in paragraph (1) without regard to paragraph (2)(B)) from such property are substantially comparable to such rents made by the other tenants of the trust's property for comparable space.

''(B) EXCEPTION FOR CERTAIN LODGING FACILITIES.—The requirements of this subparagraph are met with respect to an interest in real property which is a qualified lodging facility leased by the trust to a taxable REIT subsidiary of the trust if the property is operated on behalf of such subsidiary by a person who is an eligible independent contractor.

''(9) ELIGIBLE INDEPENDENT CONTRACTOR.—For purposes of paragraph (8)(B)—

''(A) IN GENERAL.—The term 'eligible independent contractor' means, with respect to any qualified lodging facility, any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the taxable REIT subsidiary to operate the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for any person who is not a related person with respect to the real estate investment trust or the taxable REIT subsidiary.

''(B) SPECIAL RULES.—Solely for purposes of this paragraph and paragraph (8)(B), a person shall not fail to be treated as an independent contractor with respect to any qualified lodging facility by reason of any of the following:

''(i) The taxable REIT subsidiary bears the expenses for the operation of the facility pursuant to the management agreement or other similar service contract.

''(ii) The taxable REIT subsidiary receives the revenues from the operation of such facility, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

''(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as of the later of—

''(I) January 1, 1999, or

''(II) the earliest date that any taxable REIT subsidiary of such trust entered into a management agreement or other similar service contract with such person with respect to such qualified lodging facility.

''(C) RENEWALS, ETC., OF EXISTING LEASES.—For purposes of subparagraph (B)(iii)—

''(i) a lease shall be treated as in effect on January 1, 1999, without regard to its renewal after such date, so long as such renewal is pursuant to the terms of such lease as in effect on whichever of the dates under subparagraph (B)(iii) is the latest, and

''(ii) a lease of a property entered into after whichever of the dates under subparagraph (B)(iii) is the latest shall be treated as in effect on such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED LODGING FACILITY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified lodging facility' means any lodging facility unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility.

''(ii) LODGING FACILITY.—The term 'lodging facility' means a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis.

''(iii) CUSTOMARY AMENITIES AND FACILITIES.—The term 'lodging facility' includes customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

''(E) OPERATE INCLUDES MANAGE.—References in this paragraph to operating a property shall be treated as including a reference to managing the property.

''(F) RELATED PERSON.—Persons shall be treated as related to each other if such persons are treated as a single employer under subsection (a) or (b) of section 52.''.

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 856(d)(2) is amended by inserting ''except as provided in paragraph (8),'' after ''(B)''.

(3) DETERMINING RENTS FROM REAL PROPERTY.—

(A)(i) Paragraph (1) of section 856(d) is amended by striking ''adjusted bases'' each place it occurs and inserting ''fair market values''.

(ii) The amendment made by this subparagraph shall apply to taxable years beginning after December 31, 2000.

(B)(i) Clause (i) of section 856(d)(2)(B) is amended by striking ''number'' and inserting ''value''.

(ii) The amendment made by this subparagraph shall apply to amounts received or accrued in taxable years beginning after December 31, 2000, except for amounts paid pursuant to leases in effect on July 12, 1999, or pursuant to a binding contract in effect on such date and at all times thereafter.

SEC. 713. TAXABLE REIT SUBSIDIARY.

(a) IN GENERAL.—Section 856 is amended by adding at the end the following new subsection:

''(l) TAXABLE REIT SUBSIDIARY.—For purposes of this part—

''(1) IN GENERAL.—The term 'taxable REIT subsidiary' means, with respect to a real estate investment trust, a corporation (other than a real estate investment trust) if—

''(A) such trust directly or indirectly owns stock in such corporation, and

''(B) such trust and such corporation jointly elect that such corporation shall be treated as a taxable REIT subsidiary of such trust for purposes of this part.

Such an election, once made, shall be irrevocable unless both such trust and corporation consent to its revocation. Such election, and any revocation thereof, may be made without the consent of the Secretary.

''(2) 35 PERCENT OWNERSHIP IN ANOTHER TAXABLE REIT SUBSIDIARY.—The term 'taxable REIT subsidiary' includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

''(A) securities possessing more than 35 percent of the total voting power of the outstanding securities of such corporation, or

''(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

The preceding sentence shall not apply to a qualified REIT subsidiary (as defined in subsection (i)(2)). The rule of section 856(c)(7) shall apply for purposes of subparagraph (B).

''(3) EXCEPTIONS.—The term 'taxable REIT subsidiary' shall not include—

''(A) any corporation which directly or indirectly operates or manages a lodging facility or a health care facility, and

''(B) any corporation which directly or indirectly provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated.

Subparagraph (B) shall not apply to rights provided to an eligible independent contractor to operate or manage a lodging facility if such rights are held by such corporation as a franchisee, licensee, or in a similar capacity and such lodging facility is either owned by such corporation or is leased to such corporation from the real estate investment trust.

''(4) DEFINITIONS.—For purposes of paragraph (3)—

''(A) LODGING FACILITY.—The term 'lodging facility' has the meaning given to such term by paragraph (9)(D)(ii).

''(B) HEALTH CARE FACILITY.—The term 'health care facility' has the meaning given to such term by subsection (e)(6)(D)(ii).''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 856(i) is amended by adding at the end the following new sentence: ''Such term shall not include a taxable REIT subsidiary.''.

SEC. 714. LIMITATION ON EARNINGS STRIPPING.

Paragraph (3) of section 163(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary (as defined in section 856(l)) of a real estate investment trust to such trust.''.

SEC. 715. 100 PERCENT TAX ON IMPROPERLY ALLOCATED AMOUNTS.

(a) IN GENERAL.—Subsection (b) of section 857 (relating to method of taxation of real estate investment trusts and holders of shares or certificates of beneficial interest) is amended by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively, and by inserting after paragraph (6) the following new paragraph:

''(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST.—

''(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

''(B) REDETERMINED RENTS.—

''(i) IN GENERAL.—The term 'redetermined rents' means rents from real property (as defined in subsection 856(d)) the amount of which would (but for subparagraph (E)) be reduced on distribution, apportionment, or allocation under section 482 to clearly reflect income as a result of services furnished or rendered by a taxable REIT subsidiary of the real estate investment trust to a tenant of such trust.

''(ii) EXCEPTION FOR CERTAIN SERVICES.—Clause (i) shall not apply to amounts received directly or indirectly by a real estate investment trust for services described in paragraph (1)(B) or (7)(C)(i) of section 856(d).

''(iii) EXCEPTION FOR DE MINIMIS AMOUNTS.—Clause (i) shall not apply to amounts described in section 856(d)(7)(A) with respect to a property to the extent such amounts do not exceed the one percent threshold described in section 856(d)(7)(B) with respect to such property.

''(iv) EXCEPTION FOR COMPARABLY PRICED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) such subsidiary renders a significant amount of similar services to persons other than such trust and tenants of such trust who are unrelated (within the meaning of section 856(d)(8)(F)) to such subsidiary, trust, and tenants, but

''(II) only to the extent the charge for such service so rendered is substantially comparable to the charge for the similar services

rendered to persons referred to in subclause (I).

''(v) EXCEPTION FOR CERTAIN SEPARATELY CHARGED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) the rents paid to the trust by tenants (leasing at least 25 percent of the net leasable space in the trust's property) who are not receiving such service from such subsidiary are substantially comparable to the rents paid by tenants leasing comparable space who are receiving such service from such subsidiary, and

''(II) the charge for such service from such subsidiary is separately stated.

''(vi) EXCEPTION FOR CERTAIN SERVICES BASED ON SUBSIDIARY'S INCOME FROM THE SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

''(vii) EXCEPTIONS GRANTED BY SECRETARY.—The Secretary may waive the tax otherwise imposed by subparagraph (A) if the trust establishes to the satisfaction of the Secretary that rents charged to tenants were established on an arms' length basis even though a taxable REIT subsidiary of the trust provided services to such tenants.

''(C) REDETERMINED DEDUCTIONS.—The term 'redetermined deductions' means deductions (other than redetermined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for subparagraph (E)) be decreased on distribution, apportionment, or allocation under section 482 to clearly reflect income as between such subsidiary and such trust.

''(D) EXCESS INTEREST.—The term 'excess interest' means any deductions for interest payments by a taxable REIT subsidiary of a real estate investment trust to such trust to the extent that the interest payments are in excess of a rate that is commercially reasonable.

''(E) COORDINATION WITH SECTION 482.—The imposition of tax under subparagraph (A) shall be in lieu of any distribution, apportionment, or allocation under section 482.

''(F) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.''.

(b) AMOUNT SUBJECT TO TAX NOT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) (relating to real estate investment trust taxable income) is amended by striking ''paragraph (5)'' and inserting ''paragraphs (5) and (7)''.

SEC. 716. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this part shall apply to taxable years beginning after December 31, 2000.

(b) TRANSITIONAL RULES RELATED TO SECTION 711.—

(1) EXISTING ARRANGEMENTS.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendment made by section 711 shall not apply to a real estate investment trust with respect to—

(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999,

(ii) securities of a corporation held by an entity on July 12, 1999, if such trust acquires control of such entity pursuant to a written binding contract in effect on such date and at all times thereafter before such acquisition,

(iii) securities received by such trust (or a successor) in exchange for, or with respect to, securities described in clause (i) or (ii) in a transaction in which gain or loss is not recognized, and

(iv) securities acquired directly or indirectly by such trust as part of a reorganization (as defined in section 368(a)(1) of the Internal Revenue Code of 1986) with respect to such trust if such securities are described in clause (i), (ii), or (iii) with respect to any other real estate investment trust.

(B) NEW TRADE OR BUSINESS OR SUBSTANTIAL NEW ASSETS.—Subparagraph (A) shall cease to apply to securities of a corporation as of the first day after July 12, 1999, on which such corporation engages in a substantial new line of business, or acquires any substantial asset, other than—

(i) pursuant to a binding contract in effect on such date and at all times thereafter before the acquisition of such asset,

(ii) in a transaction in which gain or loss is not recognized by reason of section 1031 or 1033 of the Internal Revenue Code of 1986, or

(iii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.

(C) LIMITATION ON TRANSITION RULES.—Subparagraph (A) shall cease to apply to securities of a corporation held, acquired, or received, directly or indirectly, by a real estate investment trust as of the first day after July 12, 1999, on which such trust acquires any additional securities of such corporation other than—

(i) pursuant to a binding contract in effect on July 12, 1999, and at all times thereafter, or

(ii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.

(2) TAX-FREE CONVERSION.—If—

(A) at the time of an election for a corporation to become a taxable REIT subsidiary, the amendment made by section 1021 does not apply to such corporation by reason of paragraph (1), and

(B) such election first takes effect before January 1, 2004,

such election shall be treated as a reorganization qualifying under section 368(a)(1)(A) of such Code.

PART II—HEALTH CARE REITS

SEC. 721. HEALTH CARE REITS.

(a) SPECIAL FORECLOSURE RULE FOR HEALTH CARE PROPERTIES.—Subsection (e) of section 856 (relating to special rules for foreclosure property) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTIES.—For purposes of this subsection—

''(A) ACQUISITION AT EXPIRATION OF LEASE.—The term 'foreclosure property' shall include any qualified health care property acquired by a real estate investment trust as the result of the termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease).

''(B) GRACE PERIOD.—In the case of a qualified health care property which is foreclosure property solely by reason of subparagraph (A), in lieu of applying paragraphs (2) and (3)—

''(i) the qualified health care property shall cease to be foreclosure property as of the close of the second taxable year after the taxable year in which such trust acquired such property, and

''(ii) if the real estate investment trust establishes to the satisfaction of the Secretary that an extension of the grace period in clause (i) is necessary to the orderly leasing or liquidation of the trust's interest in such qualified health care property, the Secretary may grant one or more extensions of the grace period for such qualified health care property.

Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

''(C) INCOME FROM INDEPENDENT CONTRACTORS.—For purposes of applying paragraph (4)(C) with respect to qualified health care property which is foreclosure property by reason of subparagraph (A) or paragraph (1), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income is attributable to—

''(i) any lease of property in effect on the date the real estate investment trust acquired the qualified health care property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or

''(ii) any lease of property entered into after such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED HEALTH CARE PROPERTY.—

''(i) IN GENERAL.—The term 'qualified health care property' means any real property (including interests therein), and any personal property incident to such real property, which—

''(I) is a health care facility, or

''(II) is necessary or incidental to the use of a health care facility.

''(ii) HEALTH CARE FACILITY.—For purposes of clause (i), the term 'health care facility' means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of or mortgage secured by such facility, was operated by a provider of such services which was eligible for participation in the medicare program under title XVIII of the Social Security Act with respect to such facility.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

SEC. 731. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

(a) DISTRIBUTION REQUIREMENT.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to real estate investment trusts) are each amended by striking ''95 percent (90 percent for taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

(b) IMPOSITION OF TAX.—Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ''95 percent (90 percent in the case of taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

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

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME

SEC. 741. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:

''In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 751. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:

''(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—

''(A) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and

''(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall not be treated as a distribution for purposes of subsection (b)(2)(D) and section 855.''.

(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by inserting before the period ''and section 858''.

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

Subtitle C—Private Activity Bond Volume Cap

SEC. 761. ACCELERATION OF PHASE-IN OF INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit) is amended to read as follows:

''Calendar Year	Per Capita Limit	Aggregate Limit
2000	$55.00	165,000,000
2001	60.00	180,000,000
2002	65.00	195,000,000
2003	70.00	210,000,000
2004 and thereafter.	75.00	225,000,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after 1999.

Subtitle D—Exclusion from gross income for certain forgiven mortgage obligations

SEC. 771. EXCLUSION FROM GROSS INCOME FOR CERTAIN FORGIVEN MORTGAGE OBLIGATIONS.

(a) IN GENERAL.—Paragraph (1) of section 108(a) of the Internal Revenue Code of 1986 (relating to exclusion from gross income) is amended by striking ''or'' at the end of both subparagraphs (A) and (C), by striking the period at the end of subparagraph (D) and inserting '', or'', and by inserting after subparagraph (D) the following new subparagraph:

''(E) in the case of an individual, the indebtedness discharged is qualified residential indebtedness.''.

(b) QUALIFIED RESIDENTIAL INDEBTEDNESS SHORTFALL.—Section 108 of such Code (relating to discharge of indebtedness) is amended by adding at the end the following new subsection:

''(h) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

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

''(A) the outstanding principal amount of such indebtedness (immediately before the discharge), over

''(B) the sum of—

''(i) the amount realized from the sale of the real property securing such indebtedness reduced by the cost of such sale, and

''(ii) the outstanding principal amount of any other indebtedness secured by such property.

''(2) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

''(A) IN GENERAL.—The term 'qualified residential indebtedness' means indebtedness which—

''(i) was incurred or assumed by the taxpayer in connection with real property used as a residence and is secured by such real property,

''(ii) is incurred or assumed to acquire, construct, reconstruct, or substantially improve such real property, and

''(iii) with respect to which such taxpayer makes an election to have this paragraph apply.

''(B) REFINANCED INDEBTEDNESS.—Such term shall include indebtedness resulting from the refinancing of indebtedness under subparagraph (A)(ii), but only to the extent the refinanced indebtedness does not exceed the amount of the indebtedness being refinanced.

''(C) EXCEPTIONS.—Such term shall not include qualified farm indebtedness or qualified real property business indebtedness.''.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 108(a) of such Code is amended—

(A) in subparagraph (A) by striking ''and (D)'' and inserting ''(D), and (E)'', and

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

''(B) INSOLVENCY EXCLUSION TAKES PRECEDENCE OVER QUALIFIED FARM EXCLUSION; QUALIFIED REAL PROPERTY BUSINESS EXCLUSION; AND QUALIFIED RESIDENTIAL SHORTFALL EXCLUSION.—Subparagraphs (C), (D), and (E) of paragraph (1) shall not apply to a discharge to the extent the taxpayer is insolvent.''.

(2) Paragraph (1) of section 108(b) of such Code is amended by striking ''or (C)'' and inserting ''(C), or (E)''.

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

''(4) SPECIAL RULE RELATING TO DISCHARGE OF INDEBTEDNESS.—The amount of gain which (but for this paragraph) would be excluded from gross income under subsection (a) with respect to a principal residence shall be reduced by the amount excluded from gross income under section 108(a)(1)(E) with respect to such residence.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges after the date of the enactment of this Act.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. CREDIT FOR MODIFICATIONS TO INTERCITY BUSES REQUIRED UNDER THE AMERICANS WITH DISABILITIES ACT OF 1990.

(a) IN GENERAL.—Subsection (a) of section 44 (relating to expenditures to provide access to disabled individuals) is amended to read as follows:

''(a) GENERAL RULE.—For purposes of section 38, the amount of the disabled access credit determined under this section for any taxable year shall be an amount equal to the sum of—

''(1) in the case of an eligible small business, 50 percent of so much of the eligible access expenditures for the taxable year as exceed $250 but do not exceed $10,250, and

''(2) 50 percent of so much of the eligible bus access expenditures for the taxable year with respect to each eligible bus as exceed $250 but do not exceed $30,250.''.

(b) ELIGIBLE BUS ACCESS EXPENDITURES.—Section 44 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

''(d) ELIGIBLE BUS ACCESS EXPENDITURES.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible bus access expenditures' means amounts paid or incurred by the taxpayer for the purpose of enabling the taxpayer's eligible bus to comply with applicable requirements under the Americans With Disabilities Act of 1990 (as in effect on the date of the enactment of this subsection).

''(2) CERTAIN EXPENDITURES NOT INCLUDED.—The amount of eligible bus access expenditures otherwise taken into account under subsection (a)(2) shall be reduced to the extent that funds for such expenditures are received under any Federal, State, or local program.

''(3) ELIGIBLE BUS.—The term 'eligible bus' means any automobile bus eligible for a refund under section 6427(b) by reason of transportation described in section 6427(b)(1)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999, and before January 1, 2012.

SEC. 802. CERTAIN EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME AS A SCHOLARSHIP.

(a) IN GENERAL.—Section 117 (relating to qualified scholarships) is amended by adding at the end the following new subsection:

''(e) EMPLOYER-PROVIDED EDUCATIONAL BENEFITS PROVIDED TO CHILDREN OF EMPLOYEES.—

''(1) IN GENERAL.—In determining whether any amount is a qualified scholarship for purposes of subsection (a), the fact that such amount is provided in connection with an

employment relationship shall be disregarded if—

''(A) such amount is provided by the employer to a child (as defined in section 151(c)(3)) of an employee of such employer,

''(B) such amount is provided pursuant to a plan which meets the nondiscrimination requirements of subsection (d)(3), and

''(C) amounts provided under such plan are in addition to any other compensation payable to employees and such plan does not provide employees with a choice between such amounts and any other benefit.

For purposes of subparagraph (C), the business practices of the employer (as well as such plan) shall be taken into account.

''(2) DOLLAR LIMITATIONS.—

''(A) PER CHILD.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year with respect to amounts provided to each child of such employee shall not exceed $2,000.

''(B) AGGREGATE LIMIT.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year (after the application of subparagraph (A)) shall not exceed the excess of the dollar amount contained in section 127(a)(2) over the amount excluded from the employee's gross income under section 127 for such year.

''(3) PRINCIPAL SHAREHOLDERS AND OWNERS.—Paragraph (1) shall not apply to any amount provided to any child of any individual if such individual (or such individual's spouse) owns (on any day of the year) more than 5 percent of the stock or of the capital or profits interest in the employer.

''(4) DEGREE REQUIREMENT NOT TO APPLY.—In the case of an amount which is treated as a qualified scholarship by reason of this subsection, subsection (a) shall be applied without regard to the requirement that the recipient be a candidate for a degree.

''(5) CERTAIN OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (7) of section 127(c) shall apply for purposes of this subsection.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 803. TAX INCENTIVES FOR QUALIFIED UNITED STATES INDEPENDENT FILM AND TELEVISION PRODUCTION.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. UNITED STATES INDEPENDENT FILM AND TELEVISION PRODUCTION WAGE CREDIT.

''(a) AMOUNT OF CREDIT.—There shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 20 percent of the qualified wages paid or incurred during the calendar year which ends with or within the taxable year.

''(b) ONLY FIRST $20,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—With respect to each qualified United States independent film and television production, the amount of qualified wages paid or incurred to each qualified United States independent film and television production employee which may be taken into account for a calendar year shall not exceed $20,000.

''(c) QUALIFIED WAGES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified wages' means any wages paid or incurred by an employer for services performed by an employee while such employee is a qualified United States independent film and television production employee.

''(2) QUALIFIED UNITED STATES INDEPENDENT FILM AND TELEVISION PRODUCTION EMPLOYEE.—

''(A) IN GENERAL.—The term 'qualified United States independent film and television production employee' means, with respect to any period, any employee of an employer if substantially all of the services performed during such period by such employee for such employer are performed in an activity related to any qualified United States independent film and television production in a trade or business of the employer.

''(B) CERTAIN INDIVIDUALS NOT ELIGIBLE.—Such term shall not include—

''(i) any individual described in subparagraph (A), (B), or (C) of section 51(i)(1), and

''(ii) any 5-percent owner (as defined in section 416(i)(1)(B).

''(3) COORDINATION WITH OTHER WAGE CREDITS.—No credit shall be allowed under any other provision of this chapter for wages paid to any employee during any calendar year if the employer is allowed a credit under this section for any of such wages.

''(4) WAGES.—The term 'wages' has the same meaning as when used in section 51.

''(d) QUALIFIED UNITED STATES INDEPENDENT FILM AND TELEVISION PRODUCTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified United States independent film and television production' means any production of any motion picture (whether released theatrically or directly to video cassette or any other format), a mini series, or a pilot production for a dramatic series if—

''(A) the production is produced in whole or in substantial part within the United States (determined on the basis of proportion of the qualified United States independent film and television production employees with respect to such production to total employee performing services related to such production),

''(B) the production is created primarily for use as public entertainment or for educational purposes, and

''(C) the total production cost of the production is less than $10,000,000.

''(2) PUBLIC ENTERTAINMENT.—The term 'public entertainment' includes a motion picture film, video tape, or television program intended for initial broadcast via the public broadcast spectrum or delivered via cable distribution, or productions that are submitted to a national organization that rates films for violent or adult content. Such term does not include any film or tape the market for which is primarily topical, is otherwise essentially transitory in nature, or is produced for private noncommercial use.

''(3) TOTAL PRODUCTION COST.—The term 'total production cost' includes costs incurred in the delivery of the final master copy but does not include development, acquisition, and marketing costs of the qualified United States independent film and television production.

''(e) CONTROLLED GROUPS.—For purposes of this section—

''(1) all employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer for purposes of this subpart, and

''(2) the credit (if any) determined under this section with respect to each such employer shall be its proportionate share of the wages giving rise to such credit.

''(f) CERTAIN OTHER RULES MADE APPLICABLE.—Rules similar to the rules of section 51(k) and subsections (c) and (d) of section 52 shall apply for purposes of this section.''.

(b) DENIAL OF DOUBLE BENEFIT.—Subsection (a) of section 280C is amended by inserting ''35,'' before ''45A(a),''.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 35. United States independent film and television production wage credit.

''Sec. 36. Overpayments of tax.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid or incurred after the date of the enactment of this Act in taxable years ending after such date.

The SPEAKER pro tempore. The amendment consisting of the text of H.R. 3832 is adopted.

The text of H.R. 3081, as amended by inserting the text of H.R. 3832, is as follows:

H.R. 3832

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Small Business Tax Fairness Act of 2000''.

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

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; references; table of contents.

TITLE I—SMALL BUSINESS PROVISIONS

Sec. 101. Deduction for 100 percent of health insurance costs of self-employed individuals.
Sec. 102. Increase in expense treatment for small businesses.
Sec. 103. Increased deduction for meal expenses.
Sec. 104. Increased deductibility of business meal expenses for individuals subject to Federal limitations on hours of service.
Sec. 105. Income averaging for farmers and fishermen not to increase alternative minimum tax liability.
Sec. 106. Repeal of occupational taxes relating to distilled spirits, wine, and beer.
Sec. 107. Repeal of modification of installment method.

TITLE II—PENSION PROVISIONS

Subtitle A—Expanding Coverage

Sec. 201. Increase in benefit and contribution limits.
Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 203. Modification of top-heavy rules.
Sec. 204. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 205. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 206. Elimination of user fee for requests to IRS regarding pension plans.
Sec. 207. Deduction limits.
Sec. 208. Option to treat elective deferrals as after-tax contributions.

Subtitle B—Enhancing Fairness for Women

Sec. 221. Catchup contributions for individuals age 50 or over.

Sec. 222. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 223. Faster vesting of certain employer matching contributions.
Sec. 224. Simplify and update the minimum distribution rules.
Sec. 225. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 226. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

Subtitle C—Increasing Portability for Participants

Sec. 231. Rollovers allowed among various types of plans.
Sec. 232. Rollovers of IRAs into workplace retirement plans.
Sec. 233. Rollovers of after-tax contributions.
Sec. 234. Hardship exception to 60-day rule.
Sec. 235. Treatment of forms of distribution.
Sec. 236. Rationalization of restrictions on distributions.
Sec. 237. Purchase of service credit in governmental defined benefit plans.
Sec. 238. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 239. Minimum distribution and inclusion requirements for section 457 plans.

Subtitle D—Strengthening Pension Security and Enforcement

Sec. 241. Repeal of 150 percent of current liability funding limit.
Sec. 242. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 243. Excise tax relief for sound pension funding.
Sec. 244. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
Sec. 245. Treatment of multiemployer plans under section 415.

Subtitle E—Reducing Regulatory Burdens

Sec. 261. Modification of timing of plan valuations.
Sec. 262. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 263. Repeal of transition rule relating to certain highly compensated employees.
Sec. 264. Employees of tax-exempt entities.
Sec. 265. Clarification of treatment of employer-provided retirement advice.
Sec. 266. Reporting simplification.
Sec. 267. Improvement of employee plans compliance resolution system.
Sec. 268. Modification of exclusion for employer provided transit passes.
Sec. 269. Repeal of the multiple use test.
Sec. 270. Flexibility in nondiscrimination, coverage, and line of business rules.
Sec. 271. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
Sec. 272. Notice and consent period regarding distributions.

Subtitle F—Plan Amendments

Sec. 281. Provisions relating to plan amendments.

TITLE III—ESTATE TAX RELIEF

Subtitle A—Reductions of Estate and Gift Tax Rates

Sec. 301. Reductions of estate and gift tax rates.
Sec. 302. Sense of the Congress concerning repeal of the death tax.

Subtitle B—Unified Credit Replaced With Unified Exemption Amount

Sec. 311. Unified credit against estate and gift taxes replaced with unified exemption amount.

Subtitle C—Modifications of Generation-Skipping Transfer Tax

Sec. 321. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
Sec. 322. Severing of trusts.
Sec. 323. Modification of certain valuation rules.
Sec. 324. Relief provisions.

Subtitle D—Conservation Easements

Sec. 331. Expansion of estate tax rule for conservation easements.

TITLE IV—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A—American Community Renewal Act of 2000

Sec. 401. Short title.
Sec. 402. Designation of and tax incentives for renewal communities.
Sec. 403. Extension of expensing of environmental remediation costs to renewal communities.
Sec. 404. Extension of work opportunity tax credit for renewal communities.
Sec. 405. Conforming and clerical amendments.

Subtitle B—Timber Incentives

Sec. 411. Temporary suspension of maximum amount of amortizable reforestation expenditures.

TITLE V—REAL ESTATE PROVISIONS

Subtitle A—Improvements in Low-Income Housing Credit

Sec. 501. Modification of State ceiling on low-income housing credit.
Sec. 502. Modification of criteria for allocating housing credits among projects.
Sec. 503. Additional responsibilities of housing credit agencies.
Sec. 504. Modifications to rules relating to basis of building which is eligible for credit.
Sec. 505. Other modifications.
Sec. 506. Carryforward rules.
Sec. 507. Effective date.

Subtitle B—Private Activity Bond Volume Cap

Sec. 511. Acceleration of phase-in of increase in volume cap on private activity bonds.

Subtitle C—Exclusion From Gross Income for Certain Forgiven Mortgage Obligations

Sec. 512. Exclusion from gross income for certain forgiven mortgage obligations.

TITLE I—SMALL BUSINESS PROVISIONS

SEC. 101. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) is amended to read as follows:

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

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

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

SEC. 102. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

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

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 103. INCREASED DEDUCTION FOR MEAL EXPENSES.

(a) IN GENERAL.—Paragraph (1) of section 274(n) (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended by striking ''50 percent'' in the text and inserting ''the allowable percentage''.

(b) ALLOWABLE PERCENTAGES.—Subsection (n) of section 274 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

''(2) ALLOWABLE PERCENTAGE.—For purposes of paragraph (1), the allowable percentage is—

''(A) in the case of amounts for items described in paragraph (1)(B), 50 percent, and

''(B) in the case of expenses for food or beverages, 60 percent (55 percent for taxable years beginning during 2001).''

(c) CONFORMING AMENDMENT.—The heading for subsection (n) of section 274 is amended by striking ''50 PERCENT'' and inserting ''LIMITED PERCENTAGES''.

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

SEC. 104. INCREASED DEDUCTIBILITY OF BUSINESS MEAL EXPENSES FOR INDIVIDUALS SUBJECT TO FEDERAL LIMITATIONS ON HOURS OF SERVICE.

(a) IN GENERAL.—Paragraph (4) of section 274(n) (relating to limited percentages of meal and entertainment expenses allowed as deduction), as redesignated by section 103, is amended to read as follows:

''(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT TO FEDERAL HOURS OF SERVICE.—In the case of any expenses for food or beverages consumed while away from home (within the meaning of section 162(a)(2)) by an individual during, or incident to, the period of duty subject to the hours of service limitations of the Department of Transportation, paragraph (2)(B) shall be applied by substituting '80 percent' for the percentage otherwise applicable under paragraph (2)(B).''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 105. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.''.

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking ''farming business'' and inserting ''farming business or fishing business,''.

(2) DEFINITION OF ELECTED FARM INCOME.—

(A) IN GENERAL.—Clause (i) of section 1301(b)(1)(A) is amended by inserting ''or fishing business'' before the semicolon.

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting ''or fishing business'' after ''farming business'' both places it occurs.

(3) DEFINITION OF FISHING BUSINESS.—Section 1301(b) is amended by adding at the end the following new paragraph:

''(4) FISHING BUSINESS.—The term 'fishing business' means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

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

SEC. 106. REPEAL OF OCCUPATIONAL TAXES RELATING TO DISTILLED SPIRITS, WINE, AND BEER.

(a) REPEAL OF OCCUPATIONAL TAXES.—

(1) IN GENERAL.—The following provisions of part II of subchapter A of chapter 51 of the Internal Revenue Code of 1986 (relating to occupational taxes) are hereby repealed:

(A) Subpart A (relating to proprietors of distilled spirits plants, bonded wine cellars, etc.).

(B) Subpart B (relating to brewer).

(C) Subpart D (relating to wholesale dealers) (other than sections 5114 and 5116).

(D) Subpart E (relating to retail dealers) (other than section 5124).

(E) Subpart G (relating to general provisions) (other than sections 5142, 5143, 5145, and 5146).

(2) NONBEVERAGE DOMESTIC DRAWBACK.—Section 5131 is amended by striking '', on payment of a special tax per annum,''.

(3) INDUSTRIAL USE OF DISTILLED SPIRITS.—Section 5276 is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1)(A) The heading for part II of subchapter A of chapter 51 and the table of subparts for such part are amended to read as follows:

''PART II—MISCELLANEOUS PROVISIONS

''Subpart A. Manufacturers of stills.

''Subpart B. Nonbeverage domestic drawback claimants.

''Subpart C. Recordkeeping by dealers.

''Subpart D. Other provisions.''

(B) The table of parts for such subchapter A is amended by striking the item relating to part II and inserting the following new item:

''Part II. Miscellaneous provisions.''

(2) Subpart C of part II of such subchapter (relating to manufacturers of stills) is redesignated as subpart A.

(3)(A) Subpart F of such part II (relating to nonbeverage domestic drawback claimants) is redesignated as subpart B and sections 5131 through 5134 are redesignated as sections 5111 through 5114, respectively.

(B) The table of sections for such subpart B, as so redesignated, is amended—

(i) by redesignating the items relating to sections 5131 through 5134 as relating to sections 5111 through 5114, respectively, and

(ii) by striking ''and rate of tax'' in the item relating to section 5111, as so redesignated.

(C) Section 5111, as redesignated by subparagraph (A), is amended—

(i) by striking ''and rate of tax'' in the section heading,

(ii) by striking ''(a) ELIGIBILITY FOR DRAWBACK.—'', and

(iii) by striking subsection (b).

(4) Part II of subchapter A of chapter 51 is amended by adding after subpart B, as redesignated by paragraph (3), the following new subpart:

''Subpart C—Recordkeeping by Dealers

''Sec. 5121. Recordkeeping by wholesale dealers.

''Sec. 5122. Recordkeeping by retail dealers.

''Sec. 5123. Preservation and inspection of records, and entry of premises for inspection.''

(5)(A) Section 5114 (relating to records) is moved to subpart C of such part II and inserted after the table of sections for such subpart.

(B) Section 5114 is amended—

(i) by striking the section heading and inserting the following new heading:

''SEC. 5121. RECORDKEEPING BY WHOLESALE DEALERS.'',

and

(ii) by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) WHOLESALE DEALERS.—For purposes of this part—

''(1) WHOLESALE DEALER IN LIQUORS.—The term 'wholesale dealer in liquors' means any dealer (other than a wholesale dealer in beer) who sells, or offers for sale, distilled spirits, wines, or beer, to another dealer.

''(2) WHOLESALE DEALER IN BEER.—The term 'wholesale dealer in beer' means any dealer who sells, or offers for sale, beer, but not distilled spirits or wines, to another dealer.

''(3) DEALER.—The term 'dealer' means any person who sells, or offers for sale, any distilled spirits, wines, or beer.

''(4) PRESUMPTION IN CASE OF SALE OF 20 WINE GALLONS OR MORE.—The sale, or offer for sale, of distilled spirits, wines, or beer, in quantities of 20 wine gallons or more to the same person at the same time, shall be presumptive evidence that the person making such sale, or offer for sale, is engaged in or carrying on the business of a wholesale dealer in liquors or a wholesale dealer in beer, as the case may be. Such presumption may be overcome by evidence satisfactorily showing that such sale, or offer for sale, was made to a person other than a dealer.''

(C) Paragraph (3) of section 5121(d), as so redesignated, is amended by striking ''section 5146'' and inserting ''section 5123''.

(6)(A) Section 5124 (relating to records) is moved to subpart C of part II of subchapter A of chapter 51 and inserted after section 5121.

(B) Section 5124 is amended—

(i) by striking the section heading and inserting the following new heading:

''SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.'',

(ii) by striking ''section 5146'' in subsection (c) and inserting ''section 5123'', and

(iii) by redesignating subsection (c) as subsection (d) and inserting after subsection (b) the following new subsection:

''(c) RETAIL DEALERS.—For purposes of this section—

''(1) RETAIL DEALER IN LIQUORS.—The term 'retail dealer in liquors' means any dealer (other than a retail dealer in beer) who sells, or offers for sale, distilled spirits, wines, or beer, to any person other than a dealer.

''(2) RETAIL DEALER IN BEER.—The term 'retail dealer in beer' means any dealer who sells, or offers for sale, beer, but not distilled spirits or wines, to any person other than a dealer.

''(3) DEALER.—The term 'dealer' has the meaning given such term by section 5121(c)(3).''

(7) Section 5146 is moved to subpart C of part II of subchapter A of chapter 51, inserted after section 5122, and redesignated as section 5123.

(8) Part II of subchapter A of chapter 51 is amended by inserting after subpart C the following new subpart:

''Subpart D. Other Provisions

''Sec. 5131. Packaging distilled spirits for industrial uses.

''Sec. 5132. Prohibited purchases by dealers.''

(9) Section 5116 is moved to subpart D of part II of subchapter A of chapter 51, inserted after the table of sections, redesignated as section 5131, and amended by inserting ''(as defined in section 5121(c))'' after ''dealer'' in subsection (a).

(10) Subpart D of part II of subchapter A of chapter 51 is amended by adding at the end thereof the following new section:

''SEC. 5132. PROHIBITED PURCHASES BY DEALERS.

''(a) IN GENERAL.—Except as provided in regulations prescribed by the Secretary, it shall be unlawful for a dealer to purchase distilled spirits from any person other than a wholesale dealer in liquors who is required to keep the records prescribed by section 5121.

''(b) PENALTY AND FORFEITURE.—

''For penalty and forfeiture provisions applicable to violations of subsection (a), see sections 5687 and 7302.''

(11) Subsection (b) of section 5002 is amended—

(A) by striking ''section 5112(a)'' and inserting ''section 5121(c)(3)'',

(B) by striking ''section 5112'' and inserting ''section 5121(c)'',

(C) by striking ''section 5122'' and inserting ''section 5122(c)''.

(12) Subparagraph (A) of section 5010(c)(2) is amended by striking ''section 5134'' and inserting ''section 5114''.

(13) Subsection (d) of section 5052 is amended to read as follows:

''(d) BREWER.—For purposes of this chapter, the term 'brewer' means any person who brews beer or produces beer for sale. Such term shall not include any person who produces only beer exempt from tax under section 5053(e).''

(14) The text of section 5182 is amended to read as follows:

''For provisions requiring recordkeeping by wholesale liquor dealers, see section 5112, and by retail liquor dealers, see section 5122.''

(15) Subsection (b) of section 5402 is amended by striking ''section 5092'' and inserting ''section 5052(d)''.

(16) Section 5671 is amended by striking ''or 5091''.

(17)(A) Part V of subchapter J of chapter 51 is hereby repealed.

(B) The table of parts for such subchapter J is amended by striking the item relating to part V.

(18)(A) Sections 5142, 5143, and 5145 are moved to subchapter D of chapter 52, inserted after section 5731, redesignated as sections 5732, 5733, and 5734, respectively, and amended—

(i) by striking ''this part'' each place it appears and inserting ''this subchapter'', and

(ii) by striking ''this subpart'' in section 5732(c)(2) (as so redesignated) and inserting ''this subchapter''.

(B) Section 5732, as redesignated by subparagraph (A), is amended by striking ''(except the tax imposed by section 5131)'' each place it appears.

(C) Subsection (c) of section 5733, as redesignated by subparagraph (A), is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(D) The table of sections for subchapter D of chapter 52 is amended by adding at the end thereof the following:

''Sec. 5732. Payment of tax.

''Sec. 5733. Provisions relating to liability for occupational taxes.

''Sec. 5734. Application of State laws.''

(E) Section 5731 is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(19) Subsection (c) of section 6071 is amended by striking ''section 5142'' and inserting ''section 5732''.

(20) Paragraph (1) of section 7652(g) is amended—

(A) by striking ''subpart F'' and inserting ''subpart B'', and

(B) by striking ''section 5131(a)'' and inserting ''section 5111(a)''.

(21) The table of sections for subchapter D of chapter 51 is amended by striking the item relating to section 5276.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 2001, but shall not apply to taxes imposed for periods before such date.

SEC. 107. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

(b) APPLICABILITY.—The Internal Revenue Code of 1986 shall be applied and administered as if that subsection (and the amendments made by that subsection) had not been enacted.

TITLE II—PENSION PROVISIONS

Subtitle A—Expanding Coverage

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62''.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000'', and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000'', and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENT.—Section 415(b)(2) is amended by striking subparagraph (F).

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000'', and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000'', and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000'', and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$11,000
2002	$12,000
2003	$13,000
2004 or thereafter	$14,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2004, the Secretary shall adjust the $14,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2003, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount'', and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$11,000
2002	$12,000
2003	$13,000
2004 or thereafter	$14,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2004, the Secretary shall adjust the $14,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2003, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Clause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to loans made after December 31, 2000.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i),

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'',

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)'', and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 211, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the 5th plan year the pension benefit plan is in existence, or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 207. DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as participant's compensation under subparagraph (C) or (D) of section 415(c)(3).''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

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

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified

program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

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

Subtitle B—Enhancing Fairness for Women

SEC. 221. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

''(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

''(ii) the excess (if any) of—

''(I) the participant's compensation for the year, over

''(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in:	**The applicable percentage is:**
2001	10
2002	20
2003	30
2004 and thereafter	40

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

''(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

''(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

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

''(A) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

''(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(C) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (B)(iii) for any year to which section 457(b)(3) applies.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 222. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Small Business Tax Fairness Act of 2000)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 211) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Small Business Tax Fairness Act of 2000)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 223. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 224. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and

(B) modify such regulations to—

(i) reflect current life expectancy, and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) EFFECTIVE DATE FOR REGULATIONS.—Regulations referred to in paragraph (1) shall be effective for years beginning after December 31, 2000, and shall apply in such years without regard to whether an individual had previously begun receiving minimum distributions.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading, and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him,''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'',

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'',

(iii) by striking ''the date on which the employee would have attained the age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,'', and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 225. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 226. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2000.

Subtitle C—Increasing Portability for Participants

SEC. 231. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403 (b) PLANS.—

(1) ROLLOVERS FROM SECTION 403 (b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403 (b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 232. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 233. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.

SEC. 234. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 233, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 235. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary

amended to read as follows: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(2) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986, including the regulations required by the amendments made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 236. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 237. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(17))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

SEC. 238. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 239. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

Subtitle D—Strengthening Pension Security and Enforcement

SEC. 241. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 242. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

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

SEC. 243. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 244. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT TO 1986 CODE.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) any participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

who may reasonably be expected to be affected by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412,

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 245. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

Subtitle E—Reducing Regulatory Burdens

SEC. 261. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—For purposes'', and

(2) by adding at the end the following:

''(B) ELECTION TO USE PRIOR YEAR VALUATION.—

''(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii) EXCEPTIONS.—

''(I) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 262. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

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

SEC. 263. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2000.

SEC. 264. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401 (k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401 (k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 265. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

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

SEC. 266. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the first day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2001.

SEC. 267. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program,

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures,

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures,

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit, and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 268. MODIFICATION OF EXCLUSION FOR EMPLOYER PROVIDED TRANSIT PASSES.

(a) IN GENERAL.—Section 132(f)(3) (relating to cash reimbursements) is amended by striking the last sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 269. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 270. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply

before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2000, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 271. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting ''or by an international organization which is described in section 414(d)'' after ''or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS.—'' after ''(G)''.

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

SEC. 272. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT TO 1986 CODE.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(3) EFFECTIVE DATE.—The amendment made by paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 2000.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2000.

Subtitle F—Plan Amendments

SEC. 281. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2003.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

TITLE III—ESTATE TAX RELIEF

Subtitle A—Reductions of Estate and Gift Tax Rates

SEC. 301. REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—

(1) IN GENERAL.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

''Over $2,500,000 ..... $1,025,800, plus 50% of the excess over $2,500,000.''.

(2) PHASE-IN OF REDUCED RATE.—Subsection (c) of section 2001 is amended by adding at the end the following new paragraph:

''(3) PHASE-IN OF REDUCED RATE.—In the case of decedents dying, and gifts made, during 2001, the last item in the table contained in paragraph (1) shall be applied by substituting '53%' for '50%'.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2) and redesignating paragraph (3), as added by subsection (a), as paragraph (2).

(c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—Subsection (c) of section 2001, as so amended, is amended by adding at the end the following new paragraph:

''(3) PHASEDOWN OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2002—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced by the number of percentage points determined under subparagraph (B), and

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

''(B) PERCENTAGE POINTS OF REDUCTION.—

''For calendar year:	The number of percentage points is:
2003	1.0
2004	2.0.

''(C) TABLE FOR YEARS AFTER 2004.—The table applicable under this subsection to estates of decedents dying, and gifts made, during calendar year 2004 shall apply to estates of decedents dying, and gifts made, after calendar year 2004.

''(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under subsection (c).''.

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2002.

SEC. 302. SENSE OF THE CONGRESS CONCERNING REPEAL OF THE DEATH TAX.

(a) FINDINGS.—Congress finds the following:

(1) The death tax stifles economic growth by taking productive resources out of the private sector, thereby causing unemployment and inhibiting job creation.

(2) The death tax penalizes hard work and entrepreneurial activity by causing the demise of small, family-owned businesses when an owner dies.

(3) The death tax rates in the United States are the second highest among all industrialized nations.

(4) The death tax prevents minorities from gaining an economic foothold in the economy since it limits the inter-generational transfer of wealth, which is critical to establishing a legacy and power base for minorities in our society.

(5) The death tax presents serious challenges for farmers whose value is in their land, not liquid assets, and who must sell land to pay the tax, thereby jeopardizing the future existence of the already-struggling family farm.

(6) The death tax contributes to the development of rural areas by causing farms and ranches to be sold and subdivided.

(7) Previous attempts by Congress to create death tax exemptions have been ineffective due to an inability to legislatively duplicate the complex family relationships that exist in our society.

(8) Increasing entrepreneurship and investment in retirement will bring a whole new class of people under the death tax.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the death tax relief in this Act is considered a first step in our effort to ultimately repeal this onerous tax.

Subtitle B—Unified Credit Replaced With Unified Exemption Amount

SEC. 311. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—

(1) ESTATE TAX.—Subsection (b) of section 2001 (relating to computation of tax) is amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) the aggregate amount of tax which would have been payable under chapter 12 with respect to gifts made by the decedent after December 31, 1976, if the provisions of subsection (c) (as in effect at the decedent's death) had been applicable at the time of such gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under

this paragraph is a tax computed under subsection (c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—For purposes of paragraph (2), the term 'exemption amount' means the amount determined in accordance with the following table:

''In the case of calendar year:	The exemption amount is:
2001	$675,000
2002 and 2003	$700,000
2004	$850,000
2005	$950,000
2006 or thereafter	$1,000,000.

''(4) ADJUSTED TAXABLE GIFTS.—For purposes of paragraph (2), the term 'adjusted taxable gifts' means the total amount of the taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts which are includible in the gross estate of the decedent.''

(2) GIFT TAX.—Subsection (a) of section 2502 (relating to computation of tax) is amended to read as follows:

''(a) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) the tax paid under this section for all prior calendar periods.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph for a calendar year is a tax computed under section 2001(c) on the excess of—

''(A) the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

''(B) the exemption amount under section 2001(b)(3) for such calendar year.''

(b) REPEAL OF UNIFIED CREDITS.—

(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1)(A) Subsection (b) of section 2011 is amended—

(i) by striking ''adjusted'' in the table, and

(ii) by striking the last sentence.

(B) Subsection (f) of section 2011 is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(2) Subsection (a) of section 2012 is amended by striking ''and the unified credit provided by section 2010''.

(3) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2010,''.

(4) Paragraph (2) of section 2014(b) is amended by striking ''2010,''.

(5) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows:

''(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Small Business Tax Fairness Act of 2000) or the exemption amount allowable under section 2001(b) with respect to the decedent as a credit under section 2505 (as so in effect) or exemption under section 2521 (as the case may be) allowable to such surviving spouse for purposes of determining the amount of the exemption allowable under section 2521 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year,''.

(6) Subsection (a) of section 2057 is amended by striking paragraphs (2) and (3) and inserting the following new paragraph:

''(2) MAXIMUM DEDUCTION.—The deduction allowed by this section shall not exceed the excess of $1,300,000 over the exemption amount (as defined in section 2001(b)(3)).''

(7)(A) Subsection (b) of section 2101 is amended amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) a tentative tax computed under section 2001(c) on the amount of the adjusted taxable gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph is a tax computed under section 2001(c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—

''(A) IN GENERAL.—The term 'exemption amount' means $60,000.

''(B) RESIDENTS OF POSSESSIONS OF THE UNITED STATES.—In the case of a decedent who is considered to be a nonresident not a citizen of the United States under section 2209, the exemption amount under this paragraph shall be the greater of—

''(i) $60,000, or

''(ii) that proportion of $175,000 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH TREATIES.—To the extent required under any treaty obligation of the United States, the exemption amount allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 2001(b)(3) (for the calendar year in which the decedent died) as the value of the part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.

''(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2505 as in effect on the day before the date of the enactment of the Small Business Tax Fairness Act of 2000) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under 2521 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed).''.

(8) Section 2102 is amended by striking subsection (c).

(9)(A) Subsection (a) of section 2107 is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON EXEMPTION AMOUNT.—Subparagraphs (B) and (C) of section 2101(b)(3) shall not apply in applying section 2101 for purposes of this section.''.

(B) Subsection (c) of section 2107 is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking the second sentence of paragraph (2) (as so redesignated).

(10) Paragraph (1) of section 6018(a) is amended by striking ''the applicable exclusion amount in effect under section 2010(c)'' and inserting ''the exemption amount under section 2001(b)(3)''.

(11) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

''(A) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were $1,000,000, or''.

(12) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2010.

(20) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(13) The table of sections for subchapter C of chapter 12 is amended by inserting before the item relating to section 2522 the following new item:

''Sec. 2521. Exemption.''.

(d) EFFECTIVE DATE.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2000, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2000.

Subtitle C—Modifications of Generation-skipping Transfer Tax

SEC. 321. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur

before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 1999, and to estate tax inclusion periods ending after December 31, 1999.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after December 31, 1999.

SEC. 322. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after December 31, 1999.

SEC. 323. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 1999.

SEC. 324. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FOR LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FOR LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, December 31, 1999.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall take effect on the date of the enactment of this Act and shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 1999.

Subtitle D—Conservation Easements

SEC. 331. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles'', and

(B) striking ''10 miles'' and inserting ''25 miles''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 1999.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—

(1) IN GENERAL.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 1997.

TITLE IV—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A—American Community Renewal Act of 2000

SEC. 401. SHORT TITLE.

This subtitle may be cited as the ''American Community Renewal Act of 2000''.

SEC. 402. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

''Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

''PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

''SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'); and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 15 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 3 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

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

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST 10 DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) all shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

''(ii) two shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A);

''(ii) the parameters relating to the size and population characteristics of a renewal community; and

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

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 36-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

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

''(I) to nominate such area for designation as a renewal community;

''(II) to make the State and local commitments described in subsection (d); and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe; and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2007,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

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

''(A) the area is within the jurisdiction of one or more local governments;

''(B) the boundary of the area is continuous; and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan

statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater; or

''(II) 1,000 in any other case; or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress;

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate;

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

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

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area; and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

''(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community—

''(A) licensing requirements for occupations that do not ordinarily require a professional degree;

''(B) zoning restrictions on home-based businesses which do not create a public nuisance;

''(C) permit requirements for street vendors who do not create a public nuisance;

''(D) zoning or other restrictions that impede the formation of schools or child care centers; and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community; and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

''(3) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development; and

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock;

''(B) any qualified community partnership interest; and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

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

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any capital or profits interest in a domestic partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

''(ii) the original use of such property in the renewal community commences with the taxpayer; and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

''(ii) any land on which such property is located.

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

''PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Designation of earned income tax credit payments for deposit to family development account.

''SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit; and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRAS.—No deduction shall be allowed under this section for any taxable year to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid for such taxable year into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in section 72(t)(8)).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any trade or business other than any trade or business—

''(i) which consists of the operation of any facility described in section 144(c)(6)(B), or

''(ii) which contravenes any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash; and

''(B) contributions will not be accepted for the taxable year in excess of $3,000.

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year; and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than

the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by 10 percent of the portion of such amount which is includible in gross income.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) APPLICATION OF SECTION.—This section shall apply to amounts paid to a family development account for any taxable year beginning after December 31, 2000, and before January 1, 2008.

''SEC. 1400I. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

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

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

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

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2007.

''PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization deduction.

''Sec. 1400L. Increase in expensing under section 179.

''SEC. 1400K. COMMERCIAL REVITALIZATION DEDUCTION.

''(a) GENERAL RULE.—At the election of the taxpayer, either—

''(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

''(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

The deduction provided by this section with respect to such expenditure shall be in lieu of any depreciation deduction otherwise allowable on account of such expenditure.

''(b) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 2000;

''(B) a commercial revitalization deduction amount is allocated to the building under subsection (d); and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building (without regard to this section).

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

''(I) nonresidential real property; or

''(II) an addition or improvement to property described in subclause (I);

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation; and

''(iii) for land (including land which is functionally related to such property and subordinate thereto).

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the deduction under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(ii) CREDITS.—Any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(c) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(d) LIMITATION ON AGGREGATE DEDUCTIONS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the deduction determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization deduction amount (in the case of an amount determined under subsection (a)(2), the present value of such amount as determined under the rules of section 42(b)(2)(C) by substituting '100 percent' for '72 percent' in clause (ii) thereof) allocated to such building under this subsection by the commercial revitalization agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION DEDUCTION AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization deduction amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization deduction ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION DEDUCTION CEILING.—The State commercial revitalization deduction ceiling applicable to any State—

''(i) for each calendar year after 2000 and before 2008 is $6,000,000 for each renewal community in the State; and

''(ii) zero for each calendar year thereafter.

''(C) COMMERCIAL REVITALIZATION AGENCY.—For purposes of this section, the term 'commercial revitalization agency' means any agency authorized by a State to carry out this section.

''(e) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization deduction amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part; and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions;

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process;

''(ii) the amount of any increase in permanent, full-time employment by reason of any project; and

''(iii) the active involvement of residents and nonprofit groups within the renewal community; and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(f) REGULATIONS.—For purposes of this section, the Secretary shall, by regulations, provide for the application of rules similar to the rules of section 49 and subsections (a) and (b) of section 50.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2007.

''SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000; or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

''(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

''(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''.

SEC. 403. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E) with respect to expenditures paid or incurred after December 31, 2000.''.

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2007, in the case of a renewal community, as defined in section 1400E).''.

SEC. 404. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES.

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year; and

''(II) 30 percent of the qualified second-year wages for such year;

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000';

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect; and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).''.

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who begin work for the employer after December 31, 2000.

SEC. 405. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (19) the following new paragraph:

''(20) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1).''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of family development accounts, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the accounts (other than a qualified rollover, as defined in section 1400H(c)(7)), over

''(B) the amount allowable as a deduction under section 1400H for such contributions; and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the accounts for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);

''(B) the distributions out of the accounts for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3); and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year.

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.''; and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219''; and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''.

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION DEDUCTION.—

(1) Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) NO CARRYBACK OF SECTION 1400K DEDUCTION BEFORE DATE OF THE ENACTMENT.—No portion of the net operating loss for any taxable year which is attributable to any commercial revitalization deduction determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''.

(2) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(3) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by inserting ''AND COMMERCIAL REVITALIZATION DEDUCTION'' after ''CREDIT'' in the heading.

(h) CLERICAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''.

Subtitle B—Timber Incentives

SEC. 411. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.

(a) INCREASE IN DOLLAR LIMITATION.—Paragraph (1) of section 194(b) (relating to amortization of reforestation expenditures) is amended by striking ''$10,000 ($5,000'' and inserting ''$25,000 ($12,500''.

(b) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following new paragraph:

''(5) SUSPENSION OF DOLLAR LIMITATION.—Paragraph (1) shall not apply to taxable years beginning after December 31, 2000, and before January 1, 2004.

(c) CONFORMING AMENDMENT.—Paragraph (1) of section 48(b) is amended by striking ''section 194(b)(1)'' and inserting ''section 194(b)(1) and without regard to section 194(b)(5)''.

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

TITLE V—REAL ESTATE PROVISIONS

Subtitle A—Improvements in Low-Income Housing Credit

SEC. 501. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.

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

''(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

''(ii) the greater of—

''(I) the applicable amount under subparagraph (H) multiplied by the State population, or

''(II) $2,000,000,''.

(b) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

''(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(ii), the applicable amount shall be determined under the following table:

''For calendar year:	The applicable amount is:
2001	$1.35
2002	1.45
2003	1.55
2004 and thereafter	1.65.''.

(c) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies), as amended by subsection (c), is amended by adding at the end the following new subparagraph:

''(I) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a calendar year after 2004, the $2,000,000 in subparagraph (C) and the $1.65 amount in subparagraph (H) shall each be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—

''(I) In the case of the amount in subparagraph (C), any increase under clause (i) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(II) In the case of the amount in subparagraph (H), any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 42(h)(3)(C), as amended by subsection (a), is amended—

(A) by striking ''clause (ii)'' in the matter following clause (iv) and inserting ''clause (i)'', and

(B) by striking ''clauses (i)'' in the matter following clause (iv) and inserting ''clauses (ii)''.

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

(A) by striking ''subparagraph (C)(ii)'' and inserting ''subparagraph (C)(i)'', and

(B) by striking ''clauses (i)'' in subclause (II) and inserting ''clauses (ii)''.

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

SEC. 502. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

(a) SELECTION CRITERIA.—Subparagraph (C) of section 42(m)(1) (relating to certain selection criteria must be used) is amended—

(1) by inserting '', including whether the project includes the use of existing housing as part of a community revitalization plan'' before the comma at the end of clause (iii), and

(2) by striking clauses (v), (vi), and (vii) and inserting the following new clauses:

''(v) tenant populations with special housing needs,

''(vi) public housing waiting lists,

''(vii) tenant populations of individuals with children, and

''(viii) projects intended for eventual tenant ownership.''.

(b) PREFERENCE FOR COMMUNITY REVITALIZATION PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause (ii) of section 42(m)(1)(B) is amended by striking ''and'' at the end of subclause (I), by adding ''and'' at the end of subclause (II), and by inserting after subclause (II) the following new subclause:

''(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan,''.

SEC. 503. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

(a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—Subparagraph (A) of section 42(m)(1) (relating to responsibilities of housing credit agencies) is amended by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting a comma, and by adding at the end the following new clauses:

''(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and

''(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.''.

(b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (relating to qualified allocation plan) is amended by inserting before the period ''and in monitoring for noncompliance with habitability standards through regular site visits''.

SEC. 504. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

(a) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4) of section 42(d) (relating to special rules relating to determination of adjusted basis) is amended—

(1) by striking ''subparagraph (B)'' in subparagraph (A) and inserting ''subparagraphs (B) and (C)'',

(2) by redesignating subparagraph (C) as subparagraph (D), and

(3) by inserting after subparagraph (B) the following new subparagraph:

''(C) INCLUSION OF BASIS OF PROPERTY USED TO PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

''(i) IN GENERAL.—The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C)) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

''(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 10 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as one facility.

''(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term 'community service facility' means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).''.

(b) CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE DISREGARDED IN DETERMINING WHETHER BUILDING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of section 42(i)(2) (relating to determination of whether building is federally subsidized) is amended—

(1) in clause (i), by inserting ''or the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) (as in effect on October 1, 1997)'' after ''this subparagraph)'', and

(2) in the subparagraph heading, by inserting ''OR NATIVE AMERICAN HOUSING ASSISTANCE'' after ''HOME ASSISTANCE''.

SEC. 505. OTHER MODIFICATIONS.

(a) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILDINGS.—

(1) The first sentence of section 42(h)(1)(E)(ii) is amended by striking ''(as of'' the first place it appears and inserting ''(as of the later of the date which is 6 months after the date that the allocation was made or''.

(2) The last sentence of section 42(h)(3)(C) is amended by striking ''project which'' and inserting ''project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which''.

(b) DETERMINATION OF WHETHER BUILDINGS ARE LOCATED IN HIGH COST AREAS.—The first sentence of section 42(d)(5)(C)(ii)(I) is amended—

(1) by inserting ''either'' before ''in which 50 percent'', and

(2) by inserting before the period ''or which has a poverty rate of at least 25 percent''.

SEC. 506. CARRYFORWARD RULES.

(a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D) (relating to unused housing credit carryovers allocated among certain States) is amended by striking ''the excess'' and all that follows and inserting ''the excess (if any) of—

''(I) the unused State housing credit ceiling for the year preceding such year, over

''(II) the aggregate housing credit dollar amount allocated for such year.''.

(b) CONFORMING AMENDMENT.—The second sentence of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking ''clauses (i) and (iii)'' and inserting ''clauses (i) through (iv)''.

SEC. 507. EFFECTIVE DATE.

Except as otherwise provided in this subtitle, the amendments made by this subtitle shall apply to—

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

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

Subtitle B—Private Activity Bond Volume Cap

SEC. 511. ACCELERATION OF PHASE-IN OF INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit) is amended to read as follows:

''Calendar Year	Per Capita Limit	Aggregate Limit
2001	$55.00	$165,000,000
2002	60.00	180,000,000
2003	65.00	195,000,000
2004, 2005, and 2006.	70.00	210,000,000
2007 and thereafter.	75.00	225,000,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after 2000.

Subtitle C—Exclusion From Gross Income for Certain Forgiven Mortgage Obligations

SEC. 512. EXCLUSION FROM GROSS INCOME FOR CERTAIN FORGIVEN MORTGAGE OBLIGATIONS.

(a) IN GENERAL.—Paragraph (1) of section 108(a) (relating to exclusion from gross income) is amended by striking ''or'' at the end of both subparagraphs (A) and (C), by striking the period at the end of subparagraph (D) and inserting '', or'', and by inserting after subparagraph (D) the following new subparagraph:

''(E) in the case of an individual, the indebtedness discharged is qualified residential indebtedness.''.

(b) QUALIFIED RESIDENTIAL INDEBTEDNESS SHORTFALL.—Section 108 (relating to discharge of indebtedness) is amended by adding at the end the following new subsection:

''(h) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

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

''(A) the outstanding principal amount of such indebtedness (immediately before the discharge), over

''(B) the sum of—

''(i) the amount realized from the sale of the real property securing such indebtedness reduced by the cost of such sale, and

''(ii) the outstanding principal amount of any other indebtedness secured by such property.

''(2) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

''(A) IN GENERAL.—The term 'qualified residential indebtedness' means indebtedness which—

''(i) was incurred or assumed by the taxpayer in connection with real property used as the principal residence (within the meaning of section 121) of the taxpayer and is secured by such real property,

''(ii) is incurred or assumed to acquire, construct, reconstruct, or substantially improve such real property, and

''(iii) with respect to which such taxpayer makes an election to have this paragraph apply.

''(B) REFINANCED INDEBTEDNESS.—Such term shall include indebtedness resulting from the refinancing of indebtedness under subparagraph (A)(ii), but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

''(C) EXCEPTIONS.—Such term shall not include qualified farm indebtedness or qualified real property business indebtedness.''.

(c) CONFORMING AMENDMENTS.—

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

(A) in subparagraph (A) by striking ''and (D)'' and inserting ''(D), and (E)'', and

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

''(B) INSOLVENCY EXCLUSION TAKES PRECEDENCE OVER QUALIFIED FARM EXCLUSION; QUALIFIED REAL PROPERTY BUSINESS EXCLUSION; AND QUALIFIED RESIDENTIAL SHORTFALL EXCLUSION.—Subparagraphs (C), (D), and (E) of paragraph (1) shall not apply to a discharge to the extent the taxpayer is insolvent.''.

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

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

''(4) SPECIAL RULE RELATING TO DISCHARGE OF INDEBTEDNESS.—The amount of gain which (but for this paragraph) would be excluded from gross income under subsection (a) with respect to a principal residence shall be reduced by the amount excluded from gross income under section 108(a)(1)(E) with respect to such residence.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges after December 31, 2000.

The SPEAKER pro tempore. The gentleman from Texas (Mr. ARCHER) and the gentleman from New York (Mr. RANGEL) each will control 1 hour.

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

GENERAL LEAVE

Mr. ARCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the bill, H.R. 3081.

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

There was no objection.

1530

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

Mr. Speaker, today will be another day of accomplishment for the American people because today Congress will once again do the right thing and pass a plan to help make health care more affordable and accessible for hard-working, middle-income, self-employed Americans. We will also strengthen our pension system for millions of Americans and make it better for working women and people who switch jobs so often and in that way all Americans can be more secure in their retirement.

Mr. Speaker, I am proud that Congress is here today once again pushing to remove the gruesome death tax penalty from the Tax Code and to send it one step closer to the grave. Clearly, the death tax is one of the most unfair taxes in the Tax Code today. It is terribly complex and, what is worse, at a time when the only economic cloud on our horizon is our negative private savings rate, the death tax is a dollar for dollar tax on the personal savings of Americans. That is wrong.

Furthermore, it often prevents families from being able to see their small businesses go down to their heirs and forced to be sold in order to pay the tax. No one should have to visit the undertaker and the IRS on the same day.

Today the House considers the Small Business Tax Fairness Act to help the diesel engine of our economy and the job creation factory of our country. That factory is America's small businesses. More than 6 out of every 10 American workers is employed by a small business. Small businesses have created two-thirds of the new jobs since 1970, and small businesses account for close to 40 percent of the GNP.

American women are starting new businesses at twice the rate of men. This year, in fact, will be the first year in our entire history where women will own more than half of all businesses,

about 8 million across the Nation. The Small Business Tax Fairness Act is aimed to help those hard-working, middle-income Americans, the shopkeeper in South Carolina, the restaurant owner in California, and the small family in Ohio. These Americans are not rich. The average small business owner makes about $40,000 a year, and the average restaurant owner makes about $50,000 a year; but as we have heard already this morning, and it is really a shame, Democrats who want to divide our country are making the same old class warfare arguments that do nothing to help unite us; do nothing to help recognize the ladder of upward mobility for all Americans and that no one stays fixed in where they are today.

We should be expanding opportunity for all, not pitting one group of Americans against another. Is expanding the low-income housing tax credit a tax break for the rich? Is creating new renewal communities in America's most poverty stricken communities a tax break for the rich? Is helping self-employed Americans get health insurance at a tax break, is that helping the rich? Is strengthening our pension system a tax break for the rich?

All these provisions are included in this bill, but Democrats still cannot stop the tax cut for the rich broken record. Why can Democrats not leave the divisive class warfare rhetoric back in the 20th century where it belongs?

Once again, Democrats are fighting tax relief, any tax relief and all tax relief, whether it is for married couples or whether it is for small businesses.

Mr. Speaker, today Congress is once again doing the right thing. It was right to balance the budget and to pay down the debt, and we did that. It was right to strengthen Medicare, and we did that. It was right to cut taxes for families, promote higher education, expand health care, and we have done that. It was right to fix the failed welfare system so Americans can discover the freedom of independence and personal responsibility. It was right to reform the IRS, and we did that. It was right to help our school children and help parents and teachers with education reform. It was right to stop the raid on the Social Security trust fund and protect every dime of Social Security from being spent on other programs, and we have done that.

It is right to pass this plan today, a plan to help more Americans get health insurance, to give millions of Americans more retirement security, to help small businesses continue to create jobs and economic growth, and to put a nail in the coffin of one of the worst taxes in America today, the death tax.

Mr. Speaker, I urge the passage of this bill, and I would like to submit for the RECORD the following correspondence between Chairman GOODLING and myself:

COMMITTEE ON WAYS AND MEANS,
Washington, DC, March 7, 2000.

Hon. WILLIAM F. GOODLING,
Chairman, Committee on Education and the Workforce, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN GOODLING: I write to confirm our mutual understanding with respect to further consideration of H.R. 3801, the ''Wage and Employment Growth Act.'' H.R. 3801 was favorable reported by the Committee on Ways and Means on November 11, 1999.

In addition to the tax items considered by the Committee on Ways and Means, H.R. 3081 contains a number of provisions within the jurisdiction of the Education and Workforce Committee. In addition to the amendments to the Fair Labor Standards Act in Title I, the bill also contains provisions in Title III relating to the Employee Retirement Income Security Act (ERISA) and other pension related matters, which were previously approved by your Committee and included in the conference report for H.R. 2488, the ''Taxpayer Refund and Relief Act.'' You may recall that, in order to expedite consideration of H.R. 2488, you agreed to withhold the ERISA related items when the bill was considered on the floor pending subsequent action in conference.

Similarly, in order to expedite consideration of H.R. 3081, it is my understanding that you will agree to withhold consideration on the floor of the ERISA and pension related items within your Committee's jurisdiction at this time. This is being done based on the understanding that I will support efforts to include the agreed upon provisions in the final conference report on H.R. 3081, and that I will not object to a request for conferees with respect to matters within the jurisdiction of your Committee when a House-Senate conference is convened on this legislation.

Finally, I will include in the Record a copy of our exchange of letters on this matter during floor consideration. Thank you for your assistance and cooperation in this matter. With best personal regards,

Sincerely,

BILL ARCHER,
Chairman.

COMMITTEE ON EDUCATION AND THE WORKFORCE,
Washington, DC, March 7, 2000.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means, Longworth HOB, Washington, DC.

DEAR CHAIRMAN ARCHER: Thank you for your letter and for working with me regarding H.R. 3081, the Wage and Employment Growth Act. As you have correctly noted H.R. 3081 contains a number of provisions within the jurisdiction of the Committee on Education and the Workforce. I understand that in order to expedite consideration of the bill, all provisions within the sole jurisdiction of the Committee on Education and the Workforce will be deleted from the bill, including Title I, Amendments to the Fair Labor Standards Act; Section 377, a free standing provision dealing with the clarification of church plans under state insurance law; and all pension amendments to ERISA contained in Title III.

I appreciate your support and efforts to include the above referenced pension provisions in the final conference agreement on H.R. 3081. I also appreciate your support in my request to the Speaker for the appointment of conferees from my Committee with respect to matters within the jurisdiction of my Committee when a conference with the Senate is convened on this legislation.

Thank you for working with me to develop this legislation and for agreeing to include this exchange of letters in the Congressional Record during the House debate on H.R. 3081. I look forward to working with you on these issues in the future.

Sincerely,

BILL GOODLING,
Chairman.

Mr. Speaker, I reserve the balance of my time.

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

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

Mr. RANGEL. Mr. Speaker, when we are talking about justice, equity, and fair play, it is not right to call this a class war. While it is true that in the Republican tax bill, which basically came out of the Committee on Rules, that there are some democratic principles that we can support, the truth of the matter is one does not have to be an accountant or H&R Block or a tax lawyer to see that the $120 billion tax cut is not for the small business person. So take a look at it. Clearly, it is targeted for the wealthiest Americans that we have.

Now, it may not be bad to do that, but do not pile up on a bill that is just trying to give a dollar extra in terms of minimum wage. If these things want to be done, come out and let the Committee on Ways and Means have hearings, vote on it and bring it to the floor so that the floor can work its will.

What my colleagues are basically doing today is to say how can we kill the minimum wage bill. Now, the gentleman from California (Mr. DREIER), the chairman of the Committee on Rules, he stood up in this well and he said he thought it was bad to superimpose congressional rule on employers, and I know a lot of my colleagues think that is true. So why not just take the minimum wage bill, leave the tax portion to the Committee on Ways and Means, and vote up or down on what is right on minimum wage. Or do it their way and say, hey, the President is inclined to support minimum wage; maybe politically we can vote for it and have the President to veto it.

Now, how can one get the President to veto it? Load it up with provisions of the tax bill that passed last year because he would veto it.

Now, it just seems to me that if my colleagues on the other side did not have the political courage to get a vote to override the President's veto, we should not do on legislation for minimum wage what the Committee on Ways and Means and what this House is not prepared to do with a straight shot.

Everything that the people want is going to be taken, whether it is the Patients' Bill of Rights, affordable drugs, and it is going to be said that my colleagues on the other side are for these things and then add on to it substantial tax cuts that is not for the working people but for those who really have the highest earnings and deserve the benefits the least.

If one takes a look at the alternative that we asked for, many of the things

that are in their bill we have, but what we do is close the loopholes of Americans that after enjoying the benefits of the great prosperity that we have renounce their citizenship, renounce their country, renounce the American flag and flee off to foreign countries. For crying out loud, why would anyone be opposed to closing up that loophole? It is in our alternative.

We then will target the tax money, not $122 billion but $36 billion, to the small farmers, the small businesspeople, and this is what they want and this is what the President is willing to sign.

We have targeted relief for people that need and deserve it. So if what my colleagues on the other side are trying to say is that they are for an increase in the minimum wage but they want to help the small businessman, how do they explain that three-fourths of the bill, in terms of tax cuts, is not going to the small businessman, not going to the small farmer? Is this their way to kill a bill by having the President to veto it and then wait until their whole legislative process collapses and then we negotiate with the President?

We should not have to negotiate with any President. We should legislate, and we should also give the minority an opportunity to express its will.

What does that mean? Why would the rule deny us an opportunity just for an alternative, just to give Republicans and Democrats an opportunity to say that we have a better way to do it?

Well, we know one thing, that what is really trying to be done is to get that 800 pound billion dollar gorilla back up here to the tax floor in smaller pieces. It did not work last year. It was vetoed last year. An override for the veto last year was not run for, and an override this year is not being thought about to try for.

There are things that we should be working together on: Fixing up Social Security, Medicare, Patients' Bill of Rights, affordable drugs, education; not to do it as Democrats, not to do it as Republicans but to do it as Americans and as Members of Congress and working with the President. One does not have to like the President to work with him, but they cannot do it alone and the only time we can accomplish something is by cooperation, as the chairman and I did when we brought to the floor removing the penalty for people who want to work after 65. That is what is called cooperation. That is how bills are not vetoed, and that is how we can work again.

Mr. Speaker, I reserve the balance of my time.

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the gentleman from Illinois (Mr. CRANE), the ranking Republican member of the Committee on Ways and Means.

Mr. CRANE. Mr. Speaker, I thank the chairman, the gentleman from Texas (Mr. ARCHER), for yielding me this time.

Mr. Speaker, we stand on this floor, representatives of a country that is basking in a time of great economic prosperity. The United States is at full employment and business is expanding with new jobs being created at a rate rarely experienced in anyone's lifetime. Today we have an opportunity to return money to Americans who work hard and, based on that work, pay too much in taxes.

While I wish it could be more, it is time to give a little back. I am particularly pleased with the death tax relief provisions and delighted that we continue our efforts to eradicate it. Whether it is the family farm or a more traditional business, the death tax is an assault upon the moral values of every family in this country that has had the wherewithal to create a business from nothing, persevere through the bad times and hope to leave it to their children.

Unfortunately, it is all too often that a family is forced to sell its business because the Federal Government has decreed that it is entitled to a disproportionate share of a family's business once the owner has died. In effect, Uncle Sam put a bounty on family-owned businesses. The old saying is that death and taxes are sure things, and years ago the Federal Government made certain that through the death tax the two are inextricably intertwined.

This bill gives us an opportunity to loosen just a little the stranglehold the Tax Code has on these families and their livelihoods.

I also want to convey my support for accelerating the 100 percent health insurance deduction for the self-employed. Being able to purchase health care insurance means that more children and men and women will have access to the best health care system in the world.

I was pleased we were able to include a reinstatement of the installment method of accounting for accrual basis taxpayers, which has been so detrimental to hundreds of thousands of businesses across the country, many of them in my home State of Illinois.

1545

Mr. Speaker, I will continue my fight to drastically reform our tax system and reduce the tax burden our American families struggle with every day.

I urge my colleagues to vote in support of H.R. 3081, the Small Business Tax Fairness Act of 2000.

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

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

Mr. LEVIN. Mr. Speaker, there has been a lot of talk on the Republican side about the ''straight-talk express.'' This bill is the ''double-talk express.''

These are the facts: our Democratic bill does more, does more for small business than the Republican bill. The Republican bill does most for the very wealthy. As the gentleman from New York (Mr. RANGEL) eloquently stated, about three-quarters of the tax relief in this bill goes to the upper 1 percent, and this is called a small business bill. This is called a minimum wage bill.

Mr. Speaker, we are not fighting any tax relief; we are fighting for the right kind of tax relief. What the Republicans are doing here is using the minimum wage as a bargaining chip, and the very wealthy pick up most of the winnings.

The class warfare here, if there is any, is against the working poor. A Member of Congress earns in one month what a low-income family working hard earns in about a year. I do not demean the work of those of us in Congress, and we should not demean the work of those who are in low-income categories.

We passed a welfare reform bill here; and I voted for it, people moving from welfare to work. Tens of thousands of them who have moved from welfare to work under the present minimum wage cannot earn enough to get above the poverty line; cannot earn enough when they work hard 40 hours a week to get above the poverty line. What my colleagues are trying to do is to nickel and dime this bill and tie it to a bill that is going to be vetoed. Why pass a bill through here that the President says he is going to veto? What is the sense of doing that? This is the same old same old Republican majority.

Mr. Speaker, it is time to turn a new leaf in this House. The people who work hard for a living at a minimum wage deserve an increase. They are way behind in terms of real dollars where they were 15 years ago, even after the action of a couple of years ago. It is a disgrace to tie this bill to something else. Bring it up alone. Mr. Speaker, we know why they will not do it, because they know it will pass. Eventually, we are going to pass a bill here that addresses the needs of hard-working, low-income families, and not a bill that gives almost 75 percent to the most wealthy 1 percent in the United States of America.

Mr. ARCHER. Mr. Speaker, I yield 3 minutes to the gentlewoman from the State of Washington (Ms. DUNN), a respected Member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, I want to thank the gentleman from Texas (Mr. ARCHER) and all of the other people, Republicans and Democrats, who worked so hard and so fairly to put the provisions together that we will be voting on today. This bill provides essential relief that is a down payment toward the ultimate repeal of the devastating death tax.

The freedom to attain prosperity and to accumulate wealth is uniquely American; and when unfettered, it is a wonderful thing to behold. Yet, the current tax treatment of a person's life savings is so onerous that children are often forced to turn over more than half of their inheritance to the Federal

Government, in cash, within 9 months of the death of the parent. We all know stories about the basic unfairness of this tax. It is just as wrong as it is tragic, and it dishonors the hard work of those who have passed on.

As a result, in the past, Congress has tried to provide targeted death tax relief to certain people. In 1997, a new death tax provision was enacted to provide additional relief to smaller family-held businesses and farms. Although it was a good idea at the time, this exemption has proven to be a boondoggle for attorneys who are hired by families trying to navigate their way through the 14-point eligibility test.

The Democrats now propose to increase this family-owned business exemption under the guise of relief. Well, it will not work. Many estate planners have told us that this exemption is so complex that fewer than 2 percent of businesses or farms even qualify. As much as we try, it is simply impossible to duplicate in law the complex family relationships that exist in the real world.

Democrats will also argue today that this tax only hits a select few. This argument is misleading because it only focuses on a portion of the debate: who pays the tax. What they do not tell us is that the mere existence of the tax forces businesses to spend an average of $67,000 per year in life insurance premiums and attorneys and accountant fees in order to prepare for the tax. The total cost of compliance in the private sector alone is about equal to the total dollars collected in this tax each year. In addition, their argument does not account for the number of businesses who sell before the owner dies in order to pay a lower capital gains tax.

The Chicago-based Vanguard, one of America's last remaining black-owned newspapers, was forced to sell last year because they could not pay the millions of dollars they owed in death tax. As a result, that community lost an important voice. This is typical of what happens when a family-owned enterprise cannot afford to pay the high after-death taxes.

That is also why the Black Chamber of Commerce, the Hispanic Chamber of Commerce, and the National Indian Business Council all support the repeal of the death tax. They argue that it takes 2 or 3 generations to gain an economic foothold in the community. To them, the death tax is an enemy.

Mr. Speaker, I urge every single one of my colleagues on the floor of this House to vote against the repeal of the unfair death tax that we can do away with in this bill.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. PHELPS).

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

Mr. PHELPS. Mr. Speaker, I rise in strong opposition today to the Republican tax cut package. I urge that all Members who support fair, affordable, small business tax relief to instead cosponsor the Democratic alternative which we should have been allowed to consider on the floor today.

Yesterday I testified before the Committee on Rules in favor of a rule that made in order both the wage and tax provisions of the Democratic alternative. This alternative, originally sponsored by the gentleman from Michigan (Mr. BONIOR), the gentleman from New York (Mr. RANGEL), the gentleman from Texas (Mr. SANDLIN), and myself included a two-step, one-dollar minimum wage increase and a $32 billion package of targeted small business tax relief. It had strong support in the House and across the country, and it merited an opportunity for debate in a clean up or down vote. Unfortunately, perhaps because they too were aware of our proposal's popularity, the committee recommended a closed rule on H.R. 3081.

This should not be a partisan issue. This is an issue of fairness and fiscal responsibility of making it easier for working men and women to provide for their families and making it easier for employers to help them do so. Members on both sides of the aisle deserve the chance to vote on a package of sensible, targeted tax provisions that are fully paid for and that serve the specific purpose of helping to offset the burdens that result from an increased minimum wage.

Instead, we have before us a sprawling, incredibly expensive tax cut bill which lavishes the vast majority of its benefits on the wealthiest one-third or 1 percent of taxpayers. In fact, the portion of the Republican bill which actually helps small businesses is less than the $32 billion provided by our substitute. Yet, the Republican bill carries a cost of $122 billion over 10 years. Unlike the Democratic package, which is fully offset, H.R. 3081 jeopardizes not only the future of Social Security and Medicare, but also our ability to give Americans the biggest tax break of all by paying down the national debt.

At the conclusion of this debate, a motion to recommit will be offered that will contain the Democratic tax statistic. I urge support of the Democratic alternative.

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the gentleman from Florida (Mr. FOLEY), a respected member of the Committee on Ways and Means.

Mr. FOLEY. Mr. Speaker, let me thank the chairman of the committee for the excellent bill that is on the floor today, and let me urge the members of the minority to use a little caution when characterizing these bills.

First and foremost, I supported increasing minimum wage and will vote again that same way today. But let me also detail for my colleagues the fact that the process today in the bill we are debating are in fact sponsored largely by a number of prominent Democrats. Pension modernization that is coming within this bill is known as the Portman-Cardin bill; distressed communities, which does not sound like something that is for the rich in Palm Beach, known as Watts-Talent-Frost and 19 others. Low income housing, Johnson–Rangel, the ranking member of the committee, on a bill that I have sponsored with the gentleman from New Jersey (Mr. ANDREWS) for forgiving mortgage obligations, that is, forgiving debt for somebody who has gone bankrupt. We are trying to help those that need help rebuilding their lives.

Why do we debate this bill if it is going to be vetoed by the President? I heard that question asked by my colleague. We have to do that until the President finally gets it right. We did that three times with welfare reform and finally, finally the President signed the bill. Lo and behold, every Member running for Congress for reelection, Democrat or Republican, gets up and says, we have reformed welfare. Now they take credit for it because it is a good bill.

The other thing that bothers me in this process is many of the people that advocate putting another dollar burden on the average small business owner are those same people who have never actually worked outside this process in their life. They have not had a small business. I owned a restaurant. It was difficult to make ends meet, difficult to make payroll; and at times, I went without a paycheck because I had to pay my staff. Yes, I agree increasing the minimum wage will help, but I certainly do not find it a problem to at least assist the small businesses in making that increase in payroll costs softened at least by some important tax provisions.

Now, we can sit here and wrangle all day about a bad bill, a good bill, this bill, that bill. I have heard many Members of Congress today say, help the small people out, and I agree. People at minimum wage are seeing increased fuel costs. I am not hearing much being done by the Energy Department or the White House, other than to say, my God, gas prices are up. I think we need some help for people that are, in fact, paying for gas at the pump. But one thing we can do certainly today is help provide some incentives for small business.

Mr. Speaker, again, if people would look carefully at what is in this bill, they will not be taken in by the persuasive arguments of some on the other side that this is for the wealthy. That is an easy argument. They always come with that wealthy argument: it is for the rich; it is for the rich. Folks, look at the bill. Health insurance, pension modernization, distressed communities, low-income housing. These issues are not for the rich; these are for every American.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, Members may not recognize this fellow in

the fedora standing in the shadows, but they ought to be aware of what he is doing. He is a caricature of America's leading tax shelter hustlers. This bill is his bill. By restricting amendments, by assuring that we cannot deal with the leading causes of injustice in our tax system today, Republicans have protected the tax shelter hustlers.

Only yesterday, the Secretary of the Treasury, Larry Summers, told the Senate Finance Committee that failure to address this issue of tax shelters ''in a meaningful way puts the fairness and efficacy of our tax system at risk.'' He has also said that the most serious compliance problem we have in the American tax system today is the failure to deal with tax shelter hustlers. This bill in particular, like the Committee on Ways and Means, in general does absolutely nothing to stop the tax shelter hustlers that are robbing the Treasury of upwards of $10 billion a year.

Only this week we learned that the tax shelter problem has gotten so serious that one insurance company after another is moving to Bermuda. It is so bad that even some of the insurance companies that remain in this country are saying, our competitors are gaining an unfair advantage through their tax shelters.

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It is wrong, and that is why the substitute that the gentleman from New York (Mr. RANGEL) has proposed incorporates a bill that I wrote concerning abusive tax shelters. It would do something about the most serious compliance problem with our tax system. The instant bill does absolutely nothing.

There is another problem that the gentleman from New York (Mr. RANGEL) addresses. As incredible as this tax shelter hustler problem is, there is even one greater problem. Some Americans have grown so prosperous that they can afford the arrogance of renouncing their citizenship and discovering one day that the Port Royal Golf Course in Bermuda is their hometown, that they have new citizenship. This expatriotism problem represents a multi-billion dollar scandal of people renouncing their citizenship for the sole purpose of dodging taxes.

Once again, like the fellow in the fedora, those who have so little patriotism, those scoundrels, who would renounce their American citizenship to evade their taxes, they are fully protected in this bill. But they are fully dealt with in the substitute of the gentleman from New York (Mr. RANGEL). Republicans are so fearful of dealing with these real tax problems in this country.

And who do Members think picks up the tax tab for the hustler in the fedora and the scoundrel, who renounces his American citizenship? Small business and individual taxpayer because who else is left to pick up the tab? So by dodging these serious problems of tax dodging our Republican colleagues are actually imposing more burden on the small businesses of America.

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the respected gentlewoman from Connecticut (Mrs. JOHNSON), a member of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in strong support of this legislation. Small business is the engine of our growing economy. It also creates more new jobs than all the big business put together. Yet, it finds it very difficult to pay higher wages for entry level jobs.

Today, between the various bills that we will pass, we will increase the minimum wage, but we will also cut costs for our small businesses so they will have the revenues to pay the higher wage without laying people off.

I am proud that the Republican approach very carefully and realistically focuses on job retention, as well as fair wages. I am also pleased that this bill has lots of things in it for working people, not just about wages, but in this bill we pass pension legislation that allows women over 50 to make catch-up contributions to pension plans. This means women who stay home and take care of their children, when they return to the work force, can make those catch-up contributions and retire with the level of security that, frankly, they need, and we in America need them to have.

It is also true that this bill allows portability, makes it much easier to carry your pension from one job to another without fear of loss. It also allows faster vesting.

This is terrific legislation for working people. It will enable small businesses to offer pension plans. It will give women a fair shake in the retirement security business. In addition, it will spread and encourage the building of affordable housing in our cities.

If there is one crisis that is looming that we are not talking about, it is the need for low-wage earners to have decent places to live and rent in our cities. This bill addresses that issue, as well.

It also cuts costs for small business in other ways, allowing them to expense the cost of equipment so they can hire more people and do better strengthening our economy and the fabric of our communities.

This is broad-based tax reform for small business. It helps working people, not only through wages, when it is coupled with the following bill, but through housing, pension reform, health care deductibility for premiums.

We need to think holistically about opportunity in America. That is what this tax bill does. Cutting taxes means we can save for our retirement. Cutting taxes strengthens our economy and helps our people.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. MCDERMOTT).

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

Mr. McDERMOTT. Mr. Speaker, Yogi Berra says, it is deja vu all over again, and here we are again. It is another month. We saw the February tax bill, and now we have the March tax bill. This one cuts $120 billion out of the tax base with no budget, no concern for Medicare, no concern for social security. We are simply giving it away again.

This one has an interesting twist to it, because it says, you small business guys, we are going to do something for you. We are going to raise the minimum wage for your workers, and that is going to be a cost to you. Now we have to give something to the small business people.

But let me tell the Members, it is premised on the idea that small business people must be stupid, that they cannot read tax law, because this bill is not designed for small business people. Two-thirds of the $120 billion in tax breaks goes for the estate tax. That affects the 2 percent richest people at the top of the society. That is why this graph is so illustrative. The Republican tax bill is all loaded on the end of the rich people.

The gentleman from New York (Mr. RANGEL) has put a bill forward that says, yes, we believe there ought to be some estate tax changes, but like this blue line, it ought to start way back with small people's estates and sort of be equal all the way. Not the Republicans, give it all to the rich. That is why we have a spike down here in accounts of $25 million and more. That is not for small business people.

We talk about what we are going to do for pension changes. Eighty-seven percent of the pension changes go to the 5 percent of the people at the top. It is, again, a bill skewed to the people at the top. That is in the face of not doing anything about Medicare, not doing anything about social security. Let us just shovel the money out the door.

Now, between the February bill and this bill, we have served up to the American people the belief that they are going to get $375 billion in taxes, a reduction. Now wait for the April bill and the May bill and the June bill. They will be right back where they were last year with a tax cut of over $792 billion, which the President vetoed.

If Members think that the President is not paying attention, and that if they send it to him one piece at a time he will not understand what they are doing, they are really kind of underestimating the intellect of the President. He can add. He can add the February bill to the March bill to the April bill to the May bill, and he is going to veto them all. This is a poison pill for a raise in the minimum wage. That is all it is designed to do.

Mr. ARCHER. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, the gentleman has an interesting chart. The fascinating thing about it is, though, that the people that he claims will get the benefit

of the reduction in the death tax are dead. They do not get any benefit. They are gone. The real issue is, who are their heirs? How is it distributed?

But they do not want to talk about that. That is the reason why there is no official distribution table on the death tax, because it is not going to benefit the people who have died, it is the people who lose their jobs and it is the people who have the distribution.

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

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

Mr. Speaker, every time we bring a bill to the floor to cut taxes, the Democrats come up with the same old objection: ''Oh, it is a tax cut for the rich.'' The way they define rich, I just want all those folks out in America who are middle class to know that they are actually rich, because they are among those defined to be rich by the Democrats. So keep that in mind.

Let me just enumerate a few provisions of this bill that are clearly not for the rich: a 100 percent health insurance deductibility for the self-employed. Those are not rich folks, those are folks that have started their own business and worked for years and years at those razor-thin margins to keep it going, and they do not get the same health care treatment as big corporations. This bill will do that.

Community renewal, tax breaks to build the inner city and rural areas to try to provide jobs in those areas. That is not for the rich. A low-income housing tax credit. We are going to increase the amount of money available for low-income housing in this country. That is not for the rich. There is pension reform, and 77 percent of people on pensions are middle class and lower-income workers, not rich.

Finally, if we want to talk about the estate tax, yes, if we count all the assets and the income of the folks who are affected by the death tax, we could think they are rich. The fact is that a great many of those folks, like farmers, like small business owners, are asset rich and cash poor. When they die, for their small business or their farm to keep alive, to keep going, we had better have death tax relief, or those small farms and small businesses are going to go away because their heirs are cash poor. They cannot afford to pay the tax, so they have to sell the farm or sell the business in order to pay the tax. That is not right.

This bill will get us just a little way down the road towards correcting the inequity in the Tax Code of America.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Tennessee (Mr. TANNER), a member of the committee.

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

Mr. TANNER. Mr. Speaker, I thank the gentleman for yielding time to me. I want to thank the gentleman from New York (Mr. RANGEL) for the opportunity to say a few words.

Mr. Speaker, I am still, as a Blue Dog, mystified as to this procedure, this process. The majority party continues to bring bills to the floor when we do not have a budget. We owe $3.7 trillion in hard cash, and we are paying $240 billion year in interest alone. One-third of all of the individual and corporate taxes being collected on April 15 go to pay nothing but interest. Yet, we bring these tax measures to the floor.

If we pass this one, this body will have passed over $300 billion worth of tax cuts with no budget, not doing anything about the debt, nothing about social security, energy, nothing about Medicare, recruitment and retention in the military, readiness of the country. We need military modernization, we need a pay raise for the troops. The veterans, it will take $3 billion to help the veterans.

We do not have time for that, but we do have time for $300 billion worth of tax cuts over the next 10 years on money that is not even here. This money is projected. They have to be living in a cave not to understand that oil prices are rising, if Members do not understand that. That puts tremendous inflationary pressure on the system. This projection of a huge surplus could go away just as easily as it came about with rising oil prices, rising interest rates. That surplus that all of these tax cuts come out of may never get here.

Mr. Speaker, the other part I want to talk about is the estate tax. I do not like estate taxes. I am responsible for a bill to do away with them. But politics is the art of the possible. Here it is not, in this day, in this time, possible politically to do away with the estate tax.

What did the gentleman from New York (Mr. RANGEL) write? He wrote true estate tax relief for the small family farmer. Tim and Susan Lucky live in my district in Gibson County, Tennessee. They have a farm that is worth about $3 million. They do not have any money, but they have a farm worth about $3 million. Do Members know what they pay, under the bill of the gentleman from New York (Mr. RANGEL) in estate taxes? Nothing. Do Members know what they pay under the Republican plan in estate taxes? It would be $336,000. Tell me who is interested in estate tax relief for the family farmer and the small businessman.

This is a fact, under these bills that are mentioned. We did not get to offer the bill of the gentleman from New York (Mr. RANGEL). Do Members know why? Because it will pass.

So legislative malpractice in bringing tax bills to the floor without a budget is the same legislative malpractice in shutting out a bill like this.

Mr. ARCHER. Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. HERGER), another respected member of the Committee on Ways and Means.

Mr. HERGER. Mr. Speaker, small businesses are the backbone of our Nation's economy, creating jobs, economic growth, and innovation. The legislation before us today, the Small Business Tax Fairness Act, provides the tax reform necessary to ensure that small businesses will continue to prosper.

For example, this legislation will help the self-employed afford health care by providing full deductibility of health insurance premiums. It will help small businesses acquire the tools they need to compete by increasing the amount small businesses can expense.

This legislation also provides much needed assistance to families attempting to pass a business from one generation to the next by reducing the burdensome death tax.

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Furthermore, this legislation will help Americans save for their retirement by modernizing pension laws.

Mr. Speaker, I am especially pleased that the legislation before us today includes a provision I authored, which will restore peace of mind to small business owners by allowing small businesses to once again make use of installment sales. This provision will correct an urgent situation whereby thousands of small business owners have seen the value of their businesses drop by 10 to 20 percent.

Enactment of the Installment Tax Correction Act aspect of this legislation will mean real relief and fairness for those who have spent a lifetime building a business only to see a change in tax law threaten their retirement.

I urge all my colleagues to support tax fairness by supporting this legislation.

Mr. RANGEL. Mr. Speaker, I yield 2½ minutes to the gentlewoman from Florida (Mrs. THURMAN), a member of the Committee on Ways and Means.

Mrs. THURMAN. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for his work on this piece of legislation.

Mr. Speaker, today in America, there are about 203,000 women working full time for minimum wage. These women are working to support their families. These are not high school students working for extra spending money.

Raising the Federal minimum wage by $1 would give these mothers an extra $2,000 a year. That $2,000 would feed a family of four for 7 months.

Mr. Speaker, look around in these neighborhoods. These are the nursing aids who attend to our mothers and our fathers, the day care workers who care for our children, the clerks who help us at the grocery store. But do my colleagues know what? This raise is in jeopardy today because the Republican leadership has attached a risky tax scheme and doing little for small businesses of America. I support raising the minimum wage and providing tax cuts for small businesses, but not this way.

Today, this House is considering $122 billion tax scheme that, according to Citizens for Tax Justice, will give 73 percent of the tax cut to people who make $319,000 and higher, while doing little for working families and small business.

It is irresponsible for us, once again, to be bullied into voting for a tax bill that is not paid for, breaking our own rules in this House. If this economy should falter and this surplus is not real, then we are going to put it back on the children and back on the grandchildren. Do my colleagues know what? The ones that we are raising that we want them to have the opportunity to have a small business will not be there because they will have debt because we do not pay for it.

However, the gentleman from New York (Mr. RANGEL) and Members put together a Democratic substitute like the rules tell us to do, paid for, which should be considered here today. But guess what? We are not even going to be given the opportunity other than talk about it. We will not even get any votes on it.

It would have provided $32 billion in targeted tax cuts designed to help small businesses offset the cost of implementing the minimum wage. These targeted cuts include 100 percent deductibility for health insurance for self-employed, a permanent extension of the Work Opportunity Tax Credit, and Welfare to Work Tax Credit, and estate tax relief. The gentleman from Tennessee (Mr. TANNER) said it better than anybody.

The SPEAKER pro tempore (Mr. PEASE). Without objection, the gentleman from Ohio (Mr. PORTMAN) will control the time of the gentleman from Texas (Mr. ARCHER).

There was no objection.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. ENGLISH).

Mr. ENGLISH. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN), who has been one of our most vigorous advocates of pension reform, for yielding me this time. I am happy to see that this legislation has some of his work included.

Mr. Speaker, I rise in strong support of this legislation. This package provides much needed relief to small businesses that, combined with an increase in the minimum wage, is a win-win situation for workers and entry-level positions who are trying to work their way into the mainstream of our strong economy.

I have been a long-time supporter of raising the minimum wage, and this $1 increase that we have proposed is the equivalent of a 20 percent raise over 3 years. That sends a strong positive message to working seniors, first-time workers, and those striving to work their way out of the welfare system.

Combined with that minimum wage increase, this legislation provides much-needed tax relief that will assist small businesses and their workers. For example, it enhances the retirement security of all Americans by increasing pension portability, allowing workers over 50 to catch up on contributions and increasing the contribution and benefits limits in defined contribution and benefits plans.

It encourages job creation among small businesses through increasing the expense and write-off for equipment, an important pro-growth initiative.

This legislation also reforms a section of the code that punishes people by artificially lowering the value of their pension through caps.

It also creates tax incentives to lure investment back into some of our most depressed communities so that they can share in our economic prosperity. It expands incentive for the creation of affordable housing.

Notwithstanding all of that, we are hearing rhetoric on the other side of the aisle, as incredible as it may sound, that this is all tax cuts for the rich. In reality, we are simply helping all American workers partake of the current financial prosperity of our country.

I urge all of my colleagues to look beyond the rhetoric and to support this important fairness legislation.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Massachusetts (Mr. NEAL), a member of the Committee on Ways and Means.

Mr. NEAL of Massachusetts. Mr. Speaker, the Republican leadership in the House is finally dealing with the minimum wage issue. We are going to do something for millions of wage earners making $10,712 annually. I just cannot figure out what the long-term goal is, to kill a bill before it gets to the President? To get the President to veto it? Or simply to get this hot potato off of their hands?

The issue is not going to go away simply because a poison pill is added to the minimum wage increase in the form of a tax bill, a tax bill that has such little support today that the Republican leadership did not even dare to give the gentleman from New York (Mr. RANGEL) a substitute, because they knew that Democratic substitute, with the help of their own Members, would prevail.

I support a number of items in this proposal today, but not allowing the Democratic substitute has stifled debate in an irresponsible way here. Our bill was targeted and paid for and, most importantly, had the most votes.

The fact that it is not paid for today is crucial because this is just one of the several bills that will come to the House floor this year, all designed to have a dramatic revenue loss in the future, justified by questionable estimates about the budget situation, estimates that can change very quickly in any sign of a downturn. That is the context in which this debate takes place today.

Moreover, there are provisions in this bill before us that overreach, especially in the estate and pension areas and should be opposed on the merits.

In the pension area, the bill does contain a number of proposals that everyone supports. These proposals are in the administration's bill. These proposals are in my bill. They are in the Portman bill. They are in the Democratic Caucus bill. But there are also, in this bill today, many provisions lobbied extensively by the business community that are highly controversial; and that in the end is the problem.

Let me read from a quote that the administration has offered on this proposal. ''H.R. 3832 contains pension provisions that would raise the maximum retirement plan contribution and compensation limits for business owners and executives. This would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. These provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to cuts in retirement benefits for moderate- and lower-income workers while benefits for the highly paid executives are maintained or even increased.''

I cannot support this proposal. As I have suggested in the past, and I will suggest again today, the proponents of pension legislation should meet with the administration, develop a consensus package on these items that might well be enacted this year, especially those items involving pension portability. That would clear away the underbrush, if I may use that word, and allow us to focus on the more serious differences between us.

I believe that all of us want to expand pension coverage for those who do not have it and want the current employer-based pension system to simply work better.

Mr. PORTMAN. Mr. Speaker, I yield myself 2½ minutes to respond to some of the comments that were just made and talk a little bit about this package.

First, I want to commend the gentleman from Texas (Chairman ARCHER) for putting this good tax relief package together.

We have to recall where we are. We are in the process of raising the minimum wage, and this is simply an attempt to try to cushion the impact of that minimum wage on job loss in this country, because all the studies show there will be an impact on the economy particularly among smaller businesses. So these proposals are focused on smaller businesses.

In the pension area in particular, the problem we have of a gap of people not having pensions is primarily among smaller businesses. There are about 70 million Americans today who do not have pension coverage. That is unacceptable. That has happened increasingly with the administration's position that I just heard announced about pension reform. It will continue to happen. It will continue to have fewer and fewer people getting pensions because

the administration seems to be taking the position that any kind of pension reform that would at all incur, increase, and expand coverage for defined contribution plans and defined benefit plans somehow is going to help the rich too much.

Let me tell my colleagues about the limits that the gentleman from Massachusetts (Mr. NEAL) just talked about. He said the administration is opposed to raising the limits, the contribution limits and the benefit limits on pensions. Somehow this would be counterproductive. It would hurt low-wage workers.

Let me tell my colleagues what the limits are today. Today the limit is about $170,000 compensation limit under defined contribution plan and defined benefit plan. We propose raising it to $200,000 a year. In 1993, under a Democrat Congress, I might say, that limit was at $235,000. It was reduced over time, strictly as a revenue grab, in order to effect the deficit we lived in and had in this country.

If that $235,000 were adjusted to inflation today, it would be $290,000 limit. Now, tell me, if the Treasury Department opposes this pension provision because the limits are too high, why did a Democrat Congress have $235,000 limit that would now be almost $300,000?

We are talking about just raising it up to $200,000 because, yes, we believe that those 70 million Americans who do not have a pension now, particularly in small businesses, where only 19 percent of small businesses because of the costs and the burdens and the liabilities now have any coverage. We believe those small businesses ought to be able to offer a pension plan to their employees. We want every employee in America to have a pension plan. That is the purpose of this legislation.

It is focused on small business because that is where most of the problem is with regard to the pension coverage, but it is going to help every American be able to put more aside for retirement.

It also provides for portability and people to take a pension from job to job. Finally, it provides, yes, for some common sense regulatory relief so that the costs and burdens are reduced for those smaller businesses.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from California (Ms. WATERS).

Ms. WATERS. Mr. Speaker, I join in this discussion because I want to raise the question of why we are using this time to try and talk about the need for tax cuts for the wealthy. This is all about increasing minimum wage. We are being sidetracked. We are being taken off course while the Republicans are attempting one more time to get their outrageous tax cuts into law by any means necessary.

Whether we are talking about the tax cuts that are being indicated in order, as they would say, to do minimum wage increase, or whether we are talking about the ongoing, continuing effort to just give more tax breaks to the rich, we find ourselves having to defend time and time again against trying to do more and more for the rich corporations and the richest Americans in this country.

Let us force this discussion on whether or not there is a need for an increase in the minimum wage for the poorest of the working people in this Nation at a time when everyone is touting how well we are doing in this economy, how well people are doing in Silicon Valley. There are 260,000 millionaires in Silicon Valley alone. My colleagues would dare say that we cannot have this modest increase in minimum wage until we do some more tax cuts for the rich. This is outrageous. We have had to fight our Republican friends every step of the way.

The alternative that we have designed would, of course, take care of some of those areas where we could do some targeted tax cuts. This is not the way to do it. I would ask my friends and my colleagues to resist this effort to give more tax cuts to the rich.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. CALVERT).

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

I am a former small business owner. I understand what overregulation does to small business. I understand what overtaxation does to small business. I understand what too much litigation does to a small business. I understand what happens when the Government increases the cost to stay in business. And I know that a lot of businesses do not stay in business.

A lot of small businesses are not in Silicon Valley; they are in our hometowns. They are our local dry cleaners, our local drive-thru restaurants, the local carryout. These are not big corporations. These are small mom and pop businesses. Matter of fact, two-thirds of the job creation in this country is by small businesses, and we need to help them. We need to help them stay in business because, without some of these minor changes in the Tax Code, they are not going to be around.

What is wrong with allowing small businesses an opportunity to deduct their health care expenses? What is wrong with some changes in the death tax, which everyone agrees is a disgrace? We should not have a death tax in this country, a tax of up to 55 percent of the value of one's estate, when they have paid taxes all of their lives.

Small business is important. And as one of the few people in the House that actually operated a small business, I would like to see it stay around, so I am hoping my colleagues will get together and vote on this and vote to support this Tax Relief Act.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Maryland (Mr. WYNN), who has committed his career to the protection of small business.

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

I never cease to be amazed at how my Republican colleagues can take basically a good idea and turn it into a vehicle to give more tax relief to the very wealthy. It absolutely amazes me.

We do have a good idea here. We ought to help small businesses. Small businesses are the engine of America's economy. They create half of the jobs and contribute to half of the gross domestic product. So there are things we can do to help small business. On the other hand, however, when we look at this Republican proposal, we find it is not small businesses, not the mom and pop neighborhood restaurants and groceries; it is the real fat cats who get the lion's share of the benefits.

Let me talk about first what the Democrats want to do to help small business. First of all, we want to give 100 percent deductibility for health insurance. That is something small businesses want. We also want to increase small business deductions for investments in plants and equipment. We want to extend the work opportunity tax credit and the welfare-to-work tax credit. These are tax benefits that actually benefit small businesses and help them hire workers. We also want to address the estate tax issue, and we want to raise up to $4 million, the exemption, for estate taxes. So we are concerned about that issue. We want to give an increase in the meals deduction for small neighborhood restaurants, so they can benefit from that.

There is a package of things that we want to do, that I actually believe some Republicans want to do, that we ought to do. That package is reasonable, about $36 billion, and we can pay for it with the offsets in the Democratic proposal. Unfortunately, the Republicans would not allows us to bring this proposal to the floor.

Now, let us look at the Republican plan. It is bloated: $120 billion. And when we ask ourselves if small businesses are not benefiting from this, the question then becomes, who is? I can tell my colleagues who is: 73 percent of the benefit in the Republican plan goes to the richest 1 percent of Americans. These people are already doing very well in our current economy. They have stocks, they have bonds, they do not need this massive tax relief package.

On the other hand, our approach says let us help small business; let us save Social Security and Medicare by being fiscally prudent. I ask my colleagues to consider the Democratic alternative and reject the Republican approach.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. SWEENEY).

Mr. SWEENEY. Mr. Speaker, I am here to talk about a specific provision

that is part of this bill, and I think it really points out the difference between what our philosophy is and what the other side believes in. It is the installment tax consumer credit that is part of this bill, repealed last year by the administration as a revenue enhancer.

What the administration prefers to do is force the hard-working American families, those in the small business community, to pay taxes even before they receive payment for the sale of their business. And it has real human impact.

For example, several months ago Dorothy and George Long arranged for the sale of their bed and breakfast in my district in Upstate New York. They had worked for over 30 years to build this business, and now they were looking forward to the sale of the business so they could retire. Unfortunately, they may have to reconsider those plans because they are, with the current structure, left with three very tough choices: take a loan out in order to pay for the capital gains tax immediately due, break their contract and face a lawsuit, or suffer the consequences of nonpayment of taxes.

Mr. Speaker, I think that it is very important that we pass this bill today because we have to ensure that small businesses remain healthy. And providing for these kinds of tax reductions in small business will do that.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. MENENDEZ).

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

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

The Republican proposal we have before us today, I believe, is shameful. The Republicans claim that small businesses need tax breaks to offset an increase in the minimum wage, and we Democrats have a proposal that would do just that. But what Republicans are not telling us is that they offer the wealthiest Americans a tax cut of $123 billion but fail to provide working families a decent wage. Under the Republican proposal, minimum wage workers would have to wait 3 years to receive a mere dollar increase in their wages.

Tell the woman working 40 hours a week, breaking her back pressing garments or cleaning hotel rooms, that she has to wait 3 years to get a dollar increase in her wage while the wealthiest Americans are getting a $123 billion tax cut.

Tell a father, laboring all day in the field or in a factory, facing the indignity of a poverty-level wage, that he has to wait 3 years to get a dollar increase in pay while the wealthy are getting a $123 billion tax cut.

Tell a single mom, who leaves her child in the care of strangers, with no idea about the quality of care they receive while she waits on tables, that she has to wait 3 years for a dollar increase in her wages while the wealthy are getting a $123 billion tax cut.

We Democrats are not willing to tell those people who get up every day, work hard, play by the rules and at the end of the week find themselves in such circumstances that they must wait.

Rather than proposing a timely increase in their wages, our Republican colleagues have opted to sacrifice these families in the name of tax cuts for the wealthy. This is a lose-lose scenario for minimum-wage workers.

First, the Republican proposal jeopardizes their ability to provide for their children and denies them basic health and retirement security, and then Republicans propose an excessive tax cut for the wealthy that will jeopardize Medicare and Social Security.

We must prevent this double jeopardy for working families.

The SPEAKER pro tempore (Mr. PEASE). Without objection, the gentleman from Illinois (Mr. WELLER) will control the time of the gentleman from Ohio (Mr. PORTMAN).

There was no objection.

Mr. WELLER. Mr. Speaker, I yield myself 4 minutes.

Mr. Speaker, I rise in support of increasing the minimum wage by a dollar. I also rise in support of helping small business and low-wage workers save for their retirement. This is a good package of legislation, raising the minimum wage and helping small employers and little guys and gals who work.

We give 100 percent deductibility for the self-employed, to make health insurance more affordable and increase access to health care. We expand the low-income housing tax credit, a public-private partnership to help provide affordable housing for low-income working families. We increase the meal deduction, which helps truck drivers and traveling salesmen who have to travel for their work. And we also expand pension opportunities, which particularly benefit working women, and that is one of our goals.

But, my colleagues, I wanted to talk about one particular provision in this legislation, and it is legislation that works towards the goals of this Congress, to make our Tax Code more fair, particularly for working Americans. This is an issue that has been brought to my attention usually by a spouse of a construction worker, someone who has seen their spouse get up early in the morning for the last 30 years, go out and work, come home dead tired from back-breaking construction labor. These are folks who work hard, get callouses on their hands, get their hands dirty, but they work hard.

This legislation addresses a fairness issue for the building trades, dealing with the section 415 pension limitations. Those are limitations on multiemployer pension funds usually managed by a building trade union, like the operating engineers or the laborers or the electricians, even maritime unions. It is important legislation because what this legislation does is it gives those construction workers and those maritime workers the pension benefits they were promised and deserve. Currently we have limits in section 415 of the pension code that prevent them from getting what they were promised. In fact, no matter how many hours they work, no matter how many hours they put in each day, whether they have overtime and what is contributed, there is a cap. And, unfortunately, that cap is not fair.

And I want to thank the chairman of the Committee on Ways and Means, the gentleman from Texas (Mr. ARCHER), for including this important provision, which helps 10 million working Americans. When I think of the section 415 issue I think of the working couple that first brought it to my attention, Lori and Larry Kohr from Peru, Illinois. Larry's a retired laborer, and he recently told me, when he retired, that his benefit should have been just a little under $40,000 a year in pension benefits from his laborer's pension fund, or about $3,300 a month. But he was shocked to learn that once he retired he only got about half of it because of that 415 pension limitation.

My colleagues, this is a fairness issue. These individuals have worked hard. For people like Lori and Larry Kohr, where Larry Kohr should be getting about $3,300 a month, Larry Kohr, like 10 million other construction workers, is seeing only about half what he should get. This Republican Congress is working to bring fairness so that these kind of construction workers, as well as maritime workers, get their full pension benefits. Right now they only get about half. We want to give them the full amount.

That is the goal of this legislation. That is why I urge my colleagues to support H.R. 3081, to fix the 415 pension limitations, to help couples like Lori and Larry Kohr of Peru, Illinois, to make our Tax Code more fair. Let us vote ''aye'' to help the self-employed make health insurance more affordable, with 100 percent deductibility; let us help the poor find affordable housing by expanding the low-income housing tax credit; and let us expand pension opportunities, particularly to help working women; and let us help those traveling salespeople and truck drivers who are forced to be on the road to work; and let us lift that 415 pension cap.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Hawaii (Mr. ABERCROMBIE).

Mr. ABERCROMBIE. Mr. Speaker, I realize that not all of our colleagues are on the floor at the moment, but for those who are paying attention to this discussion here today, how is it possible for us to make any progress in this at all if we are going to sit here and talk about let us help. The gentleman who spoke previously knows perfectly well that the 415 provision he is talking about is in both bills.

This is not a Republican issue or a Democratic issue, and it has been made that way. If those of us who are genuinely interested in the minimum wage, and in tax breaks for businesses that deserve it with respect to the minimum wage, had been allowed to carry on our negotiations, Republicans and Democrats alike, we would have that legislation on this floor and we would not have this agonizing session that we are having today. The reason that we are not here today on a bill that Republicans and Democrats can get together on is because the Republican leadership has said they do not want that to happen.

How can we turn the poorest of the poor into an issue that we then utilize to try to hurt them because we think it is going to benefit us somehow? I appeal to my Republican colleagues and to those Democrats who may be concerned about it in terms of small business implications. We have crafted a bill which is essentially the Republican-Democratic compromise that we wanted in the first place. It is not our fault; it is not the fault of the gentleman from New York (Mr. RANGEL) that that is appearing as ''the Democratic substitute.''

I wish it would say just the substitute on this issue, because Republicans and Democrats can support it and take credit. The Democrats will say, hey, yes, we were for the minimum wage; but we were not hurting small business. We are actually benefiting small business with targeted tax credits for small business. That was not something I dreamed up as a Democrat. There is no such thing as a business meal entertainment deduction for Republicans and a spousal travel deduction for Democrats. It helps everybody connected with the travel industry, with the tourism industry, for those who want to take people off welfare and put them to work. That is Republicans and Democrats.

My plea to my colleagues, Mr. Speaker, is to pass the so-called Democratic substitute because it is really the congressional substitute, to see to it that small businesses and those directly affected by the minimum wage will have the benefit of it. Please take this off the ideological lines. Mr. Bush and Mr. Gore are going to beat each other up for 7 months and 27 days after today.

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The poor people in this country who deserve the tax break, the small business people who deserve the benefit of the minimum wage combination of tax incentives and a minimum wage raise will be the beneficiaries and we can all take credit.

My bottom line plea to you, Mr. Speaker, and to my colleagues, Republicans and Democrats alike, let us put this together, a minimum wage increase and a small business tax incentive that makes some sense, that blends together. We can all claim credit for it. We can all come out of this institution today feeling that we have accomplished something not as Democrats or Republicans but as Americans who are concerned about other Americans.

The SPEAKER pro tempore (Mr. PEASE). Without objection, the gentleman from Ohio (Mr. PORTMAN) will reclaim control of his time.

There was no objection.

Mr. PORTMAN. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I certainly agree with my colleague the gentleman from Hawaii (Mr. ABERCROMBIE) that we need to work together on these proposals. I would just suggest to him that many of the proposals that he talked about, the 415 changes from multi-employer plans that are so important to unions, the health care insurance for those who are self-employed, the provisions in here for community renewal I certainly think should be bipartisan. The pension provisions have been bipartisan from the start. We have 80 Democrat cosponsors and 80 Republican cosponsors. I think this is sort of America's bill. There are people who think the Democrat bill does not do that.

The Small Business Survival Committee has written us a letter saying that the Democrat alternative is a de facto tax increase on small businesses. We can talk more about that later.

Mr. Speaker, I yield 3 minutes to the distinguished gentlewoman from New York (Mrs. KELLY).

Mrs. KELLY. Mr. Speaker, I rise for the purpose of entering into a colloquy with my friend the gentleman from Ohio (Mr. PORTMAN).

Mr. Speaker, I am grateful for the hard work my colleagues on the Committee on Ways and Means have done in putting together a strong package of tax relief for America's small businesses.

Unfortunately, I have been contacted by constituents concerned about potential interpretations of sections 235, 241 and 281 of H.R. 3081. They fear these could negatively affect pension benefits.

I have written the distinguished gentleman from Texas (Mr. ARCHER) and the distinguished gentleman from Ohio (Mr. BOEHNER) detailing these concerns, which I will insert into the RECORD.

Over the past months, I appreciate the time the gentleman from Ohio and all the members of the committee concerned with pension issues have spent as we have worked to ensure that these concerns are properly addressed.

Mr. Speaker, I would like to get assurances from the gentleman from Ohio (Mr. PORTMAN) that these sections that I have mentioned are not intended to harm participants.

It is my understanding that these provisions are not intended to be interpreted in such a way as to reduce pension benefits, discourage companies from increasing pension benefits, or allow for violations of the Tax Code.

So I ask my friend from the State of Ohio (Mr. PORTMAN) is my understanding correct?

Mr. PORTMAN. Mr. Speaker, will the gentlewoman yield?

Mrs. KELLY. I yield to the gentleman from Ohio.

Mr. PORTMAN. Mr. Speaker, I thank the gentlewoman from New York (Mrs. KELLY) for yielding.

Mr. Speaker, I would say absolutely that her understanding is correct. In fact, just the opposite is intended by these provisions and will be the effect of these provisions, which is to say that they will expand pension coverage for American workers.

Mrs. KELLY. Mr. Speaker, reclaiming my time, I thank the gentleman very much for his comments. I really appreciate his assurances and his continuing efforts on this legislation.

With these efforts, we can assure concerned individuals that pensions are enhanced and protected by this legislation. We have the opportunity to level the playing field for small businesses today with this legislation that provides, among other things, millions of entrepreneurs with 100-percent health insurance deductibility next year and increases the business meal deduction to 60 percent.

Most importantly, the bill repeals the unfair installment sales tax that has already impacted small businesses by drastically reducing their value and blocking their sale.

I look forward to voting in favor of this important legislation today, and I urge all of my colleagues to join me in strong support.

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

Mr. Speaker, my friend, the gentleman from Ohio (Mr. PORTMAN) just got finished talking about the degree of bipartisanship that went into this bill; and if he is talking about his willingness to work with Democrats in order to reach bipartisanship, nobody in this House works harder than he does in order to accomplish that end.

But my friend knows that, as relates to this particular bill, that his colleagues on the other side of the aisle put tax cuts on top of tax cuts on top of tax cuts until they were convinced that the President of the United States would veto this bill.

This has nothing to do with the degree of cooperation that the gentleman from Ohio (Mr. PORTMAN) has given to us in the Committee on Ways and Means over the years. But that small bit of bipartisanship that is displayed in this bill is overwhelmingly knocked out by the degree of partisanship to make this bill be vetoed.

I look forward to the day that we will not be talking about one part of a bill but that we will be talking about an entire bill as we work together, Republicans and Democrats, not for our parties but for our Congress and for our country.

Mr. Speaker, I yield 2 minutes to the gentleman from Maine (Mr. ALLEN).

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

Mr. Speaker, we need to reject this Republican tax plan. Despite its title, this is no small business tax cut. Moreover, this proposal would cut taxes before we even have the outlines of a budget resolution.

In reality with this bill, the top one percent of taxpayers will get an average tax cut of $6,000 and the top one percent of taxpayers of those earning over $319,000 a year. The lower 60 percent get an average of $4 each, $4, not even enough to buy a movie ticket. For 60 percent of the public, this is no tax cut at all.

Now, we are used to seeing Republican tax plans that favor the wealthy, but this one has to set a record. Seventy-three percent of the benefits go to the wealthiest one percent in this country.

Moreover, this bill is premature. We have not passed a budget resolution, but the Republicans are coming in with yet another huge tax cut. We have done nothing in this House to secure the solvency of Social Security, nothing to protect the future of Medicare, nothing to provide prescription drug coverage for seniors, and nothing to pay down the national debt.

This bill jeopardizes our ability to achieve any of these goals. We should reject this misleading, irresponsible Republican tax plan. And I have to say, simple fairness would require that we be given a chance to vote on the Rangel alternative Democratic plan, which was a real small business tax cut and which would not disrupt our ability to achieve other important national priorities.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. MANZULLO).

Mr. MANZULLO. Mr. Speaker, as chairman of the Subcommittee on Tax, Finance and Exports of the Small Business Committee, this bill is the bare minimum we should do to help small businesses prosper. We must remember that our economy thrives and unemployment is low primarily because of small businesses.

I want to commend the gentleman from Texas (Chairman ARCHER) for quickly resolving the installment sales issue. Without this reform, thousands of small business owners will have seen their lifetime of investment and hard work erode all because the Federal Government wants to collect taxes early.

This legislation also addresses many of the unresolved priorities still left over from the 1995 White House Conference on Small Business. The number two issue at that conference was full deduction of meals expense. This bill increases the meals deduction to 60 percent. More importantly, it provides relief for our truckers by allowing them to deduct 80 percent of their meals expense.

The number four issue at the conference was estate, or death tax, relief. This bill provides meaningful death tax reform. This will help small businesses pass their businesses on to the children.

The number five issue for the conference was health care reform. This bill provides immediate 100 percent deductibility of health insurance for the self-employed.

Finally, the number seven issue at the White House Conference on Small Business was pension reform. The bill contains many of the bipartisan reforms championed by the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). The legislation is another in a series of tax relief bills by the Republicans.

Contrast this to the President's budget, where he proposes 106 separate tax increases totaling $181 billion. I will not support the increase of the minimum wage, which is tampering with the free enterprise system. But to offset that, Mr. Speaker, let us help the small businesses by having a very modest tax cut.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the ranking member for his kindness.

Mr. Speaker, I hope that my staff accepts my apology for discarding the comments that have been prepared for me and allow me to speak from the heart. Though, when we begin to speak about tax issues, one would think that our focus should be basically on the analytical numbers. But this is an issue of the heart.

My hometown newspaper accounts for what we do up here every week and gives a recording of how we voted. Sometimes they do an excellent job, many times, but I take issue sometimes because they do not account for some of the very good legislative initiatives that are in fact alternatives or substitutes.

Today I rise to support the substitute for the minimum wage, because it is from the heart that I speak. Today I also rise to support the Democratic alternative to give small businesses a real tax cut. And the reason, Mr. Speaker, is because Americans want us to do business here. They do not want us to make political havoc.

Believe it or not, the Republican legislation does nothing to help small businesses with respect to tax cuts because it does not help the lowest of those at 2.5 million, but really this tax cut is for those whose net is $30 million.

I support tax cuts for small businesses, and I go on record today supporting the alternative that the Democrats have offered that will provide estate tax relief for family farms and small businesses, give small businesses a greater tax increase. And, yes, I support the alternative for an increase in the minimum wage, Mr. Speaker. Because I asked a sixth grader today whether $5 was any money. It is not. And that is what the minimum wage is right now, $5.15.

The Democratic alternative will give us 50 cents for 2 years, which means a dollar to $6.15. Can we do any less for a women who works, has four children, and has a disabled husband?

Today I speak to the heart. Let us not play to the politics of this. Let us vote for real tax relief for small business and let us provide those with an income who need minimum wage.

I would say, Mr. Speaker, let us not support bills that will be vetoed by the President of the United States.

Mr. PORTMAN. Mr. Speaker, I yield 3½ minutes to the gentleman from Arizona (Mr. HAYWORTH) a member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague from Ohio for yielding me the time.

Mr. Speaker, let us speak from the heart. Let us engage in this debate. With the American people watching, Mr. Speaker, let us take a look at who benefits from tax reductions.

It is sad to hear my friends on the left reminiscent of that scene in motion pictures. ''No tax relief, not for nobody, not for no how, not for no reason'' seems to be the canard of the day.

Who do they think is helped by reducing the death tax? It is the family farmer. It is the small business person in rural communities throughout Arizona and throughout America. Because time after time we have seen it.

Gene Stenson, for example. His dad founded a railroad track manufacturing company down in Florida in 1967. But after his dad's death in 1976, the Stensons had to shut down a facility not in Florida but in North Carolina, laying off two-thirds of their 110 employees to pay the death tax.

Is that compassion? Is that a tax cut only for the wealthy? No. It exposes the canard of the left and their philosophy that was bent on bankrupting this country with deficit budget after deficit budget. Now that we are putting our House in order for Main Street and Wall Street, Mr. Speaker, we want to put it in order for every street.

Is it not compassionate to offer 100 percent health insurance deductibility for the self-employed? Of course it is compassionate. Again, we heard from my friend the gentleman from Maine (Mr. ALLEN) just a few minutes ago, saying, oh, listen, we need to get to work on these vital issues.

I hear from my friends on the left how important it is to have health insurance coverage. This is a major step forward. Time and again I hear from my constituents, why can we not enjoy what major corporations enjoy, 100 percent deductibility of health insurance?

This tax relief is offered. The community renewal portion of this tax relief legislation is something that is bipartisan in nature. It helps America's most low-income areas. Family development accounts help the working poor save for lifetime needs. The working poor, the family with two children earning just a little bit over $12,000. Nineteen million Americans qualified

for the EIC in 1999, low-income housing tax credit.

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Pension reform that my colleague from Ohio has worked on, that the ranking member talked about being so important in a bipartisan fashion, the portability to take your benefits in your personal retirement and move them from job to job.

Mr. Speaker, we have a fundamental choice here. We can embrace the canards and the class warfare of the left to have issues to squabble about in the campaign, or we can embrace common sense tax relief, pension reform, health insurance deductibility for all Americans. That is the true measure of compassion, not the subjugation to the lowest rung of the economic ladder but the empowerment of all Americans. That is what we will do with this legislation.

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

The senior Senator from Arizona would be proud of the gentleman that represents the 6th Congressional District of Arizona as related to 100 percent deductibility of health insurance because that is in the Democratic bill and in the Republican bill and so many other things he speaks well of; but he would be sorely disappointed that you would just ignore the needs for Social Security and Medicare as you go on and take 75 percent of that amount, of the $122 billion tax bill, and make certain that those who are the wealthiest benefit most. You did a fantastic job up until Tuesday, and I hate to see you losing those principles now.

Mr. Speaker, I yield 2 minutes to the gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong opposition to this Republican legislation and to all the proposals that the Republican Party is offering today. In fact, what they are offering is not only absurd but it is an insult to American working people. They are proposing a paltry increase in the minimum wage of $1 over 3 years, and at the same time they are proposing a huge tax break for the richest people in this country.

Millions of low wage-workers are working 40 or 50 hours a week struggling to keep their heads above water. In terms of the purchasing power of the minimum wage, it is lower today than it was 20 years ago. And in hearing this cry of working people, the Republicans are proposing a 33-cent-an-hour increase in the minimum wage. But at the same time they are proposing a gigantic tax break for the people who do not need it, the people who are making over $300,000 a year. And 75 percent of their tax proposal goes to those people.

To add insult to injury, in my State of Vermont where the legislature had the decency to raise the minimum wage to at least $5.75 an hour, the Republican proposal will mean nothing for the next 2 years. And Vermont is not alone. Many other States have moved to raise the minimum wage. So right now, at a time when this country has the greatest gap between the rich and the poor of any industrialized nation, where we have the richest 1 percent owning more wealth than the bottom 95 percent, where we have millions of workers working longer hours for lower wages than was the case 20 years ago, what the Republicans are saying is, that is not bad enough, let us make it worse.

Let us reject this proposal.

Mr. Speaker, I rise in strong opposition to H.R. 3832. This bill is being touted as a package of tax provisions designed to offset the impacts of an increase in the minimum wage on small business. Yet some of the pension provisions included in the bill don't have a single thing to do with small business tax relief and are simply new tax breaks that mostly accrue to the wealthiest Americans.

The pension provisions in this legislation will not increase pension coverage for millions of Americans that currently lack it, and may even reduce coverage for lower and middle-income employees according to the Center on Budget and Policy Priorities.

According to the non-partisan Institute for Taxation and Economic Policy:

The 20 percent of individuals with the highest incomes would receive 96.5 percent of the new pension tax breaks.

By contrast, the bottom 60 percent of the population would receive less than one percent of the benefits of the new pension provisions.

Last November, Treasury Secretary Summers and Labor Secretary Herman, criticized these pension provisions, saying that they ''could lead to reductions in retirement benefits for moderate and lower-income workers.''

Mr. Speaker, if the Congress is really concerned about protecting the pensions of American workers it should quickly address the cash balance pension rip off scheme being implemented by hundreds of large corporations all over this country. In fact if this Congress is really concerned about protecting the pensions of American workers it should pass H.R. 2902, the Pension Benefits Preservation and Protection Act, legislation that I authored and that now has a total of 80 co-sponsors.

Mr. Speaker, all across this country, American workers are deeply concerned about the status of their pension plans. That concern is well founded. Sine 1985, despite large profits and growing surpluses in their pension funds, twenty percent of Fortune 500 companies and over 300 companies in all have slashed the retirement benefits that they promised their employees. Many more companies are contemplating similar action. Not only is this trend outrageous, it is also illegal under current law. Cash balance schemes violate age discrimination laws because they cut the accrual rate of pension benefits as a worker gets older. Workers should not have their pension benefits reduced just because of their age.

Frankly, it is simply unacceptable that during a time of record breaking corporate profits, huge pension fund surpluses, massive compensation for CEOs (including very generous retirement benefits), that corporate America renege on the commitments that they have made to workers by slashing their pensions.

Just last month I authored comments to the Internal Revenue Service stating that these cash balance schemes violate the pension age discrimination laws. 59 other Members of Congress joined me in signing on to these IRS comments. These comments detail how corporations are stealing the benefits of their most loyal and experienced workers.

Consider this: if a company reduced pension benefits based on race, or religion, or gender, the federal government would be sure to take appropriate action against the company. But, when it comes to enforcing the pension age discrimination laws, the federal government has clearly been asleep at the wheel. Fortunately, some of us in Congress are beginning to wake them up.

Corporations currently receive over $80 billion a year in federal government subsidies through the tax code. American taxpayers have a right to expect that corporations who take advantage of this special tax treatment will not blatantly violate the law.

Yet, hundreds of corporations throughout the country from IBM to AT&T are doing just that by converting their traditional defined benefit pension plans to these cash balance schemes.

Cash balance schemes are nothing but a replay of the corporate pension raids we experienced during the 1980's. While these companies claim that they are converting to cash balance plans to attract younger workers into their workforce, the fact of the matter is that cash balance plans are intentional attempts to slash the pension benefits of older workers.

The reason why large corporations are targeting their older workers' pensions is easy to understand. Millions and millions of Americans in the so-called ''baby boom'' generation are rapidly approaching retirement age. Companies that reduce the pensions of older workers will thus realize tremendous cost savings when these people retire.

Companies claim that they are converting to cash balance schemes to attract a younger, more mobile workforce. But, worker mobility is not the rationale for converting to a cash balance plan, money is. As 11,000 people a day turn 50, which cash balance promoter Watson Wyatt claims will turn us into a ''Nation of Floridas,'' employers are looking for any way possible to reduce older workers' promised benefits. This is outrageous.

But, what is even more outrageous is that they are not being honest to the employees whose pensions they are slashing. As Joseph Edmunds stated at a 1987 Conference of Consulting Actuaries, ''It is easy to install a cash balance plan in place of a traditional defined benefit plan and cover up cutbacks in future benefits.''

Despite the protestations of cash balance promoters, cash balance schemes are implemented to unlawfully cut the benefits of older employees and to disguise those cuts by implementing a plan that makes it virtually impossible for employees to make an ''apples to apples'' comparison of their benefits under the old and new plans.

Not only does the federal government need to enforce the laws that are on the books, Congress also must pass meaningful pension protections right now. That is why I introduced H.R. 2902. This legislation would primarily do three things:

First, it would send a directive to the Secretary of Treasury to enforce the laws that are already on the books;

Second, it would provide a safe harbor making cash balance plans legal only if employees are given the choice to remain in their old pension plan with detailed disclosure; and

Third, it would provide a major disincentive for companies to slash the future pension benefits of employees.

Mr. Speaker, H.R. 2902 would provide meaningful pension protection to millions of Americans, unlike the current bill being considered right now. My legislation is being supported by the Pension Rights Center, the National Council of Senior Citizens, the Communications Workers of America, the IBM Employees Benefits Action Coalition, and several other groups. I urge my colleagues to defeat H.R. 3832, and work with me to pass real pension protection.

I include my letter to the IRS signed by 50 other Members, as follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC.

DEPARTMENT OF TREASURY,
Internal Revenue Service, Ben Franklin Station
Washington, DC.

Attn: CC:DOM:CORP:R (Cash Balance Plans and Conversions).

We, the undersigned Members of Congress, are pleased to respond to your request for comments on cash balance pension plans. (64 Fed. Reg. 56578.)

INTRODUCTION

We commend the Internal Revenue Service and Department of Treasury for the decision to further evaluate your position on the conversion of traditional defined benefit pension plans to so-called ''cash balance'' pension plans, and for soliciting public comments on this matter. Although such conversions have been occurring for many years, increased understanding of these conversions has raised serious questions, particularly whether they violate federal anti-age discrimination statutes.[1]

Prior to the recent, and growing, scrutiny of cash balance conversions by employees, Members of Congress, and some actuaries, the complexity of these plans have made it understandably difficult for the cognizant federal agencies to fairly evaluate the age discriminatory effect of these plans. In this instance, the problem has been exacerbated by what—in the most generous terms—can be described as an almost complete lack of candor on the part of many proponents of cash balance conversions in communications with their employees and the media.[2]

Numerous respected national journals have played a critical role in bringing to light not only the age discriminatory impact of these conversions but also the clear age discriminatory intent of at least some cash balance backers. Given the large volume of new information and concern about cash balance plan conversions, we urge the Department of Treasury, IRS, and all other cognizant federal agencies to thoroughly reexamine the existing legal requirements for defined benefit pension plans and the extent to which cash balance conversions fail to comply therewith. Workers and members of Congress do not have access to the full documentation related to these conversions on an individualized basis, making it critical that the key government oversight agencies use their access to plan documents to fully examine and understand the nature and effect of these conversions. We urge all of the involved agencies to act quickly within their respective regulatory authority to remedy the significant legal irregularities that appear to permeate these conversions, and if it is concluded that the agencies do not have sufficient authority, to propose legislation to Congress to address any outstanding legal issues.

The comments that follow address the following topics:

(1) Cash balance conversions are often intentional attempts to cut the pension benefits of older employees and increase the operating income of employers.

(2) Cash balance plans are defined benefit plans, not defined contribution plans.

(3) Cash balance plans fail to meet the requirements for defined benefit plans and violate federal anti-age discrimination statutes.

(4) The ''wear-away'' feature of many cash balance conversions violate federal anti-age discrimination statutes.

(5) Cash balance conversions should therefore be disqualified under existing law.

(6) A safe harbor should be established allowing cash balance plans to meet existing legal requirements only if all employees are allowed to choose which pension plan works best for them with detailed disclosure.

Throughout your consideration of cash balance conversions, we ask the IRS and the Department of the Treasury to bear in mind, that while the United States has a ''voluntary'' pension system, that system is, and should be, subject to rigorous statutory and regulatory oversight. This voluntary pension system receives over $80 billion a year in federal government subsidies through, inter alia, the tax code. It will always be the case that corporations will favor public subsidies without any governmental oversight. However, the taxpayers have a right to expect that corporations who take advantage of this special tax treatment will adhere to requirements of the law, including federal age discrimination statutes. Given the substantial sums of money in corporate pension plans, experience has repeatedly shown that, without governmental vigilance, corporations will attempt to manipulate their pension plans at the expense of their employees. Cash balance conversions are just the latest vehicle to accomplish that goal. In this case, federal age discrimination statutes provide the IRS and other federal agencies with the means to stop these schemes, which are intentional efforts to wring savings from the pensions of older employers.

(1) Cash balance conversions are often intentional attempts to cut the pension benefits of older employees and increase the operating income of employers.

Cash balance plans are a relatively recent innovation. The first cash balance plan was implemented in 1984, according to the consulting firm Watson Wyatt Worldwide.[3] Almost universally, companies implementing a cash balance plan are converting from some other type of defined benefit plan.[4] To date, 22% of the Fortune 100 companies have converted to some sort of hybrid pension plan, over 70% of which are cash balance plans.[5] It is estimated that 20% of those in the Fortune 500 have converted to a cash balance plan.[6]

Cash balance promoters explain the popularity of cash balance conversions by arguing that cash balance plans provide employers with a competitive advantage because these plans better suit the desires of an increasingly mobile workforce.[7] Promoters have also stated that cash balance plans are easier for employees to understand because the benefit is expressed in terms of a lump sum dollar amount as opposed to a monthly benefit under a traditional defined benefit plan.[8] These rationales for cash balance conversions are frequently pretextual.

In truth, a significant reason that corporations convert to a cash balance plan is to cut the pension benefits of older workers—workers who comprise a larger and larger percentage of the workforce.[9] That cash balance plans reduce the accrual rate for older workers is not a well-kept secret. Kyle N. Brown, a retirement and pension lawyer with Watson Wyatt Worldwide said to a Society of Actuaries Conference in October of 1998: ''The economic value that is accrued, is different in hybrid plans than it is for traditional plans. In essence, that is part of the reason why you want to put these plans in. You know you are trying to get a different pattern of accrual. Well, what that means is that for your older, longer service workers, that their rate of accrual is going to go down. There is going to be a reduction in their rate of accrual.''

The reason why large corporations are targeting their older workers' pensions is easy to understand. Millions and millions of Americans in the so-called ''baby boomer'' generation are rapidly approaching retirement age. In Watson Wyatt's July 1998 edition of its Insider newsletter, the aging of the U.S. labor market is carefully detailed.[10] As the newsletter demonstrates, the number of workers in the 55–64 age category is expected to grow by 54% in the decade from 1996 to 2006.[11] Companies that target the pensions of older workers will thus realize tremendous cost savings when these people retire.

In addition, Watson Wyatt's Insider dispels one of the other myths advanced by cash balance proponents, namely, that these plans are a response to an increasingly mobile American workforce: ''Contrary to popular belief, Americans are not changing jobs faster than ever before. According to an in-depth study of employment records by Watson Wyatt, as baby boomers are driving up the average age of the workforce, job mobility is decreasing.''[12]

Cash balance plans are thus not a response to a more mobile work force. In fact, as Watson Wyatt admits, the percentage of workers staying at a single employer for 10 years has risen in the last ten years, as has the percentage staying with the same company for 20 years.[13]

Worker mobility is not the rationale for converting to a cash balance plan, money is. As 11,000 people a day turn 50, which Watson Wyatt posits will turn us into a ''Nation of Floridas,'' employers need to find ways to retain them. Instead of creating incentives to retain older workers, companies have turned to cash balance plans, which make it much more likely that older workers will have to delay retirement.[14] Employers who convert to a cash balance plan thus see a two-fold benefit. Companies retain older workers who can no longer afford to retire and the benefits the employees do receive at retirement will be significantly lower.

Just as with the worker mobility argument, cash balance promoters are disingenuous when they argue that the ''lump sum'' feature of cash balance plans are easier for employees to understand. To the contrary, cash balance proponents have argued in favor of these plans because they make it more difficult for employees to understand that their benefits are being reduced.[15]

Again, cash balance promoters have been very open amongst themselves about the ability of these plans to mask benefit cuts. In a July 27, 1989 letter from Kwasha Lipton to Onan Corporation, the consultant notes, ''One feature which might come in handy is that it is difficult for employees to compare prior pension benefits formulas to the cash balance approach.''

Similarly, Joseph Edmunds stated at a 1987 Conference of Consulting Actuaries, ''[I]t is easy to install a cash balance plan in place of a traditional defined benefit plan and cover up cutbacks in future benefits.''

Likewise, William Torrie of PriceWaterhouseCoopers at the October 18–

Footnotes at end of letter.

23, 1998 Society of Actuaries meeting said, ''[C]onverting to a cash balance plan does have an advantage of it masks a lot of the changes. . . .''

In addition, current accounting rules actually encourage the practice of reducing pension benefits. Due to Financial Accounting Standard (FAS) 87, companies are able to report pension assets as operating income. By listing pension assets as operating income, companies can increase their bottom line by cutting the pension benefits of their workforce, which is exactly what is happening today.[16] This is wrong, and must be put to an end immediately.

We understand that the intended purpose of FAS 87 was to require the disclosure of pension liabilities. While transparency regarding an employer's pension situation—both as to liabilities and surpluses—would appear to be proper, clearly pension assets are not operating income.[17] And allowing them to be characterized as such creates two perverse incentives. First, it encourages employers to reduce pension benefits in order to create large pension surpluses. Second, it distorts the financial health of the company, making investors believe the company is more profitable than it actually is. Surplus pension assets should be used for cost of living increases for pensioned retirees, and other retirement benefits. Unfortunately, that is not happening today.[18] We believe that FAS 87 should be changed to require employers to list net pension cost as investment income instead of operating income.[19]

In summary, despite the protestations of cash balance promoters, these conversions are implemented to unlawfully cut the benefits of older employees and to disguise those cuts by implementing a plan that makes it virtually impossible for employees to make an ''apples to apples'' comparison of their benefits under the old and new plans.[20] We ask that the Treasury Department, the IRS, and other federal agencies keep the admissions of cash balance promoters in mind when evaluating cash balance plans' compliance with federal age discrimination statutes.[21]

(2) Cash balance plans are defined benefit plans, not defined contribution plans.

Although there seems to be little dispute that cash balance plans are defined benefit plans and not defined contribution plans, we address it briefly.[22] ERISA and the Code recognize only two types of pension plans: defined benefit and defined contribution plans. In the most basic terms, the distinction between the two is who bears the risk of investment gains and losses. In defined benefit plans, the employer bears the risk and in defined contribution plans, it is the participant. ERISA defines a defined contribution or individual account plan as, ''[A] pension plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains, and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.''[23]

A defined benefit plan is any other pension plan which is not a defined contribution plan.[24]

Cash balance pension plans are not defined contribution plans because they are employer-funded and participants do not bear the risk (nor reap the benefits) of investment gains and losses. Nor, despite the fact that participants are presented with hypothetical ''cash balances'' do they have segregated accounts.

Employer cash balance contributions are typically comprised of two components: a pay credit and an interest credit. The pay credit is generally a fixed rate of an employee's salary. The interest credit is designed to mimic defined contribution plans by providing a hypothetical investment return, usually calculated as a fixed interest rate or tied to an index such as the yield on 30-year U.S. Treasury Bonds. Because this interest credit is calculated based on the difference between an employee's age and normal retirement age, the amount of this interest credit relative to the pay credit decreases as the employee ages.

(3) Cash balance plans fail to meet the requirements for defined benefit plans and violate federal anti-age discrimination statutes.

Because cash balance plans are defined benefit plans, they must comply with the letter of the relevant provisions of ERISA, the Internal Revenue Code and the ADEA. All three legal regimes provide that the rate of pension benefit accruals not be reduced based on the employee's age.[25] Cash balance pension conversions violate these provisions because the rate of benefit accrual is reduced and is reduced because of the employee's age. This problem is exacerbated by plan provisions commonly referred to as ''wear away,'' which prevents older workers from earning new benefits under the new plan until they exceed those that the employee accrued under the former plan.

As the IRS is aware, the Code and ERISA contains a detailed set of standards with which defined benefit plans must comply. Those standards include rules for reporting and disclosure, participation and vesting, funding, fiduciary responsibility, and administration and enforcement. The benefit accrual requirements, which are contained in the participation and vesting requirements, are fundamental and critical protections to ensure that pension plan participants fairly accrue and receive benefits under their pension plans. The benefit accrual rules are an important assurance that participants are treated fairly and that the plan sponsor does not design the plan to benefit only certain types of workers.

Under section 204(b)(1)(G) of ERISA, defined benefit plans are not in compliance with the law ''. . . if the participant's accrued benefit is reduced on account of an increase in his age or service.'' Furthermore, under ERISA §204(b)(1)(H)(i) and Code §411(b)(1)(H)(i) and ADEA §4(i)(1)(A), a defined benefit shall not be treated as in compliance ''. . . if, under the plan, an employee's benefit accrual is ceased, or the rate of an employee's benefit accrual is reduced, because of the attainment of any age.''

In addition, one of the key elements of a defined benefit plan is that it promises and provides benefits in the form of an annuity, a monthly or regular stream of payments at retirement. ERISA §3(23) expressly requires that defined benefit plans determine an individual's accrued benefit ''. . . expressed in the form of an annual benefit commencing at normal retirement age.'' And, Code §411(a)(7), for purposes of section 411 vesting and accrual rules, defines ''accrued benefit'' in the case of a defined benefit plan as ''the employee's accrued benefit determined under the plan and, except as provided in subsection 9(c)(3), expressed in the form of an annual benefit commencing at normal retirement age.'' We firmly believe that the age-neutrality of benefit accruals must be assessed based upon a normal retirement age annuity and not on the basis of cash balance plan ''hypothetical accounts'' which have no legal status under current law.

Based upon these requirements, cash balance conversions are in violation of ERISA, the Internal Revenue Code and ADEA. By definition, older participants accrue benefits at a lesser rate because they have a shorter period of time to earn interest than younger workers do. Under a cash balance scheme, the interest credit is tied directly to the employee's age.

As Lee Sheppard observed in her January 11, 1999 article in Tax Notes Today (emphasis added), ''Whether a cash balance plan would satisfy the proposed [IRS] regulation depends on the definition of 'rate of accrual.' If rate of accrual is defined by projecting the participant's benefit to an annual benefit beginning at normal retirement age, then cash balance plans flunk, because *the size of the participant's actuarially determined benefit is purely a function of his or her age. Indeed, it is impossible to estimate a cash balance plan participant's pension benefit without knowing his or her age.*''

Professor Edward Zelinsky of the Benjamin N. Cardozo School of Law came to the same conclusion in his October 1999 paper, entitled, ''The Cash Balance Controversy'' (emphasis added), ''As a matter of law, the typical cash balance plan violates the statutory prohibition on age-based reductions in the rate at which participants accrue their benefits * * *. *There is no dispute about the underlying arithmetic: as cash balance participants age, the contributions made for them decline in value in annuity terms.* Moreover, cash balance arrangements are defined benefit plans and therefore measure accrued benefits in terms of annuity equivalents, not in terms of the contributions themselves.''

Cash balance promoters attempt to counter conclusions such as Ms. Sheppard's and Professor Zelinsky's by arguing that the rate of benefit accrual under a cash balance plan should not be calculated by projecting the pension benefits into an annuity beginning at normal retirement age. They point out that neither the Code nor ERISA define ''rate of benefit accrual.'' Instead, some suggest that the IRS should look at the absolute dollar amount ''credited'' to employees' cash balance ''accounts'' annually or that the IRS should remove cash balance interest credits from its analysis.

This argument is generally founded on statutory construction that is nonsensical. The accepted canons of statutory construction dictate that words and phrases should not be interpreted in isolation, but rather in the context in which they are used. Section 411(a)(7) of the Code requires an employees ''accrued benefit'' to be expressed in terms of an annual benefit commencing at normal retirement age * * *.'' The term ''accrued benefit'' is used throughout section 411(b)(1). Cash balance promoters opine that, because the term ''rate of benefit accrual'' is used instead of ''accrued benefit'' in section 411(b)(1)(H)(i), Congress did not intend that the IRS should evaluate compliance with §411(b)(1)(H)(i) by projecting an employee's annual benefit beginning at normal retirement age.

It is not surprising that the term accrued benefit is not used in §411(b)(1)(H)(i). This subparagraph is concerned with the pace at which the accrued benefit grows. To insert the term ''accrued benefit'' in this section would make it nonsensical. However, by reference to the provisions in the same paragraph, it is obvious that the benefit that is accruing is the projected annual benefit at normal retirement age.[26]

Any doubt about the meaning of the language of §411(b)(1)(H)(i) is resolved by comparing it to the §411(b)(2)(A), which states in relevant part, ''A defined contribution plan satisfies the requirements of this paragraph if * * * the rate at which amounts are allocated to the employee's account is not reduced, because of the attainment of any age.''

In essence, cash balance promoters argue that the IRS should apply §411(b)(2)(A) in determining whether cash balance conversions violate the age discrimination statute. But,

cash balance plans are defined benefit plans, not defined contribution plans. As such, cash balance plans must comply with §411(b)(1)(H)(i). A comparison of the language of these two sections evidences a different standard. The only interpretation that makes sense given the context of §411(b)(1)(H)(i) and a comparison with the language of §411(b)(2)(A) is that the rate of benefit accrual is evaluated in terms of the projected annual benefit at normal retirement age.

This interpretation is borne out in the comments of Paul Strella—currently at the pension consultant firm of William M. Mercer and formerly a Tax Benefit Counsel at the Department of Treasury—at a 1992 Enrolled Actuaries Meeting: ''There is a rule in the Internal Revenue Code, along with ERISA, that says that the rate of accrual, the rate of benefit accrual in a pension plan can not decline merely on account of increasing age. Well, a cash balance plan does exactly that.''

This view is also apparently shared by some within the IRS. For example, a September 3, 1998 memorandum from the District Director of the Ohio Key District in Cincinnati, Ohio to the Director of Employee Plans Division in Washington, DC states that at least one cash balance plan ''does not satisfy the clear and straightforward requirement of §411(b)(1)(H)(i) of the Code because the plan's benefit accrual rate decreases as a participant attains each additional year of age.''

(4) The ''wear-away'' feature of many cash balance conversions violate federal anti-age discrimination statutes.

In addition to violating Code §411(b)(1)(H)(i), and related sections of ERISA and the ADEA, by reducing benefit accruals based on age, many cash balance plans violate federal age discrimination law, including §411(d)(6) of the Code, through their use of the wear-away mechanism. It was only during the past year that members of Congress became aware that in many cash balance conversions, older workers do not accrue new pension benefits until they have ''worn away'' their previously earned benefits. To permit pension plans to include ''wear away'' violates both the letter and spirit of two key ERISA [and ADEA] principles: (1) that accrued benefits cannot be reduced, and (2) that pension plans cannot discriminate on the basis of age. To deny participants additional accruals on the basis of years of service and benefits already accrued under the plan before the amendment is contrary to public policy. In this situation, benefits accrued based on years of service absolutely is a proxy for age. Plan wear-away provisions do not meet the ERISA/IRC exception for explicit uniform limitations on benefit accruals for all workers based upon a maximum number of years of service. Under wear-away clauses, the only workers who do not receive continued accruals are the oldest workers. To claim that they always remain entitled to their accrued benefit, even though every day it is being eroded and used against their ability to earn new benefits, makes a mockery of ERISA's accrued benefit protections.

There is little doubt that the wear-away feature of cash balance plans is targeted at older workers. The wear-away takes place because the benefits the employee is entitled to under the traditional defined benefit plan are greater than those under the cash balance plan. By definition, the employees that fit this profile are older workers because benefits under a traditional defined benefit plan accrue more quickly for the older, more senior workers while the rate of accrual under a cash balance plan accrue more slowly for this group of employees. Given the age discriminatory intent of cash balance promoters, the IRS should cast a jaundiced eye at their claims that the disproportionate impact of wear-away on older workers is not by design.

In our mind, the practice of wear-away is contrary to the law and public policy and cannot be allowed to continue. The fact that the IRS has not objected to these provisions in the past, and may have given some plan sponsors prefatory language refuting any age discrimination questions, should not stand in the way of the IRS and other agencies fresh assessment of whether cash balance plans comply with the law. In light of the wealth of new information that has become public in the past year, it is critical that the IRS take all needed steps to ensure that all pension plans comply with the law.

(5) Cash balance conversions should therefore be disqualified under existing law.

As we have discussed, cash balance pension conversion are illegal under §411(b)(1)(H) of the Internal Revenue Code, §204(b)(1)(H) of ERISA, and §4(i)(1)(A) of ADEA in terms of accrual rates. We have also indicated that most cash balance conversions are in violation of §411(d)(6) of the Internal Revenue Code dealing with wear away.

Since, cash balance conversions are in violation of these laws, we believe that the IRS should disqualify these conversions under current law. Cash balance promoters have appealed for regulatory relief on the grounds that they were lulled into a false sense of security about the legality of cash balance conversions. We have little sympathy for their arguments. Much of the difficulty in uncovering the age discriminatory nature of cash balance conversions lies with the promoters themselves and they are entitled to no benefit from the confusion of their own making.

Finally on this point, we note that most of the arguments made by cash balance promoters are policy arguments for why hybrid pension plans, including cash balance plans, are a positive development that deserve the support of the federal government. Even if those arguments had some merit, which in our strong view they do not, those arguments are inappropriate in this regulatory context. Cash balance conversions violate federal anti-age discrimination statutes.

(6) A safe harbor should be established allowing cash balance plans to meet existing legal requirements only if all employees are allowed to choose which pension plan works best for them with detailed disclosure.

In consideration of the goals of the age discrimination regimes in the Code, ERISA, and the ADEA, and based on our considerable consultation with employees affected by cash balance conversions, we also believe that a safe harbor should be established that would protect the tax-exempt status of cash balance conversions if the employers offer all current employees the choice to remain in the traditional defined benefit plan. We believe that such a safe harbor would come the closest to proverbial ''win-win'' outcome for all stakeholders in the cash balance pension debate.

The safe harbor that we are recommending would necessarily require the employer to provide a detailed individualized statement allowing the employees to easily compare between the traditional defined benefit plan and the cash balance plan. If the company does not want to provide these individualized statements, the company may be exempted from this requirement only if they allow their employees to choose which pension plan works best for them on the date that they leave the company. On this date, the company must also allow the employees to compare exactly how much they would receive under the traditional defined benefit plan and the cash balance plan.

Due to the complexities involved, we believe that companies that have already converted to cash balance plans should be given at least 90 days to make the above changes in their pension plan. As we noted above, from a policy standpoint we believe this represents a middle ground that would most effectively address the concerns of all involved. For the employers, their pension plans would continue to enjoy tax-exempt status. And, for the employees, they would be able to continue to receive the pension benefits that were promised to them.

We do not, however, offer here an opinion about whether the IRS has the authority to implement such a safe harbor under current federal law. If the IRS determines that it does not have the authority to do so, we stand ready to support an IRS request to implement the necessary statutory changes.

Thank you for giving us this opportunity to express our views. We look forward to working with you to address the serious age discriminatory impact of cash balance conversions.

Sincerely,

Bernard Sanders, George Miller, William Clay, Martin Frost, Barney Frank, Edward J. Markey, Patsy Mink, Marcy Kaptur, Peter J. Visclosky, Rush D. Holt, Carolyn B. Maloney, Lynn C. Woolsey, Sherrod Brown, John Conyers, Jr., Jerrold Nadler, Martin Olav Sabo, Nancy Pelosi, Luis V. Gutierrez, John Elias Baldacci, Cynthia A. McKinney, Donald M. Payne, Peter A. DeFazio.

Tammy Baldwin, Lane Evans, Frank Pallone, Jr., Sheila Jackson-Lee, Tom Lantos, Steven R. Rothman, Dennis J. Kucinich, Janice D. Schakowsky, Eleanor Holmes Norton, Robert A. Brady, Corrine Brown, Michael P. Forbes, Gary L. Ackerman, John Joseph Moakley, James P. McGovern, John F. Tierney, Neil Abercrombie, Bob Filner.

Michael F. Doyle, Major R. Owens, Michael E. Capuano, Danny K. Davis, Alcee L. Hastings, Carolyn McCarthy, Bobby Rush, Barbara Lee, Ron Klink, Tom Barrett, John W. Olver, Bennie G. Thompson, Sanford D. Bishop, Jr., Ted Strickland, Jesse L. Jackson, Jr., Bobby Scott, Stephanie Tubbs Jones, Pat Danner, James Traficant, Bill Luther.

FOOTNOTES

[1] These anti-age discrimination statutes include not only the ADEA, but also the Internal Revenue Code, and ERISA as amended.

[2] Outside pension advisors who promote the cash balance concept as a way to cut pension benefits were well aware of the age discriminatory impact of these conversions as evidenced by comments made in correspondence and at actuarial meetings. For instance, comments made at numerous American Society of Actuaries meetings bear out the widespread understanding that cash balance conversions targeted the benefits of older workers. This does not, however, in any way absolve the many corporations—including many Fortune 500 companies—who have made these conversions and who all ostensibly have sufficient inhouse expertise to understand the impact of these plans. We are not aware of any companies who have implemented a cash balance conversion based on the advice of outside consultations but who lacked a full understanding of the ramifications for their older workers. If they do exist, they have yet to come forward.

[3] See www.watsonwyatt.com/homepage/us/news/pres rel/Jan99/hybrid-tm.htm.

[4] Based on unconfirmed anecdotal evidence, there may be one or two companies that have implemented a cash balance ''from scratch.'' However, given the hundreds of companies that have implemented conversions, federal agencies' review of cash balance plans should focus on them in the context of conversions.

[5] See www.watsonwyatt.com/homepage/us/news/pres rel/Jan99/hybrid-tm.htm.

[6] Daniel Eisenberg, ''The Big Pension Swap,'' Time Magazine (April 19, 1999) at 36 (''20% of Fortune 500

companies, including AT&T and Xerox, now offer these plans which cover close to 10 million workers nationwide.'').

[7] Ellen Schultz, ''The Young and Vestless,'' The Wall Street Journal (December 16, 1999) at A1. (''Employers . . . increasingly acknowledge that switching to the new plans does reduce benefits for many veteran employees. But compensating for this, they say, is that the plans are better for a younger, more mobile workforce.'').

[8] The ERISA Industry Committee, Understanding Cash Balance Plan: (''Unlike traditional defined benefit plans, cash balance plans provide an easily understood account balance for each participant.'').

[9] There is also growing evidence that cash balance conversions do not benefit younger workers. Ellen Shultz, ''The Young and Vestless.'' The Wall Street Journal (December 16, 1999) at A1. (''Many younger workers are no more likely to collect a benefit from these new-fangled plans than they are from traditional pensions. And when they do collect, they often fare only a little better under a cash-balance system.''

[10] See www.watsonwyatt.com/hompage/us/new/Insider/6 98.HTM.

[11] See id.

[12] *See id.* (emphasis added).

[13] See id.

[14] See www.watsonwyatt.com/homepage/us/res/workmgmt-tm.htm (''Are you paying for performance or for tenure and *age:*'') (emphasis added).

[15] The authors understand that no current federal law prevents a company from reducing future pension benefits. However, federal law prohibits such cuts from being implemented in an age discriminatory fashion. In this case, companies are using cash balance plans to conceal impermissible age discrimination.

[16] Ellen Shultz, ''Joy of Overfunding: Companies Reap a Gain Off Fat Pension Plans,'' The Wall Street Journal (June 15, 1999) at A1. (''Thanks to an accounting rule that is little known to either shareholders or analysts, and that was written for a very different era, there is a way to gain from the pension surplus. The rule provides that if investment returns on pension assets exceed the pension plans' current costs, a company can report the excess as a credit on its income statement. Voila: higher earnings.'').

[17] Ellen Shultz, ''How Pension Surpluses Lift Profits,'' The Wall Street Journal (September 20, 1999) at C1. (''Pension income isn't what you would consider operating income at these companies; it is more along the lines of investment income.'').

[18] Ellen Shultz, ''Joy of Overfunding: Companies Reap a Gain Off Fat Pension Plans,'' The Wall Street Journal (June 15, 1999) at A1. (''In the early 1980s, 60% of large companies provided regular cost-of-living increases for pensioned retirees; today, with the plans in better financial shape, fewer than 4% do.)

[19] A September 17, 1999 Bear Stearns Study, entitled ''Retirement Benefits Impact Operating Income,'' reached a similar conclusion. (''We . . . recommend that the components of net pension cost be disaggregated for purposes of financial analysis.)

[20] While not the focus of these comments, the authors do believe that current federal law needs to be amended to increase the disclosure requirements when companies decrease their employees' future pension benefits.

[21] In light of these statements, in the event of litigation challenging the legality of cash balance conversions, the authors believe plaintiffs would have little difficulty establishing the discriminatory intent of the actuaries and companies promoting cash balance plans.

[22] The authors have omitted a lengthy discussion of the differences between defined contribution and defined benefit plans because the IRS is well versed in those distinctions.

[23] ERISA §3(34).

[24] ERISA §3(35) (describing a defined benefit plan as ''a pension plan other than an individual account plan.'')

[25] See ERISA §204(b)(1)(H)(i), Code §411(b)(1)(H)(i) and ADEA §4(i)(1)(A).

[26] See, e.g., NRLB v. Federbush Co. Inc., 121 F. 2d 954, 957 (2d 1941) (''Words are not pebbles in alien juxtaposition; they have only a communal existence; and not only does the meaning of each interpenetrate the other, but all in their aggregate take their purport from the setting in which they are used. . . .'')

Mr. PORTMAN. Mr. Speaker, I yield myself 1 minute to respond briefly. We are going to hear a lot about tax cuts for the rich from the other side apparently. I would just like to remind Members about what is actually in this legislation. There is health insurance for those who are self-employed. Those are people who are primarily small businesspeople. These are not the rich. There is community renewal here for our very poorest neighborhoods, rural and urban neighborhoods around America. Those are the people who will benefit. With regard to the low-income tax credit, that is going to benefit not the rich; it is going to benefit people who need the benefit of government help in housing.

With regard to pensions, and I see my colleague here from North Dakota. Let us look at the benefits. Seventy-seven percent of the people who are currently participating in pensions make less than $50,000 a year. These are not rich people. These are people who need our help. I would just say, I have now had a chance to look at the Democratic alternative, as I have been sitting here, in more detail. It provides a net $8 million in tax relief as I see it over 5 years. The Republican alternative provides through all those items I just mentioned about $48 billion worth of needed tax relief that is going to help all Americans.

Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. REYNOLDS).

Mr. REYNOLDS. Mr. Speaker, I think my colleague from Ohio outlined specifically that anyone who tries to sell this tax plan as a tax cut for the rich has not read the legislation introduced by my Republican colleagues. This bill clearly goes after taking an opportunity to take care of middle America and our low-income families, whether it is addressing low-income tax credits or housing or more particularly looking at those people who pay insurance.

To have an opportunity as self-employed individuals to begin to have some relief on the cost of paying for that insurance while self-employed is an opportunity that this bill begins to address. Quite frankly we need to do more than what the $28 billion that has been afforded in this tax package has done for Americans.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from North Dakota (Mr. POMEROY).

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me the time. I want to begin by commending the gentleman from Ohio (Mr. PORTMAN), who is truly a leader in retirement savings initiatives. How I wish that the provisions in this bill that reflect his very good work were before us in a fair and thoroughly considered way. I think we could have a 100 percent vote out of this House as we advance the opportunities for Americans to save for retirement. But unfortunately, that is anything but the bill that is in front of us.

They will talk about this good thing, and they will talk about that good thing and let us recognize them for what they are, window dressing on a bill, the heart of which is an estate tax cut giving direct tax benefit to the wealthiest people in the country. It is a fine thing to do, but is that our first priority for tax relief?

Some will say our farmers need this, and I want to contrast in the balance of my remarks their plan versus our plan as it regards farmers. An analysis of their proposal shows that farms under $13 million, farms and small businesses with assets under $13 million fare better under the Democrat substitute. The Democrat substitute effectively takes up to $4 million for estate tax relief. Checking with the census on data in North Dakota, the State I represent, 99.7 percent of the farms fare better under the Democrat plan because they are under that $13 million figure. That lets us know the amount in their plan that goes toward the wealthiest, the very wealthiest people in this country.

Only this majority could take what was initially designed to be minimum wage legislation and lard it up with a huge windfall for the wealthiest people in this country. I particularly resent saying that theirs is the one that helps the family farmer. If Members want to help the family farmer, vote for the Democrat substitute that effectively takes estate tax relief to $4 million, not their plan.

The SPEAKER pro tempore (Mr. PEASE). Without objection, the gentleman from Arizona (Mr. HAYWORTH) will control the time of the gentleman from Ohio (Mr. PORTMAN).

There was no objection.

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute to make a couple of points in response to my good friend from North Dakota. I am pleased that he embraces the notion of death tax relief for family farms. I am sorry he neglected to offer us the name of the source for his analysis that smaller farms would be helped. I look forward to a response on their side on their time with that information.

What I would also like to point out is correspondence that the Speaker has received from the Small Business Survival Committee, Mr. Speaker. It reads, and I quote, ''The alternative offered by the minority, the alternative is a de facto tax increase on small businesses, that are the leading source of new jobs and economic expansion in America. The alternative to the tax plan being considered today would severely jeopardize the financial security of the small business community.''

I would reiterate that when we take a look at the package being offered as the alternative, Mr. Speaker, it offers a net $8 million of tax relief as opposed to the majority common sense plan, $48 billion in tax relief.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. SHERMAN).

Mr. SHERMAN. Mr. Speaker, this budget-busting, Social Security-risking tax bill would cause the sheriff of Nottingham to cringe in embarrassment because it is the most regressive tax bill in recent history. Three-quarters of the benefits go to the top 1 percent, a group of people with an average income of $900,000. Its estate tax provisions are even more regressive. We are denounced for class warfare rhetoric, but this bill is a sneak attack against working Americans.

Mr. Speaker, in the spirit of today's game shows, this bill does not ask who wants to be a millionaire, nor does it ask who wants to marry a multi-millionaire. It asks who wants to give huge tax breaks to multi-multimillionaires. And I emphasize ''million heirs,'' because the breaks go chiefly not to those who are rich because of their efforts but those who become rich because of their clever selection of parents.

Ninety-five percent of Americans get 13 bucks out of this bill. There are some pennies for average Americans. But the top 1 percent get $6,000 of tax relief, or as we say in L.A., dinner at Spagos. This bill is so obnoxious, so regressive, that it is being packaged in the rhetoric of talking about the average beauty shop owner. But to get the benefits, you need an estate of $4 million and more. That is a lot of beauty shops. And then they take this deceptively packaged tax bill and they feel they cannot conceal it enough, so they wrap it in an increase in the minimum wage. This bill provides over $100 billion of tax relief to the superrich, and it provides $11 billion of wage increases to those who make $5.15 an hour.

Mr. Speaker, I include for the RECORD the following documents from the Citizens for Tax Justice:

HOUSE GOP MINIMUM WAGE PLAN OFFERS $11 IN UPPER-INCOME TAX BREAKS FOR EVERY $1 IN WAGE HIKES FOR LOW EARNERS

The House GOP leadership's $123 billion tax-cut/minimum wage plan, to be voted on this week, would give upper-income taxpayers $11 in tax breaks over the next decade for every dollar in increased wages paid to low-wage workers.

Unbalanced Acts, a joint analysis of the GOP proposal by Citizens for Tax Justice and the *Economic Policy Institute,* finds:

Over the next decade, the proposed tax cuts will total $122.8 billion. Over the same period, wage increases stemming from the $1 boost in the minimum wage will total only $11.2 billion. This means that over ten years, for every dollar in higher wages for low-wage workers, $10.90 in upper-income tax breaks will be provided.

Almost all the tax cuts (91.4%) would go to the best-off tenth of all taxpayers. In fact, the top one percent of all taxpayers, those making more than $319,000 a year, would get almost three-quarters of the tax reductions. Their average annual tax cut under the plan would be $6,128 each (in 1999 dollars). That compares to only a $4 average tax cut for the bottom 60 percent.

While the tax bill's permanent tax cuts grow to $17.6 billion by 2010, the effect of the minimum wage proposals will be totally eroded by inflation after 2006.

''The minimum wage hike will allow low-wage workers to share in the gains of this economic recovery, while the proposed tax cuts will needlessly provide a second helping of the economic pie to the wealthiest taxpayers,'' said EPI Vice President Lawrence Mishel.

''It's ridiculous that a minimum wage bill supposedly designed to aid low-wage workers would actually give its biggest benefits to the highest-income people in the country.'' said Citizens for Tax Justice, director Robert S. McIntyre.

EPI's minimum wage analysis compares the wage hikes under the GOP plan, which would boost the minimum wage by $1 over three years, to the wages that affected workers would earn if their wages merely keep up with inflation over the next decade. The GOP's three-year phase-in of the wage boost provides an $11.2 billion gain to these workers over ten years—$3.8 billion less than the Bonior-Kennedy proposal's two-year implementation plan, which would produce a total of $15 billion in higher wages.

The distributional effects of the tax cuts were analyzed by CTJ using the Institution on Taxation and Economic Policy Tax Model. The $123 billion estimated ten-year cost of the tax cuts is based on preliminary, March 1, 2000 estimates from the Joint Committee on Taxation. (The tax cut plan would, among other things: cut estate taxes by $79 billion over ten years—representing almost two-thirds of the total proposed tax cuts; increase the write-off for business meals to 60% of cost from 50% under current law; provide added tax breaks for pensions and 401(k) plans; increase the limits on immediate write-offs of business capital investments; speed up the date when 100% of self-employed health insurance can be deducted; restore a loophole for installment sales that was repealed in 1999; expand enterprise zones; expand the tax credit for investors in low-income housing; expand the tax credit for investors in low-income housing; and augment tax breaks for private tax-exempt bonds.)

A table detailing the distributional effects of the tax cuts follows:

EFFECTS OF THE TAX CUTS IN THE HOUSE GOP 2000 MINIMUM WAGE BILL

[Annual effects at 1999 levels; $-billion except averages.]

Income group	Income range	Average income	Estate tax cuts	Corporate tax breaks	Pensions & 401Ks	Total tax cuts	Average tax cut	Percent of total tax cut
Lowest 20%	Less than $13,600	$8,600	−0.0	−0.0	−0.0	−0.0	−1	0.3%
Second 20%	13,600–24,400	18,800	−0.0	−0.1	−0.0	−0.1	−4	0.9%
Middle 20%	24,400–39,300	31,100	−0.0	−0.2	−0.0	−0.2	−7	1.7
Fourth 20%	39,300–64,900	50,700	−0.0	−0.3	−0.0	−0.3	−13	3.0
Next 15%	64,900–130,000	86,800	−0.0	−0.4	−0.1	−0.6	−29	5.3%
Next 4%	130,000–319,000	183,000	−0.8	−0.5	−0.4	−1.7	−329	15.7%
Top 1%	319,000 or more	915,000	−5.7	−1.4	−0.7	−7.7	−6,128	73.1%
All			−6.5	−2.8	−1.2	−10.6	−83	100.0%
Addendum:								
Bottom 60%	Less than $39,300	$19,500	0.0	−0.3	−0.0	−0.3	−4	2.8%
Top 10%	92,500 or more	218,000	−6.5	−2.0	−1.1	−9.7	−765	91.4%

Notes: Figures show the annual effects of the approximately $123 billion in tax cuts over the next 10 years included in the GOP minimum wage increase plan to be voted on by the House on March 9 or 10. All provisions are measured as fully effective, at 1999 income levels. Distributional figures do not include the faster phase-in of the self-employed health insurance deduction.

Source: Institute on Taxation and Economic Policy Tax Model. Citizens for Tax Justice, March 7, 2000.

The report, *Unbalanced Acts,* is available on-line at both www.epinet.org and www.ctj.org. It can also be obtained by calling 1–800–374–4844.

UNBALANCED ACTS

A COMPARISON OF THE PROPOSED MINIMUM WAGE AND TAX BILLS

(By Jared Bernstein, Robert S. McIntyre, and Lawrence Mishel)

The good news is that an increase in the federal minimum wage looks like a real possibility. How good the news is, however, depends on which of the two competing proposals wins out. The differences between the two proposals are not insignificant, especially when considering the billions of dollars in tax cuts in which the GOP leadership has couched its minimum wage proposal. A comparison of the size and phase-in periods of the competing minimum wage proposals in relation to the proposed $123 billion GOP tax cut package finds that:

The $123 billion in tax reductions proposed by the House GOP leadership over the 2000–10 period is nearly 11 times greater than the $11.2 billion in wage hikes that would be generated by its accompanying minimum wage proposal.

Over the course of a decade, for every dollar in higher wages generated for low-wage workers by the House GOP plan, $10.90 in tax cuts will be provided, mostly for those with the highest incomes.

While the tax bill's permanent tax cuts grow to $17.6 billion in fiscal year 2010, the effect of both of the minimum wage proposals will be totally eroded by inflation after fiscal year 2006.

The Bonior-Kennedy minimum wage proposal's two-year implementation plan providers a total of $15 billion in higher wages, while the GOP plan's three-year schedule provides an $11.2 billion gain to these workers, or $3.8 billion less.

Ninety-one percent of the gains from the GOP's proposed tax reductions are targeted to the wealthiest 10%, with 73.1% accruing to the richest 1% of households. In contrast, the minimum wage proposals are designed to aid the lowest-income workers.

AN ANALYSIS OF THE GAINS FROM THE TAX AND MINIMUM WAGE PROPOSALS

Quantifying the aggregate wage gains over the next 10 years under both the Bonior-Kennedy and the House GOP minimum wage proposals (see appendix for methodology) allows for a clear comparison of the proposed minimum wage increases and the proposed tax legislation (Table 1).

TABLE 1.—COMPARISON OF ANNUAL AND CUMULATIVE IMPACT OF HOUSE GOP TAX AND MINIMUM WAGE PLANS, 2000–10

[amounts in billions]

Fiscal year	House GOP		Comparison of House GOP tax and min wage plan	
	Tax cuts	Min wage	(1) – (2)	Ratio of tax cuts to MW plan (in percent) (1)/(2)
Annual impact:				
2000	$0.5	$0.7	–$0.2	73
2001	2.4	1.7	0.7	142
2002	9.2	3.2	6.1	292
2003	10.6	2.7	7.9	395
2004	10.8	1.7	9.1	626
2005	12.3	0.9	11.4	1,301
2006	13.4	0.4	13.0	3,421
2007	14.4	.....	14.4	(1)
2008	15.2	.....	15.2	(1)
2009	16.3	.....	16.3	(1)
2010	17.6	.....	17.5	(1)
Cumulative impact:				
2000–10	122.8	11.2	111.6	1,093
2000–05	45.8	10.8	35.0	422

[1] Cannot calculate ratio with zero as denominator.
Source: EPI/Joint Committee on Taxation.

The GOP minimum wage proposal would be phased in over three years, with two annual increases of $0.33 and one of $0.34; the Bonior-Kennedy plan would involve two annual $0.50 increases. After the full implementation of these increases, the effects of the minimum wage hike will decline as inflation continues its ongoing erosion of the value of the minimum wage. After fiscal year 2006, inflation will have eroded the new minimum to the point that it will represent no improvement over the current level. Since it takes the GOP plan an additional year to push the minimum wage to the $6.15 level, the $11.2 billion in cumulative gains under the House GOP plan are significantly less than the $15 billion impact of the Bonior-Kennedy plan.

Ultimately, though, the size of the GOP's proposed tax cuts quickly dwarfs that of either minimum wage proposal. By fiscal year 2002, the $9.2 billion in proposed tax cuts are nearly three times as large as the cumulative $3.2 billion in minimum wage hikes up to that point. The annual tax cuts eventually rise to $17.6 billion in 2010, but the minimum wage increase's effect falls to zero after 2006. Thus, the tax cuts grow over time and are permanent, but the minimum wage legislation, while important, has but a temporary impact because neither of the current proposals guarantee further increases after the $6.15 level is reached. (Indexing the minimum wage to inflation or wage growth would remedy this problem of minimum wage erosion.)

The 10-year impact of the House GOP tax legislation—$122.8 billion over the 2000–10 period—is 10.9 times as large as the $11.2 billion in total wage hikes that the GOP's minimum wage boost would produce. Thus, over the course of 10 years, for every dollar in higher wages generated for low-wage workers by the House GOP plan, $10.90 in tax cuts will be provided for mostly those with the highest incomes in the nation.

THE DISTRIBUTIONAL IMPACT OF THE GOP TAX PROPOSAL

The distributional assessment of the tax plan (Table 2) is based on the Institute on Taxation and Economic Policy Tax Model, Among other things, the GOP tax cuts would:

Cut the top estate tax rate from 55% to 48%; eliminate the 5% surtax that recaptures the benefits of the lower estate tax rates; reduce other estate tax rates by 2 percentage points; and replace the credit against estate taxes with an exemption (worth more to the largest estates). The $79 billion in estate tax cuts over 10 years are almost two-thirds of the total tax cuts proposed in the bill.

In crease the write-off for business meals from 50% to 60% of cost under current law.

Provide added tax breaks for pensions and 401(k) plans.

Increase the limits on immediate write-offs of business capital investments.

Speed up the date when 100% of self-employed health insurance can be deducted.

Restore a loophole for installment sales that was repealed in 1999.

Expand enterprise zones.

Provide tax breaks for timber companies.

Expenad the tax credit for investors in low-income housing.

Augment tax breaks for private tax-exempt bonds.

Table 2 shows that almost all of the benefits of the tax legislation (91.4%) would accrue to the wealthiest 10% of the population. In fact, the wealthiest 1% would get 73.1% of the proposed tax reductions.

A one-dollar increase in the minimum wage provides no economic rationale for tax cuts of the magnitude proposed in the GOP legislation. Yet, as with the last minimum wage increase, Congress again intends to use this opportunity to implement a regressive tax cut. As the above analysis has shown, the benefits to the wealthy from this proposal far outweigh the benefits of the wage increase.

TABLE 2.—EFFECTS OF THE TAX CUTS IN THE HOUSE GOP 2000 MINIMUM WAGE BILL

[Annual effects at 1999 levels; $ billion except averages]

Income group	Income range	Average income	Estate tax cuts	Corporate tax breaks	Pensions & 401Ks	Total tax cuts	Average tax cut	Percent of total tax cut
Lowest 20%	Less than $13,600	$8,600	$0.0	$0.0	$0.0	$0.0	$–1	0.3
Second 20%	13,600–24,400	18,800	0.0	–0.1	0.0	–0.1	–4	0.9
Middle 20%	24,400–39,300	31,100	0.0	–0.2	0.0	–0.2	–7	1.7
Fourth 20%	39,300–64,900	50,700	0.0	–0.3	0.0	–0.3	–13	3.0
Next 15%	64,900–130,000	86,800	0.0	–0.4	–0.1	–0.6	–29	5.3
Next 4%	130,000–319,000	183,000	–0.8	–0.5	–0.4	–1.7	–329	15.7
Top 1%	319,000 or more	915,000	–5.7	–1.4	–0.7	–7.7	–6,128	73.1
All			–6.5	–2.8	–1.2	–10.6	–83	100.0
Addendum:								
Bottom 60%	Less than $39,300	19,500	0.0	–0.3	0.0	–0.3	–4	2.8
Top 10%	$92,500 or more	218,000	–6.5	–2.0	–1.1	–9.7	–765	91.4

Figures show the annual effects of the approximately $123 billion in tax cuts over the next 10 years included in the GOP minimum wage increase plan to be voted on by the House on March 9 or 10. All provisions are measured as fully effective, at 1999 income levels. Distributional figures do not include the faster phase-in of the self-employed health insurance deduction. Source: Institute on Taxation and Economic Policy Tax Model. Citizens for Tax Justice, March 7, 2000.

APPENDIX: MINIMUM WAGE SIMULATION METHODOLOGY

To determine the aggregate wages generated by a minimum wage increase, one needs to identify the hourly wages and weekly hours of workers in the ''affected range,'' i.e., those whose wages fall below the proposed new minimum wage. We identify those in the ''affected range'' by ''aging'' the 1999 hourly wage distribution found in the Outgoing Rotation Group files of the Current Population Survey by a 2.5% rate of inflation (the long-term rate projected by the Congressional Budget Office). Our analysis assumes that in the absence of a minimum wage increase, low-wage workers would maintain their real wage, seeing no improvement or deterioration. This assumes wage growth depletes the size of the working population in the affected range, as some workers' wages will eventually exceed that of the newly established minimum wage. (The minimum wage would rise in two annual $0.50 increments in the Bonior-Kennedy version and two $0.33 annual increments and a $0.34 increment in House GOP plan). When those earning $5.15 in 1999 see their earnings reach $6.15, then the minimum wage legislation no longer has any effect, which under our assumptions would take place eight years from now. We assume that the minimum wage increases take effect in April of the relevant year.

The aggregate wage benefit is computed for workers in the affected range as the difference between their simulated wage level and the new minimum ($6.15 in later years; other values in the transition years) multiplied by their average weekly hours for 52 weeks. We increase the wage gain to reflect a labor force growing by 1% annually.

The wage gains associated with minimum wage increases in this simulation would be smaller (larger) if we assumed either a faster (slower) inflation rate or real wage gains (declines).

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute in brief response to my colleague from California. Mr. Speaker, it was interesting to listen to the litany of game shows. Perhaps one we might call on our friends on the left to actually watch and live up to is the game show ''To Tell the Truth'' because that seems to be sadly, noticeably absent from the litany of lines we are hearing today from the left.

My friend from California and others in this Chamber are well aware that small business owners, family farmers, actually create jobs for other Americans, so reducing the tax bite, saying death to the death tax actually empowers Americans to keep their jobs, rather than seeing family farms sold off to pay off a huge tax bill, and the same thing with businesses.

Mr. Speaker, I yield 4½ minutes to the gentleman from New York (Mr. LAZIO), a member of the Committee on Commerce.

Mr. LAZIO. Mr. Speaker I want to thank the gentleman from Arizona, I want to thank the chairman of the Committee on Ways and Means for his leadership in bringing this to the floor, and I want to thank the Republicans and Democrats that helped shape this bill. These tax provisions that represent, let us put this in perspective,

about 1 percent of the non-Social Security surplus that we will generate, about one penny out of every dollar.

This Small Business Tax fairness Act that is under debate today was drafted in the spirit of mutual respect, Republicans and Democrats not presuming to know what the final product was; but we have come together to try and craft something from the start. This bill was introduced by myself and cosponsored by colleagues from both sides of the aisle. I want to, if I can, pay special tribute to the gentleman from Illinois (Mr. SHIMKUS), who played a key role in drafting this legislation. Additional Republican cosponsors included the gentleman from Illinois (Mr. WELLER), the gentleman from Pennsylvania (Mr. SHERWOOD), and the gentleman from Mississippi (Mr. PICKERING). And on the Democratic side of the aisle, the gentleman from California (Mr. CONDIT) and the gentleman from Alabama (Mr. CRAMER) helped craft this bill, were involved from the beginning. Additional Democratic cosponsors, including the gentleman from Georgia (Mr. BISHOP), the gentleman from Mississippi (Mr. SHOWS), and the gentleman from Minnesota (Mr. PETERSON), also played key roles.

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These Members came together in the spirit of bipartisan cooperation. They gathered with goodwill to come to grips with a complex and tangible problem.

This bill represents a credible and honest effort to find a workable balance between the contending viewpoints that are found both in this House and in the American public at large.

We came to the table with the realization that a wage increase was fair but we also came to the table with a desire to protect the small business people who will end up bearing the direct burden of any wage increase that we pass here today. We wanted to avoid the real life situations in which low-wage workers would be laid off because of the increased pressure this bill places on small employers' bottom lines.

In short, we wanted to find a win/win. In fact, Mr. Speaker, that is exactly what we have done.

Mr. Speaker, we all wish to ensure that American workers at the bottom of the economic ladder are fairly compensated for their hard and honest labor. Yet we must also recognize that Federal wage mandates imposed from on high in Washington can have a particularly negative impact on the small businesses where these very same low-wage earners are employed.

For those who wish to say that they want to balance the minimum wage increase with tax relief for America's small businesses, they can do that here today. For those who say that they favor letting the self-employed deduct health insurance costs, they can do precisely that today. For those who say they wish to vote for low-income housing tax credits, they can do precisely that today. If, however, they wish to conjure up reasons to vote against this bill, they may be able to do that.

Mr. Speaker, we here in Washington are about to impose higher payroll payments upon mom and pop stores throughout the country. Is it not only fair that we should also offer these same small business owners Federal help and not make them shoulder this burden alone?

I would like to know what the opponents of this bill find so objectionable about provisions that help small business owners offer pensions to their workers. I would like to understand why anyone would oppose the community renewal provisions of this bill that help bring hope to America's most economically troubled regions. What is wrong with balancing this wage increase that elevates salaries at double the rate of inflation, with aid to the small businesses who in the end will be forced to pay the bill for what we pass here on Capitol Hill?

Mr. Speaker, the energy of entrepreneurs, people who have the courage to risk all to realize their vision and dreams, should be rewarded, not punished. Do we really wish to leave the owners of small computer firms, restaurants, and mom and pop stores hanging out on a limb where we shove them off alone? I think not, Mr. Speaker. Let us offer those owners of mom and pop stores a helping hand.

In the beginning, I must admit that I was a bit perturbed and perplexed and even puzzled by the opposition to this bill; but upon reflection, I am not so perplexed after all.

No, Mr. Speaker, I am neither perplexed nor puzzled by the opposition to this bill.

I remain, however, perturbed. I am perturbed by the fact that many of the people in opposition would be motivated by the other ''P'' word: Politics, to injure the small business owners and workers who form the backbone of the American economy.

This bill represents an honest and good faith effort in which representatives from both sides of the partisan divide came together to achieve the best possible results, and the best possible result is precisely what we shall achieve here on the floor of the Chamber today when we pass this bill.

Mr. Speaker, we are first and foremost public servants. Let us put election year political jockeying aside and do what the people of America expect us to do. Let us do what we came here to Washington to do. Let us make people's lives better. Let us pass this bill.

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

Mr. Speaker, I do not care how much time they give my friend, the gentleman from New York (Mr. LAZIO), to speak. He has to be pretty hard put to find any bipartisanship on the tax provisions in this bill. We can rest assured if there was any attempt, we would not find 90 percent of the tax cuts going to 10 percent of the highest income people here. If we did have a bipartisanship, we would not find three-fourths of the tax cuts going to the highest income people.

Let me say this to my friend, the gentleman from Arizona (Mr. HAYWORTH). He came pretty close to calling one of our colleagues a liar that was speaking. He came very, very close. I do hope that a reflection on the RECORD might bring out the best that he has in his personality and his character so that we can continue to work together as friends in this legislature, notwithstanding the TV shows that he watches.

Mr. Speaker, I yield 2 minutes to my friend, the gentleman from California (Mr. FILNER).

Mr. FILNER. Mr. Speaker, there they go again. The majority is once again bringing up legislation that purports to help the average hard-working, taxpaying American but in reality is just more relief for their well-to-do friends and business partners.

The gentleman from Arizona (Mr. HAYWORTH) watches television. He is telling his friends that the price is right, yet he is putting all of America into jeopardy.

We cannot continue to widen the gap between those who have and those who have less. Just like the majority's so-called marriage penalty relief, this tax cut/minimum wage increase does just that. It actually widens the income gap.

Billions and billions in tax cut benefits for the majority's rich friends and one dollar to America's working people; one dollar to America's working people.

All Americans should share in the prosperity of this booming economy, not just America's corporate CEOs. The Democratic substitute would allow those at the low end of the wage scale to share in this prosperity. I urge my colleagues on both sides of the aisle to remember the priorities of the average American. Let us raise the minimum wage, save Social Security and Medicare, pay down the national debt and stop helping the wealthy under the pretense of helping the average hard-working American.

Mr. Speaker, the saying goes, a rising tide lifts all boats but it is very clear that if this is approved the majority's proposal will leave an awful lot of smaller boats stuck in the muck of economic misery.

Defeat this bill and let us have all America set sail on the ship of prosperity.

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute to respond to some of the rhetorical fireworks in the past couple of minutes.

Mr. Speaker, I appreciate my good friend, the ranking member of the committee, the gentleman from New York (Mr. RANGEL), and I am sorry that he felt it necessary to offer a personal attack by way of rhetoric, but we will

look past that and go to the facts because as we know facts are stubborn things.

When we examine the alternative offered by the minority, it is actually cruel because it offers tax relief with one hand and takes it away with the other. I point specifically to two increases, two estate tax increases, in the Democratic alternative; and I would point out, Mr. Speaker, that Americans for Tax Reform have sent a letter to the chairman of the Committee on Ways and Means where they state specifically the Democratic alternative would result in new taxes on estates, corporate income, and capital gains alone.

So I think that is important to remember.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Maryland (Mr. CUMMINGS).

Mr. CUMMINGS. Mr. Speaker, America's labor force is the backbone of our flourishing economy. Without the efforts of workers in America's industries, big business could not thrive. When we do our job, we receive due compensation. The American people should be no different. It is our job to ensure that America's workers are not taken advantage of.

It is convenient for big business to forget those whose labor helps their companies thrive. Well, it is our job to remind them. It is our job to ensure that the minimum wage levels will afford our Nation's workforce with a decent life-style. It is our job to ensure that the Social Security trust fund is intact when they retire.

It amazes me that while colleagues on the other side of the aisle profess to raise the minimum wage, they continue in their quest to provide careless tax benefits to the wealthy and threaten the Social Security trust fund.

Raising the minimum wage over the course of 3 years is not enough. Our workers deserve more. Our workers deserve better. America's workers are doing their jobs and now is the time that we do ours.

Mr. Speaker, I urge that we reject this bill and fully support the Democratic alternative.

Mr. HAYWORTH. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Speaker, I thank the gentleman from Arizona (Mr. HAYWORTH) for yielding me this time.

Mr. Speaker, small businesses are the backbone of our economy. They employ over half the private workforce in this country. They contribute half of all sales. They are responsible for half the private gross domestic product in the United States.

Now, what this bill will provide is needed relief for small business and for America's workers. The new tax relief provisions will create new jobs. They will promote continued economic growth. They will continue to promote the type of employment policies in which people can find jobs.

The reforms in the pension system will enhance retirement security. The acceleration of the 100 percent health deduction for the self-employed will help ensure that workers will be able to afford quality health care in the private marketplace.

It is time to remove some of the government ties that still bind the engine behind America's unprecedented economic prosperity. It is small business that leads to this prosperity, and I urge my colleagues to pass this bill.

Mr. RANGEL. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Mississippi (Mr. TAYLOR).

Mr. TAYLOR of Mississippi. Mr. Speaker, on the 29th of September, 1.4 million Americans will go to the mailbox looking for their paycheck. They are the young people who serve in the Army, the Navy, the Air Force and the Marines. It will not be there because the same people who claim to be for national defense, the same people who claim that there is this huge surplus out there, have seen to it that they are not going to get paid until two days later, October 1. That is so there can be an accounting gimmick and their pay counts against next year's budget and not this year's budget.

Now, if one is a Congressman and they make about $130,000, waiting 2 extra days for their pay is no big deal but if one is an E–4 with a child and a wife waiting that extra weekend to buy the Pampers or the baby formula, it is a big deal.

So the same folks who did this are saying we have over $100 billion to give away in tax breaks, 90 percent of which is going to the richest Americans, but we do not have enough for someone if they serve in the Armed Forces, and we are going to delay their pay. That is how much we think of them.

It gets even worse. If one served their Nation honorably, they were promised health care for the rest of their life if they served 20 years. Those same people who show up at the base hospitals they are being told, we are sorry, there is not enough money to take care of them; they are to go out and fend for themselves on Medicare; but there is $120 billion in tax breaks for the wealthiest Americans.

It gets even worse. For 3 years the same folks who are saying there is all this money laying around, that is why we have to have these tax breaks, froze the budget for the VA. They froze it.

Mr. Speaker, if there is not enough money to take care of those who need it the most, then there is not tax breaks for the least.

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute in response to my colleague, the gentleman from Mississippi (Mr. TAYLOR), with whom I see eye to eye on many issues of national security.

I appreciate his points but it is interesting that it is somewhat of a selective outrage at the majority in this legislative body because I can remember the President of the United States, Mr. Speaker, visiting this Chamber for a State of the Union message and in outlining budget priorities failed to even articulate just a bit of rhetoric for those veterans who have served our country.

Indeed, as the record reflects, it was the majority adding $1,700,000,000 in health care benefits for our veterans. The other irony, I would point out to my friends in the minority, is this, just a few short months ago they embraced tax relief to the tune of $300 billion and yet now, Mr. Speaker, they tell us it is risky to propose real tax relief of even $48 billion to help America's working families.

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Mr. RANGEL. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas (Mr. STENHOLM).

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

Mr. STENHOLM. Mr. Speaker, I need to remind my colleague from Arizona that it is the House's responsibility to deal with the House's business. The gentleman from Mississippi was talking about what we do, not what the President does, and that needs to be taken into account.

What we are about to do today is add-to. When we add up all of the tax cuts that have now been proposed by the majority in the House and the Senate, it is $500 billion. This is money that is saying our debt continues to go up and the risk to Social Security increases with every bill that is passed like the one before us today.

Mr. Speaker, we do not with small businesses any favors or family farmers any favors by enacting a tax cut which brings them minimal relief, minimal relief at the same time it undermines the fiscal discipline that has produced the longest economic expansion period in the history of our country. The Democratic alternative would provide an immediate $4 million exclusion for estate tax that would exempt more than 90 percent of the family farms from paying any estate tax at all.

I would welcome the opportunity today on this floor to debate between the bill of the majority and the bill of the minority on a line-by-line basis. Then the rhetoric would stop, I say to my friend from Arizona, and we could have an honest discussion. Why would you not permit an honest discussion of these issues? Why do you pass over the fact that the statement of the gentleman from Mississippi was 100 percent true? Why do you continue to do that with rhetoric? Why is it so important to continue to discuss tax cuts when we ought to be debating the very issues that we seem to all be agreed to.

Vote against this bill and vote for the motion to recommit.

Mr. Speaker, I rise in opposition to this fiscally irresponsible tax bill and in strong support of the Democratic alternative which will be offered as the motion to recommit.

I said on many occasions that the tax bill that this body passed and the President vetoed last year was the most fiscally irresponsible legislation in my 21 years in Congress. We are well on our way to replicating that dubious achievement this year. If we pass this bill today, the total cost of tax bills passed by the House or the Senate to date will total nearly $500 billion when the interest costs are taken into account. More costly tax bills stand in line to follow.

The tax bill before us is simply a political document that never will become law. Worse, this tax bill put forward by the Majority does not provide meaningful relief from the estate taxes for small businesses and farmers. It may be a good deal for wealthy individuals with estates of $10 million or more, but it doesn't do much for the vast majority of small businesses and family farmers in my district.

We do small businesses, family farmers and ranchers no favor by enacting a tax cut which brings them minimal relief at the same time it undermines the fiscal discipline which has produced the longest economic expansion period in the history of our country.

The Democratic alternative developed by CHARLIE RANGEL and JOHN TANNER is a fiscally responsible tax proposal which would provide real and meaningful tax relief for the largest number of small businesses. Incidentally, it also could be signed into law.

The Democratic alternative would provide an immediate $4 million exclusion for the estate tax which would exempt more than 90% of family owned farms from paying any estate tax at all. There are 193,024 family farmers in the State of Texas with farms valued at less than 5 million dollars who would benefit from the estate tax relief in the Democratic substitute. The bill before us does very little for these family farms.

The Democratic alternative contains several other important tax breaks for small businesses that I have long supported. It immediately implements the 100% deduction of health insurance for the self-employed. It makes permanent both the Work Opportunity Credit and the Welfare-to-Work Credit for businesses which hire disadvantaged workers. It increases the business meal deduction and the first-year 100% deduction for investment expenses. And, importantly, the Democratic alternative will maintain the fiscal discipline that has produced our strong economy because the tax cuts in the Democratic alternative are paid for. No wonder the small business community has been so impressed with this proposal.

The President has promised that he will sign into law the Democratic tax package. The fact that the leadership left only a procedural vote to indicate support of this amendment raises the question of what is more important to them: actually providing tax relief to small businesses or keeping a political issue alive.

Vote against this bill and vote for the motion to recommit so we can pass business tax relief which genuinely has been targeted towards small businesses and which can be signed into law.

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute.

In response to my colleague from Texas, the reason we engage in this debate, and it is good that there are honest, philosophical differences; but I think all Members of the House, Mr. Speaker, need to be reminded that the money we are talking about does not belong to the Federal Government; it serves no higher purpose when we leave it in the lands of Washington bureaucrats, and the best way to empower all Americans is to make sure that all Americans hold on to more of their hard-earned money.

I would be happy to point out again that if we examine the alternative offered by the minority, it offers tax relief in one hand, it takes it away with estate tax increases on the other hand. The net tax relief of the minority package is a total of $8 million as opposed to $48 billion of comprehensive relief offered by a bipartisan majority. Again, I would point out that many Members of the minority, just a few short weeks ago, embraced a $300 billion tax relief package.

Mr. RANGEL. Mr. Speaker, I yield 10 seconds to the gentleman from Texas (Mr. STENHOLM) to respond to what the gentleman from Arizona just alleged.

Mr. STENHOLM. Mr. Speaker, I appreciate my friend's comments. I would also point out that we have a $5.6 trillion debt that needs to be addressed. That is what we are talking about on this side. Pay down the debt first, and then let us deal with tax cuts and other priorities.

Mr. HAYWORTH. Mr. Speaker, I yield myself 30 seconds.

The SPEAKER pro tempore (Mr. PEASE). The gentleman from New York (Mr. RANGEL) controls the time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. BACA).

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

Mr. BACA. Mr. Speaker, I rise in behalf of the working families. I am speaking about the $1 increase in the minimum wage over the next 2 years, and I oppose the passage of the tax scheme provision, the Republican tax bill, H.R. 3081, that benefits the wealthy. We are talking about a cost over 10 years of $122 billion. That is not being fiscally responsible. We are talking about the need to be fiscally responsible, and we have that responsibility. We have the responsibility to do the death tax reduction. This bill is not dealing with the death tax reduction. We have the responsibility to working families, families right now that need an increase. There are many individuals that are struggling right now.

I myself come from a poor family and know what it is like to struggle, when one is just making minimum wage. Many of our students that are up in the gallery and others are saying look, we need an increase right now. We want to make sure that we can afford to put food on the table. We want to enjoy the same things that other individuals enjoy. We want to enjoy the quality of life. We want to make sure that we do not have to struggle like many others. We are very fortunate in our country that we have the ability for those of us who earn the money, but for those individuals that are poor and disadvantaged, we need to help them.

Mr. Speaker, I rise today to speak on behalf of working families across America.

I am speaking about a one-dollar increase in minimum wage over the next two years and opposing the passage of the tax provisions of the Republican tax bill, H.R. 3081.

The minimum wage proposal would benefit millions of families and allow them some comfort and economic dignity.

40% of minimum wage workers are the sole breadwinners in their families.

It is our responsibility to allow everyone—everyone—a chance at the American Dream and opportunity to bridge together and help improve the quality of life for all Americans.

The working people of America—the ones who built this country—deserve the opportunity to provide for themselves and their family.

You can't raise a family on $5.15 an hour.

You can't house a family on $5.15 an hour.

And you certainly can't put a decent roof over their heads for $5.15 an hour.

Parents who are forced to work two jobs are unable to spend much time with their children. That is wrong.

Democrats have been pushing for an increase since January of 1998 and it has taken the Republican leadership too long to respond.

How can they give themselves a $4,600 pay raise last year and then deny Labor a $1 pay raise over two years?

Republicans have used up all their excuses.

Now is the time to give these Americans a raise.

This issue is not about politics but about women . . . about children . . . and most importantly . . . about fairness.

Why should we vote for open markets in China and then deny the American worker his overdue benefits?

Why should we vote for a tax bill that will benefit only the wealthy and do nothing for the working class?

These votes are simple . . . yes to minimum wage and no to the tax.

I say we pass the minimum wage bill and change the slanted tax bill . . . and give laboring Americans the dignity to live.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Members are reminded not to address comments about occupants of the gallery.

Mr. HAYWORTH. Mr. Speaker, I yield myself 1 minute. Welcome, my colleague from California, to this Chamber and to the debate. To my colleagues on the left and my friend from Texas, whom I guess left the Chamber, I would simply point out again that facts are stubborn things.

It is a fact that we have paid down over $140 billion of this debt. It is a fact that the budgeteers not here in Congress, but down at the other end of Pennsylvania Avenue at the White House who assessed what has transpired here with our budget, say that in 1999, for the first time since 1960, the United States Government offered a budget surplus over and above those funds of the Social Security Trust Fund. I would remind my colleagues that it was the efforts of this majority to lock away 100 percent of the Social

Security surplus for Social Security in stark contrast to previous majorities in earlier years where that Social Security money was spent just as fast as it could be printed.

Mr. RANGEL. Mr. Speaker, I yield 1½ minutes to the gentleman from New Jersey (Mr. HOLT).

Mr. HOLT. Mr. Speaker, this week I visited a beautiful farm, 85 acres in Holmdel, New Jersey, the Garden State. This property is one of the largest parcels of undeveloped land in that township. The farm has survived two world wars, the Great Depression, the advent of the technological revolution, and the factory farm. But today, because of the estate tax, family members may have to sell the property to developers. This is true even though some of the survivors would like to keep the land in the family and preserve it as open space and farmland.

Well, when a government policy robs families of their heritage and forces communities to develop land instead of preserving it, something needs to be changed. I am proud to cosponsor the legislation introduced by the gentleman from New York (Mr. RANGEL) that would help mitigate this unfair tax which hits so many in New Jersey.

The Rangel small business tax package would relieve the estate tax burden for family-owned farms and small businesses, and also includes other helpful tax cuts, including a provision to make permanent the work opportunity and welfare-to-work tax credits. The proposal would also accelerate 100 percent health insurance deduction for the self-employed and increase the tax deductions for business expenses. This is a responsible package to preserve family farms and small businesses and is compatible with efforts to shore up Social Security and Medicare and pay down the debt.

Central New Jersey supports eliminating the estate tax for family-owned farms and businesses. I urge my colleagues to support responsible estate tax relief.

Mr. HAYWORTH. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. GARY MILLER).

Mr. GARY MILLER of California. Mr. Speaker, this bill is about cleaning up neighborhoods and helping people afford housing. It would increase the State authority for the low-income housing tax credit from $1.25 per person to $1.65 per person, and it will index that cap to inflation. What does that mean to people in your district and mine struggling to afford housing?

Here are some statistics: the current credit on caps is $1.25 per person. It has not been changed since 1986, which means that while housing is currently affordable and the buying power of taxpayers has been decreased by almost 50 percent, it is not what it used to be. Mr. Speaker, 12 million Americans who are eligible for this program are not benefiting, which means that they are paying a very high portion of their income for rent or they are living in substandard housing.

Also, this legislation helps distressed areas by creating renewal communities with pro-growth tax initiatives to create jobs, encourage personal savings, and clean up neighborhoods on former industrial sites so new businesses can grow.

Some people have said this tax cut is for the rich, but obviously that is not true. The truth is that those who argue against this kind of a tax cut are simply against any kind of a tax cut. They are terrified about letting any money get away from the Government because they honestly believe government is a solution to all of our problems.

Mr. Speaker, I urge all of my colleagues to support this bill that will help people improve their communities and afford housing.

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

For someone to say that Democrats are against any tax cuts, they obviously did not read the substitute. We have $36 billion worth of tax cuts here. The only difference is that we give a clear, no-tax status to those people who have estates that are $4 million tax free and we give relief up to $13 million. The Republicans have most all of their tax cut going to people in higher incomes. So one cannot say that when we look at the substitute, we have a $36 billion tax cut there, that we do not believe in tax cuts.

The truth of the matter is that the majority does not believe in a one-dollar increase in the minimum wage, because if they did believe in it, they would have worked out in a bipartisan way how we could bring the President to sign a bill. It is as simple as that. As a matter of fact, if they had just stopped at $36 billion, we could have walked out of here, men and women, Republican and Democrats, going to our home districts and saying, not only did we help those that work every day, even though it is at near-poverty wages, but we gave relief to small employers who may not be able to afford that $1. That is what we could have done. That could have been the beginning of us working together toward other tax cuts after we take care of Social Security and Medicare and affordable drugs, after we make certain that we protect the patient's right to be able to sue, after we do those basic things, again, not as the majority and minority, not as Republicans and Democrats, but as Members of Congress working together to improve the quality of life for most Americans, especially working Americans.

There will be enough differences for us to go to the polls and to campaign, but we do not have to fight on each and every issue. Why cannot the majority take a deep breath, get a life, and try to do some of the things that the senior Senator from Arizona was saying. Be responsible. Stop thinking only in terms of tax cuts.

The American people say, I want a tax cut. They are saying, that is my money. But we have a responsibility to take care of that over $5 billion of Federal debt that we have to pay down. We have to take care of Medicare. We have to take care of Social Security. While we are at it, they say, yes, take care of cutting my taxes; but during this period of prosperity, do not deny the working poor a $1 increase in the minimum wage.

So I suggest to the other side that they know that they have begged for a veto. The worst thing that could happen to my colleagues is for the President to decide not to be held hostage and to swallow these irresponsible tax cuts, but that is not going to happen. Because it was this President that has led us to this period of prosperity and he is not going to allow politically motivated Members of this House to drive them into doing something this irresponsible because he wants a minimum wage.

Mr. Speaker, it is not too late for my colleagues to change their wayward ways and to attempt to sit down and to work with Democrats and to work with the President and to do the right thing. My Republican colleagues could not get this 800-pound gorilla off the floor last year, and you will not be able to do it this year.

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

I thank my colleague from New York. I thought for a moment there he was engaged in self-analysis when he talked about playing politics and who was holding whom hostage over reasonable relief for working Americans when it comes to taxation.

Again, facts are stubborn things. It is worth noting that this Congress together, in a bipartisan fashion, joined to create a lockbox for Social Security that kept the Social Security surplus, 100 percent of it, intact and reserved for Social Security; that it is this Congress, working together, that paid down $143 billion of a $5 trillion national debt that hangs over the heads of our children; that it is this common sense Congress, working in a bipartisan fashion, with sober, business-minded friends in the minority in a bipartisan fashion to offer reasonable tax relief and search for a way to find common ground. Indeed, that is what this legislation provides.

Mr. Speaker, we offer tax relief for working Americans. We offer empowerment for the economically downtrodden. We offer a way to say death to the death tax and make sure that people stay gainfully employed and that family farms and small businesses are not sold off to satisfy the insatiable desire of those who always seek for the public Treasury personal funds. That, in the final analysis, is what this debate comes down to, Mr. Chairman. It is this question: To whom does the money belong? Does it belong to Washington bureaucrats, or does it belong to the American people who work hard, pay their taxes, and play by the rules?

Mr. Speaker, a bipartisan majority supports the notion that the money belongs to the people who earn it, who work hard and play by the rules, and who deserve to have a good chunk of their money stay in their pockets.

In conclusion, I would simply point out that the minority alternative offers, are we ready for this, a net tax relief package of $8 million as opposed to broad-based tax relief of $48 billion under the bipartisan majority plan.

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That is what we must work for, economic empowerment, not only through wages, but allowing all Americans to keep more of their hard-earned money. That is why I am pleased to support the commonsense majority plan that passed out of the Committee on Ways and Means and comes to this floor for the consideration of all my colleagues.

Mr. MOORE. Mr. Speaker, I rise today in support of H.R. 3832, the Small Business Tax Fairness Act of 2000.

I have long been a supporter of targeted tax relief that will help sustain the growth of economy, support the continued health of our nation's small businesses, restore and rehabilitate our rural and urban communities, and provide incentives for individuals to save for their retirement.

While I would have included provisions that differ somewhat from this version had I drafted this bill myself, I strongly support the following provisions that will benefit small businesses and the self employed, low-income and rural areas, and the working poor and middle-income America:

100 Percent Deductibility of Health Insurance Costs: This provision will level the playing field for the self-employed and reduce the burden on the over 44 million Americans currently without health insurance.

Small Business Expensing: A majority of our nation's small businesses exceed the current small-business expensing limits in only three months. This bill would raise the threshold from $20,000 to $30,000, which will free up capital resources for additional investment in small businesses to expand and create new jobs.

Installment Sales Tax Correction: Last year, Congress passed and the President signed into law a bill that provided much needed tax relief to individuals and businesses through extending certain tax credits. Unfortunately, this law contained a provision, which will be repealed by H.R. 3832, that prohibits small businesses that use accrual accounting methods from selling assets in installments.

Community Development and Low-Income Assistance: The measure also provides for the creation of ''renewal communities'' to assist low-income and rural areas with tax relief that will help spur economic growth. Additionally, the bill includes an expansion of the low-income housing tax credit to help build and support more low-income housing for the working poor.

Enhancing Retirement Security: In an increasingly mobile workforce, it is critically important that we allow for shorter vesting schedules and increased portability of retirement benefits between jobs. This bill does that. By removing artificial and administrative barriers, these provisions will make it significantly easier for working Americans to save and invest for their retirement. Other provisions in this bill will increase limits on employer-sponsored retirement plans, increase pension opportunities for women who have historically been left out of retirement savings plans, and provide new and expanded opportunities for all Americans to save and invest for their future.

This bill also reduces the estate tax. While I support providing estate tax relief to American families, small business owners, and farmers who have worked their entire lives to transfer a portion of their estates upon their death, I do not advocate a full repeal of the estate tax. I therefore object to the provision in Section 302 of the bill that expresses the sense of Congress that the estate tax should be repealed. Simply, a full repeal of the estate tax will have budget implications that this country simply cannot afford. With over $200 billion in lost revenue, this has the potential to put this country back on the wrong fiscal track of increased deficit spending and an exploding national debt.

Mr. Speaker, this year the House of Representatives has already passed a $182 billion marriage penalty relief bill. I supported that measure because that bill provided needed tax relief for married couples by reducing the marriage tax penalty while strengthening the financial resources of the American family and fostering economic prosperity into the 21st century. Today, we will likely pass a $122 billion tax relief bill. That brings the total tax relief approved by the House to date up to $304 billion or a little more than 30 percent of the projected on budget surplus of $930 billion.

I warned the House when we passed the marriage penalty tax and I will warn the House again today: This Congress has yet to act on a budget resolution and, as such, has no knowledge about how this legislation will fit into our other collective commitments to extend the solvency of Social Security and Medicare and reduce our national debt. Although the majority claims to support retiring the publicly held debt, they have begun the session by scheduling several tax bills funded by the projected budget surplus without giving any consideration to the impact that the bills will have on the ability to retire our $5.6 trillion national debt.

We can, we should, and we have cut taxes. I have supported these bills because each has had a relatively modest cost when considered in isolation; and I will support one more bill—clean legislation that will increase the deductible contribution limits to Individual Retirement Accounts. Today, the Wall Street Journal reported that the majority is contemplating bringing a bill to the floor that would increase IRA limits to $5000. I have such a bill and I urge the leadership in both parties to consider H.R. 802 because it will help increase national savings and encourage individual private retirement accounts to supplement Social Security benefits.

I am concerned, however, that the total costs of these bills will be nearly as much as the vetoed tax bill, and could even be more expensive. These tax cuts, however, must be made in the context of a fiscally responsible budget that eliminated the publicly held debt, strengthens Social Security and Medicare, and addresses our other other priorities. While I will be supporting this legislation, I will also be redoubling my efforts to push fiscal responsibility—to call for a plan I voted for last summer that would reserve 50 percent of on-budget surpluses for debt reduction, 25 percent for securing Social Security and protecting Medicare, and 25 percent for tax cuts.

We have exceeded that threshold and I urge the leadership to recognize that enough is enough. I urge my colleagues to move forward in a bipartisan manner to address these other important issues and place all of our priorities in context of a responsible budget resolution.

Ms. JACKSON-LEE of Texas. Mr. Speaker, today I rise in strong opposition to the Small Business Tax Legislation coupled with the Minimum Wage Increase bill. This Republican Tax Bill is a poison pill designed to defeat the increase in the minimum wage—the President has indicated that he would veto the Republican tax bill even if it were included in legislation increasing minimum wage.

I have long supported estate tax relief for American families; however, this bill is not a responsible measure in providing such relief. I reject the Republican bill and its solution to estate tax relief and strongly support the Democratic alternative.

The Democratic alternative provides greater tax relief to small businesses in the following respects:

A. It liberalizes and makes permanent the Work Opportunity Tax Credit, a credit that will directly benefit many small businesses employing minimum wage workers. The Republican bill does nothing.

B. It provides far greater estate tax relief for family farms and small businesses than the Republican bill. The overwhelming percentage of estates with farms and small business interests will receive greater estate tax relief.

C. It provides small businesses a greater increase in the business meal deduction than the Republican bill.

D. It contains provisions identical to those contained in the Republican bill on priority issues such as 100% deductibility for health insurance premiums for the self employed, increase in small business expensing, and repeal of the provision enacted last year changing installment method.

E. The Democratic alternative will be signed by the President. Therefore, these priority provisions actually could become law if the Democratic alternative passes. Otherwise, they merely will be contained in yet another bill vetoed by the President.

During 1995 and 1996, the House Republicans alone defeated meaningful reforms that would have stopped a few extraordinarily wealthy individuals from gaining large tax benefits by renouncing their allegiance to this country.

The House Republicans succeeded in overcoming the opposition of the Senate Republicans and Democrats, the Administration, and the House Democrats. They insisted on tax expatriation legislation with many loopholes that enable wealthy individuals to turn their backs on this country and walk away with large accumulations of wealth.

The Democratic alternative contains provisions that effectively will eliminate the tax expatriation loophole. Voting for the Republican bill will be a vote to place the interests of wealthy expatriates ahead of minimum wage workers.

The Democratic alternative also contains provisions to close down the aggressive use

of corporate tax shelters. Again, voting for the Republican bill is a vote to place the interests of large corporations using aggressive tax avoidance schemes ahead of minimum wage workers.

The Republican bill would cost approximately $122 billion over the next 10 years and is part of their strategy to enact their irresponsible $800 billion tax bill in a piecemeal fashion. The Republicans once again are asking the House to vote for tax cuts before knowing whether there is a budget framework that will protect Social Security and Medicare, provide a prescription drug benefit, and pay down the national debt. These are the priorities of our constituents. How can we support a bill that threatens fiscal discipline and the welfare of our families?

The Small Business Tax Legislation bill, is highly misleading. The overwhelming bulk of the tax relief contained in the Republican bill will go to the estates of extremely wealthy individuals and not to small businesses.

According to the Center On Budget and Policy Priorities this Republican sponsored bill contains an array of tax cuts that would mostly benefit high-income individuals, and likely lead to reductions in pension benefits for lower-income working families.

The pension provisions mentioned in this bill would be a major expansion of pension-related tax preferences for high-income persons. The proposed pension changes relax some provisions of current law that limit contributions that highly paid individuals may make to pension plans, as well as the amount of the pension payments that such high-income individuals receive when they retire.

Some of the pension provisions in this bill would reduce the pension coverage for lower- and middle-income workers. For example, increasing pension contribution limits for well compensated executives and owners, then they could maintain contributions for their own pension plans while reducing contributions for other employees.

The estate tax reductions in this legislation would go to the estates of wealthy people who are investors with extensive holdings in real estate and/or stocks or other financial instruments and who were NOT owners of small businesses. An estate tax reduction of this magnitude would not justify an offset for the effects of a higher minimum wage on small businesses.

The Minimum Wage legislation rightfully seeks to increase the minimum wage from $5.15 to $6.15 an hour for the millions of hard working people in our country. However, the coupling of this minimum wage increase with alleged small business tax measures is a poor match. According to the Center On Budget and Policy Priorities there is little evidence that modest minimum-wage increases have significant negative effects on small businesses.

Voting for this Republican bill is a vote to place the interests of large corporations using aggressive tax avoidance schemes ahead of minimum wage workers. I will always advocate for the benefit of those hardworking Americans that so desperately need a minimum wage increase and tax cut.

Mr. BENTSEN. Mr. Speaker, I rise in opposition to H.R. 3081, the ''Wage Employment Growth Act of 1999.'' The short title of the Republican bill is highly misleading. My Republican colleagues assert that this measure is targeted to offset the financial hardship on small businesses resulting from increasing the minimum wage.

The GOP bill would cost approximately $122 billion over the next ten years and is part of Republicans' strategy to enact their failed and irresponsible $800 billion tax bill incrementally. This is the second tax bill the House has considered this year, spending the projected surplus before we have even passed a budget resolution to determine the nation's overall tax spending and debt reduction plans. The Republican leadership seems intent on scoring political points rather than governing. They determine fiscal policy by election strategy not financial prudence.

H.R. 3081 also purports to promote the establishment of pension plans by small employers. As an advocate for removing barriers to employer-sponsored pension programs, I am disappointed with what the Republicans have set out before us. Mr. BLUNT (D-Mo.) and I have sponsored H.R. 352, a measure aimed at helping small business owners set up pension plans so their employees may save for their retirement. H.R. 352 proposes to ease the regulatory and administrative burdens on small businesses and includes a five-year tax credit for employers that establishes any type of qualified retirement plan. Many of the main concepts in H.R. 352 were incorporated in H.R. 1102 which was supposedly subsumed into H.R. 3081. Unfortunately, what has emerged from the Republicans does not resemble H.R. 352 nor does it encourage small business employers to help their employees save for retirement.

Today, only 21 percent of all individuals employed by small businesses with less than 100 employees participate in an employer-sponsored plan, compared to 64 percent of those who work for businesses with more than 100 employees. The Republican bill squanders an unprecedented opportunity to address an impending crisis—the retirement of nearly 76 million Baby Boomers. Even as incomes rise, we have an abysmally low savings rate of 3.8 percent of disposable personal income. If the economy slows in the near future, that figure may rise by only one or two percentage points, which is still low by historical standards.

There are many provisions in H.R. 3081 which are meritorious and should be enacted by the House including resolving the question of installment sales, estate tax which really helps family-owned businesses and farms and expands pension opportunities. But, Congress must first adopt a budget plan which prudently allocates the projected budget surplus which does not lead us toward renewed deficit spending.

As a member of the Budget Committee, I continue to advocate that Congress preserve the budget surplus and use it to pay off the national debt while strengthening Social Security. The $3.7 trillion dollar public debt is a tremendous burden on the economy. By forcing the government to borrow money in private markets, the debt drives up interest rates and takes investment capital away from private companies, thereby reducing productivity. As interest payments on the debt grow, it saps both private investment and vital programs such as Medicare and education. Regrettably, H.R. 3081 jeopardizes our ability to protect Social Security and Medicare and pay down the national debt.

Mr. WELDON of Florida. Mr. Speaker, today I rise in support of the Small Business Tax Fairness Act and increasing the federal minimum wage one dollar over three years.

The nearly 3 million small business owners and their employees in the state of Florida deserve this tax fairness package, which will save American small businessowners $45.3 billion over the next five years. Let's remember that most Americans work for small businesses and strengthening them will help us create good jobs here in America. Liberals who oppose this package use outrageous language to describe our proposal which will help not only the owners of small businesses and farms, but their employees.

The Small Business Tax Fairness Act continues the Republican commitment to rework the tax code to provide tax fairness to all hardworking Americans. Tragically, owners of mom and pop stores, restaurants, and farms have been unfairly saddled with these tax burdens for decades. They are called ''rich'' because of their holdings; but almost all of them would agree that those holdings are necessary tools and materials for the success of their businesses.

For example a tractor and a plow can easily cost upwards of $50,000. Helping farmers to purchase new farm equipment may be labeled as a tax cut for the rich by liberal opponents of this bill. But, because of their narrow vision and interest in partisan rhetoric they fail to acknowledge and see everyone who benefits. I can guarantee you that the benefits flow to American workers who manufactured the tractor, the truckers who shipped it, the miners who mined the raw materials, and those who work in the factory where the tires and other components are made, The tax relief package clearly is good for all Americans.

With regard to estate taxes, as someone who represents Florida, I know about the loss of farm land and open spaces. Estate taxes force too many families to sell the farmland to developers just to pay the taxes. I have seen it time and again in my congressional district where families have been forced to sell citrus farms in order to pay estate taxes when a parent dies. The bill provides some tax relief that will help farmers and their families keep the family farm.

The bill also encourages savings. We have the lowest savings rate in American history. Our bill helps Americans save money for the future. It helps make pension plans more portable so that Americans workers who have placed money in a company pension plan can move to another job more easily without losing all that they have put in a pension plan. This will help all American workers and their families.

We provide Americans with a tax deduction for the purchase of health insurance so that they are not impoverished when faced with a serious illness. I am disappointed that the liberals have labeled as a ''tax break for the rich,'' a bill that allows the uninsured to fully deduct the costs of purchasing health insurance premiums. I think we should be about helping the uninsured, not sticking it to them.

We also authorize HUD to designate 15 ''renewal communities'' in both urban and rural areas. This will help these economically depressed communities recover.

We also increase the business meal deduction to 60%. This will spur economic growth. It will help the waiter, the waitress, and the cook who will have more customers.

Not only does our package spur economic growth by providing this tax relief, but it provides a reasonable increase in the minimum wage. As in the base bill, I support raising the minimum wage by a dollar over the next three years. The phased-in wage increase will help employees and it will give those small businesses who operate at the margins an opportunity to adjust so that they can remain competitive and ensure that jobs are not lost.

I would ask my colleagues to support this bill.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in opposition to the H.R. 3081.

H.R. 3081 provides irresponsible tax cuts that will do nothing to help the people that need it the most—the working families.

Instead, H.R. 3081 will spend over $100 billion of the taxpayer's money over the next ten years to provide tax relief to some of the wealthiest families.

In contrast, the Democratic tax proposal focuses on working families.

It would raise the estate tax exclusion for family farms and businesses to $4 million. Under current law, it is now $1.3 million. With this change, the Democrats would be helping families save their businesses so it can be passed on to the next generation.

This would help the neighborhood pharmacist pass his drug store on to his daughter. It would help the Mom and Pop store continue thriving with a son or daughter. It would allow the family farm to stay in the family.

The Democratic substitute will repeal a provision that currently disallows a business deduction for travel expenses incurred when your spouse or child accompanies you on a business trip. This deduction would allow the family to spend more time together. It would make it easier for a working mom to take her daughter on a business trip with her. It would make it easier for a husband and father to include his family. It would help keep the family together.

The Democrats are committed to putting families first. Our tax proposals focus on the family.

In addition, it provides an exclusion for post-secondary educational benefits provided for employee's children; it provides funding for school construction; it extends the Work Opportunity and the welfare-to-work tax credits. And it makes changes to Section 415 affecting pensions to help workers save for retirement.

And it does all of this and more at a cost of $30 billion over ten years—a fraction of the cost of the Republican bill.

Perhaps that is why the Republicans would not allow the Democrats to offer this tax proposal as a substitute to their bill. We have targeted our tax cuts to help the people that really need it and at a cost that is much more responsible.

The Republicans want their bill or no bill. We have another choice. The motion to recommit will give you the opportunity to vote for the Democratic substitute.

We are experiencing great financial times right now; some Americans are getting rich, but most poor working families are getting nowhere.

Since 1979, 98 percent of the increase in incomes in America has gone to the top 20 percent.

We must not enact irresponsible tax cuts that will benefit only the wealthiest families in this country as a trade-off for a $1 minimum wage increase spread over 3 years.

I urge a ''no'' vote on H.R. 3081 and an ''aye'' vote on the motion to recommit.

Mr. BALLENGER. Mr. Speaker, I am pleased that the House is voting on a package of tax relief designed to help America's small businessmen and women shoulder the burden of another increase in the federal minimum wage.

Congress has already voted on many of the changes contained in the Small Business Tax Fairness Act (H.R. 3081) in the context of previous Republican-authored tax relief bills which either died in the other body or were vetoed by President Clinton. In the interest of protecting the small businesses and the jobs they create in my congressional district and around the nation, I believe this bill is needed and must accompany any proposed increase in the federal minimum wage. As such, I applaud Ways and Means Committee Chairman BILL ARCHER for his persistence in fighting for tax relief in this context as well as for measures which he championed to relieve the tax burden on working families.

Although I believe the $45.8 billion price tag of H.R. 3081 is modest in comparison to earlier bills, it makes some important changes in the tax code which will help to insure the strength of the small business sector, the backbone of the American economy. First, the bill further reduces over five years a tax, created in 1916 in order to break up and redistribute a concentration of the nation's wealth, which was used to help fund World War I. This war was won in 1918, but the tax on estates remains. It is important to note that this tax penalizes not only so-called rich families, but the workers employed by these family businesses or farms if the 55% federal tax rate destroys or financially cripples these enterprises. I found this fact to be startling, only one-third of family-owned businesses survive into the next generation in many cases because of this so-called death tax.

In addition, Congress needs to correct a problem created by Public Law 106–170 and once again allow accrual basis businesses to use the installment method of accounting on the sale of assets and the business. Congressional Republicans have continued the fight to provide the self-employed with 100 percent deductibility for their health insurance costs and have included it in this bill. As a small businessman myself, I know the importance of the increase from $19,000 to $30,000 in the amount of equipment eligible for expensing which H.R. 3081 seeks. Needless to say, the comprehensive package of pension reforms in the bill have widespread support and include provisions which in the past enjoyed the support of business and labor.

I've mentioned the changes in H.R. 3081 which my constituents have consistently advocated. I hope we will see a large bipartisan majority voting for this tax relief package today. It is in everyone's interest to see to it that our nation's small businesses continue to flourish.

The SPEAKER pro tempore (Mr. PEASE). All time having expired, pursuant to House Resolution 434, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. RANGEL. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. RANGEL. Yes, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion.

The Clerk read as follows:

Mr. RANGEL moves to recommit the bill, H.R. 3081, to the Committee on Ways and Means with instructions to report the same forthwith back to the House with the following amendment:

Strike all after the enacting clause, and insert the following:

TITLE II—AMENDMENTS OF INTERNAL REVENUE CODE OF 1986

SEC. 200. SHORT TITLE.

(a) SHORT TITLE.—This title may be cited as the ''Small Business Tax Relief Act of 2000''.

(b) TABLE OF CONTENTS.—

TITLE II—AMENDMENTS OF INTERNAL REVENUE CODE OF 1986

Sec. 200. Table of contents.

Subtitle A—Permanent Extension of Work Opportunity Credit and Welfare-to-Work Credit

Sec. 201. Work opportunity credit and welfare-to-work credit; repeal of age limitation on eligibility of food stamp recipients.

Subtitle B—Deduction for 100 Percent of Health Insurance Costs of Self-Employed Individuals

Sec. 211. Deduction for 100 percent of health insurance costs of self-employed individuals.

Subtitle C—Pension Provisions

Sec. 221. Treatment of multiemployer plans under section 415.

Sec. 222. Early retirement limits for certain plans.

Sec. 223. Certain post-secondary educational benefits provided by an employer to children of employees excludable from gross income as a scholarship.

Subtitle D—Business Tax Relief

Sec. 231. Increase in expense treatment for small businesses.

Sec. 232. Small businesses allowed increased deduction for meal and entertainment expenses.

Sec. 233. Restoration of deduction for travel expenses of spouse, etc. accompanying taxpayer on business travel.

Sec. 234. Increased credit and amortization deduction for reforestation expenditures.

Sec. 235. Repeal of modification of installment method.

Subtitle E—Expansion of Incentives for Public Schools

Sec. 241. Expansion of incentives for public schools.

Subtitle F—Increased Estate Tax Relief for Family-Owned Business Interests

Sec. 251. Increase in estate tax benefit for family-owned business interests.

Subtitle G—Revenue Offsets

PART I—REVISION OF TAX RULES ON EXPATRIATION

Sec. 261. Revision of tax rules on expatriation.

PART II—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES

SUBPART A—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES; INCREASE IN PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES

Sec. 266. Disallowance of noneconomic tax attributes.

Sec. 267. Increase in substantial underpayment penalty with respect to disallowed noneconomic tax attributes.

Sec. 268. Penalty on marketed tax avoidance strategies which have no economic substance, etc.

Sec. 269. Effective dates.

SUBPART B—LIMITATIONS ON IMPORTATION OR TRANSFER OF BUILT-IN LOSSES

Sec. 271. Limitation on importation of built-in losses.

Sec. 272. Disallowance of partnership loss transfers.

PART III—ESTATE AND GIFT TAX OFFSETS

Sec. 276. Valuation rules for transfers involving nonbusiness assets.

Sec. 277. Correction of technical error affecting largest estates.

PART IV—OTHER OFFSETS

Sec. 281. Consistent amortization periods for intangibles.

Sec. 282. Modification of foreign tax credit carryover rules.

Sec. 283. Recognition of gain on transfers to swap funds.

(c) COORDINATION WITH BUDGET RULES.—If, without regard to this sentence, any provision of this Act would result in an increase or decrease in revenue in fisal year 2001, notwithstanding any other provision of this Act, such provision shall be first effective on October 1, 2001, except that the determination of amounts required to be paid (or refunds required to be allowed) on or after such date shall be made as if this sentence had not been enacted.

Subtitle A—Permanent Extension of Work Opportunity Credit and Welfare-to-Work Credit

SEC. 201. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT; REPEAL OF AGE LIMITATION ON ELIGIBILITY OF FOOD STAMP RECIPIENTS.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—

(A) Section 51(c) of the Internal Revenue Code of 1986 is amended by striking paragraph (4).

(B) Section 51A of such Code is amended by striking subsection (f).

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who begin work for the employer after December 31, 2001.

(b) REPEAL OF AGE LIMITATION ON ELIGIBILITY OF FOOD STAMP RECIPIENTS.—

(1) IN GENERAL.—Subparagraph (A) of section 51(d)(8) of such Code is amended to read as follows:

''(A) IN GENERAL.—The term 'qualified food stamp recipient' means any individual who is certified by the designated local agency as being a member of a family—

''(i) receiving assistance under a food stamp program under the Food Stamp Act of 1977 for the 6- month period ending on the hiring date, or

''(ii) receiving such assistance for at least 3 months of the 5-month period ending on the hiring date, in the case of a member of a family who ceases to be eligible for such assistance under section 6(o) of the Food Stamp Act of 1977.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle B—Deduction for 100 Percent of Health Insurance Costs of Self-Employed Individuals

SEC. 211. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) of the Internal Revenue Code of 1986 is amended to read as follows:

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle C—Pension Provisions

SEC. 221. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) of the Internal Revenue Code of 1986 (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 of such Code (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsection (b)(1)(A).''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 of such Code (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

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

SEC. 222. EARLY RETIREMENT LIMITS FOR CERTAIN PLANS.

(a) IN GENERAL.—Subparagraph (F) of section 415(b)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

''(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—In the case of a governmental plan (within the meaning of section 414(d)), a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle, a multiemployer plan (as defined in section 414(f)), or a qualified merchant marine plan—

''(i) subparagraph (C) shall be applied—

''(I) by substituting 'age 62' for 'social security retirement age' each place it appears, and

''(II) as if the last sentence thereof read as follows: 'The reduction under this subparagraph shall not reduce the limitation of paragraph (1)(A) below (i) 80 percent of such limitation as in effect for the year, or (ii) if the benefit begins before age 55, the equivalent of such 80 percent amount for age 55.', and

''(ii) subparagraph (D) shall be applied by substituting 'age 65' for 'social security retirement age' each place it appears.

For purposes of this subparagraph, the term 'qualified merchant marine plan' means a plan in existence on January 1, 1986, the participants in which are merchant marine officers holding licenses issued by the Secretary of Transportation under title 46, United States Code.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

SEC. 223. CERTAIN POST-SECONDARY EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME AS A SCHOLARSHIP.

(a) IN GENERAL.—Section 117 of the Internal Revenue Code of 1986 (relating to qualified scholarships) is amended by adding at the end the following:

''(e) EMPLOYER-PROVIDED POST-SECONDARY EDUCATIONAL BENEFITS PROVIDED TO CHILDREN OF EMPLOYEES.—

''(1) IN GENERAL.—In determining whether any amount is a qualified scholarship for purposes of subsection (a), the fact that such amount is provided in connection with an employment relationship shall be disregarded if—

''(A) such amount is provided by the employer to a child (as defined in section 151(c)(3)) of an employee or former employee of such employer,

''(B) such amount is provided pursuant to a plan which meets the nondiscrimination requirements of subsection (d)(3), and

''(C) amounts provided under such plan are in addition to any other compensation payable to employees and such plan does not provide employees with a choice between such amounts and any other benefit.

For purposes of subparagraph (C), the business practices of the employer (as well as such plan) shall be taken into account.

''(2) DOLLAR LIMITATIONS.—

''(A) PER CHILD.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year with respect to amounts provided to each child of such employee shall not exceed $2,000.

''(B) AGGREGATE LIMIT.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year (after the application of subparagraph (A)) shall not exceed the excess of the dollar amount contained in section 127(a)(2) over the amount excluded from the employee's gross income under section 127 for such year.

''(3) PRINCIPAL SHAREHOLDERS AND OWNERS.—Paragraph (1) shall not apply to any amount provided to any child of any individual if such individual (or such individual's spouse) owns (on any day of the year) more than 5 percent of the stock or of the capital or profits interest in the employer.

''(4) SPECIAL RULES OF APPLICATION.—In the case of an amount which is treated as a qualified scholarship by reason of this subsection—

''(A) subsection (a) shall be applied without regard to the requirement that the recipient be a candidate for a degree, and

''(B) subsection (b)(2)(A) shall be applied by substituting 'section 529(e)(5)' for 'section 170(b)(1)(A)(ii)'.

''(5) CERTAIN OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (7) of section 127(c) shall apply for purposes of this subsection.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle D—Business Tax Relief

SEC. 231. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) IN GENERAL.—Paragraph (1) of section 179(b) of the Internal Revenue Code of 1986 (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 232. SMALL BUSINESSES ALLOWED INCREASED DEDUCTION FOR MEAL AND ENTERTAINMENT EXPENSES.

(a) IN GENERAL.—Subsection (n) of section 274 (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR SMALL BUSINESSES.—

''(A) IN GENERAL.—In the case of any taxpayer which is a small business, paragraph (1) shall be applied by substituting for '50 percent'—

''(i) '55 percent' in the case of taxable years beginning in 2001 and 2002, and

''(ii) '60 percent' in the case of taxable years beginning in 2003, 2004, 2005 and 2006, and

''(iii) '65 percent' in the case of taxable years beginning after 2006.

''(B) SMALL BUSINESS.—For purposes of this paragraph, the term 'small business' means, with respect to expenses paid or incurred during any taxable year—

''(i) any C corporation which meets the requirements of section 55(e)(1) for such year, and

''(ii) any S corporation, partnership, or sole proprietorship which would meet such requirements if it were a C corporation.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 233. RESTORATION OF DEDUCTION FOR TRAVEL EXPENSES OF SPOUSE, ETC. ACCOMPANYING TAXPAYER ON BUSINESS TRAVEL.

(a) IN GENERAL.—Subsection (m) of section 274 of the Internal Revenue Code of 1986 (relating to additional limitations on travel expenses) is amended by striking paragraph (3).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 234. INCREASED CREDIT AND AMORTIZATION DEDUCTION FOR REFORESTATION EXPENDITURES.

(a) INCREASE IN CREDIT.—Paragraph (1) of section 48(b) of the Internal Revenue Code of 1986 (relating to reforestation credit) is amended by striking ''10 percent'' and inserting ''20 percent''.

(b) REDUCTION IN AMORTIZATION PERIOD.—Subsection (a) of section 194 of such Code (relating to amortization of reforestation expenditures) is amended—

(1) by striking ''84 months'' and inserting ''36 months'', and

(2) by striking ''84-month period'' and inserting ''36-month period''.

(c) INCREASE IN MAXIMUM AMOUNT WHICH MAY BE AMORTIZED.—Paragraph (1) of section 194(b) of such Code is amended by striking ''$10,000 ($5,000'' and inserting ''$20,000 ($10,000''.

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

SEC. 235. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

(b) APPLICABILITY.—The Internal Revenue Code of 1986 shall be applied and administered as if that subsection (and the amendments made by that subsection) had not been enacted.

Subtitle E—Expansion of Incentives for Public Schools

SEC. 241. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

"Subchapter X—Public School Modernization Provisions

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

''Part II. Qualified school construction bonds.

''Part III. Incentives for education zones.

"PART I—CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS

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

"SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

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

''(b) AMOUNT OF CREDIT.—

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

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified public school modernization bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

''(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—

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

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

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

''(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

''(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term 'qualified public school modernization bond' means—

''(A) a qualified zone academy bond, and

''(B) a qualified school construction bond.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

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

''(e) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(4) PUBLIC SCHOOL FACILITY.—The term 'public school facility' shall not include—

''(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

''(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

''(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

''(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization 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.

''(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

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

''(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified public school modernization bonds on a

credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

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

''(l) PENALTY ON CONTRACTORS FAILING TO PAY PREVAILING WAGE.—

''(1) IN GENERAL.—If any contractor on any project funded by any qualified public school modernization bond has failed, during any portion of such contractor's taxable year, to pay prevailing wages that would be required under section 439 of the General Education Provisions Act if such funding were an applicable program under such section, the tax imposed by chapter 1 on such contractor for such taxable year shall be increased by 200 percent of the amount involved in such failure.

''(2) AMOUNT INVOLVED.—For purposes of paragraph (1), the amount involved with respect to any failure is the excess of the amount of wages such contractor would be so required to pay under such section over the amount of wages paid.

''(3) ABATEMENT OF TAX IF FAILURE CORRECTED.—If a failure to pay prevailing wages is corrected within a reasonable period, then any tax imposed by paragraph (1) with respect to such failure (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment.

''(4) NO CREDITS AGAINST TAX.—The tax imposed by paragraph (1) shall not be treated as a tax imposed by this chapter for purposes of determining—

''(A) the amount of any credit allowable under this chapter, or

''(B) the amount of the minimum tax imposed by section 55.

''(m) TERMINATION.—This section shall not apply to any bond issued after December 31, 2004.

"PART II—QUALIFIED SCHOOL CONSTRUCTION BONDS

''Sec. 1400G. Qualified school construction bonds.

"SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.

''(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

''(3) the issuer designates such bond for purposes of this section, and

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

''(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

''(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

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

''(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

''(1) $11,000,000,000 for 2001,

''(2) except as provided in subsection (f), zero after 2001.

''(d) HALF OF LIMITATION ALLOCATED AMONG STATES.—

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

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

''(3) MINIMUM ALLOCATIONS TO STATES.—

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

''(i) the amount allocated to such State under this subsection for such year, and

''(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

''(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

''(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

''(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, $200,000,000 for calendar year 2001 shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

''(6) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term 'approved State application' means an application which is approved by the Secretary of Education and which includes—

''(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, including descriptions of—

''(i) health and safety problems at such facilities,

''(ii) the capacity of public schools in the State to house projected enrollments, and

''(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

''(B) a description of how the State will allocate to local educational agencies, or otherwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

''(i) give highest priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

''(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, and

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

Any allocation under paragraph (1) by a State shall be binding if such State reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

''(e) HALF OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

''(1) IN GENERAL.—One-half of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year. No qualified school construction bond may be issued by reason of an allocation to a large local educational agency under the preceding sentence unless such agency has an approved local application.

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

''(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

''(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term 'large local educational agency' means, with respect to a calendar year, any local educational agency if such agency is—

''(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

''(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of

Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

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

''(A) the results of a recent publicly-available survey (undertaken by the local educational agency or the State with the involvement of school officials, members of the public, and experts in school construction and management) of such agency's needs for public school facilities, including descriptions of—

''(i) the overall condition of the local educational agency's school facilities, including health and safety problems,

''(ii) the capacity of the agency's schools to house projected enrollments, and

''(iii) the extent to which the agency's schools offer the physical infrastructure needed to provide a high-quality education to all students,

''(B) a description of how the local educational agency will use its allocation under this subsection to address the needs identified under subparagraph (A), and

''(C) a description of how the local educational agency will ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, or repair in the locality that would have occurred in the absence of such allocation.

A rule similar to the rule of the last sentence of subsection (d)(6) shall apply for purposes of this paragraph.

''(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

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

''(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

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

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

''(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

''(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

''(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

''(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

''PART III—INCENTIVES FOR EDUCATION ZONES

''Sec. 1400H. Qualified zone academy bonds.

''SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.

''(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'qualified zone academy bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

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

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

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

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

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

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the local educational agency) of—

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

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the local educational agency.

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

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

''(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

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

''(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(4) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

''(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

''(C) providing equipment for use at such academy,

''(D) developing course materials for education to be provided at such academy, and

''(E) training teachers and other school personnel in such academy.

''(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

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

''(A) $400,000,000 for 1998,

''(B) $400,000,000 for 1999,

''(C) $400,000,000 for 2000,

''(D) $1,400,000,000 for 2001,

''(E) except as provided in paragraph (3), zero after 2001.

''(2) ALLOCATION OF LIMITATION.—

''(A) ALLOCATION AMONG STATES.—

''(i) 1998, 1999, and 2000 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998, 1999, and 2000 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

''(ii) LIMITATION AFTER 2000.—The national zone academy bond limitation for any calendar year after 2000 shall be allocated by the Secretary among the States in the manner prescribed by section 1400G(d); except that in making the allocation under this clause, the Secretary shall take into account—

''(I) Basic Grants attributable to large local educational agencies (as defined in section 1400G(e)).

''(II) the national zone academy bond limitation.

''(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State education agency to qualified zone academies within such State.

''(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under this subsection for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.''.

(b) REPORTING.—Subsection (d) of section 6049 of such Code (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

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

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400F(f) and such amounts shall be

treated as paid on the credit allowance date (as defined in section 1400F(d)(2)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''

(c) OTHER CONFORMING AMENDMENTS.—

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

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

''Subchapter X. Public school modernization provisions.''

(3) The table of parts of subchapter U of chapter 1 of such Code is amended by striking the last 2 items and inserting the following item:

''Part IV. Regulations.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 2000.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

Subtitle F—Increased Estate Tax Relief for Family-Owned Business Interests

SEC. 251. INCREASE IN ESTATE TAX BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.

(a) TRANSFER TO CREDIT PROVISIONS.—Section 2057 of the Internal Revenue Code of 1986 (relating to family-owned business interests) is hereby moved to part II of subchapter A of chapter 11 of such Code, inserted after section 2010, and redesignated as section 2010A.

(b) INCREASE IN CREDIT; SURVIVING SPOUSE ALLOWED UNUSED CREDIT OF DECEDENT.—Subsection (a) of section 2010A of such Code, as redesignated by subsection (a) of this section, is amended to read as follows:

''(a) INCREASE IN UNITED CREDIT.—For purposes of determining the unified credit under section 2010 in the case of an estate of a decedent to which this section applies—

''(1) IN GENERAL.—The applicable exclusion amount under section 2010(c) shall be increased (but not in excess of $2,000,000) by the adjusted value of the qualified family-owned business interests of the decedent which are described in subsection (b)(2) and for which no deduction is allowed under section 2056.

''(2) TREATMENT OF UNUSED LIMITATION OF PREDECEASED SPOUSE.—In the case of a decedent—

''(A) having no surviving spouse, but

''(B) who was the surviving spouse of a decedent—

''(i) who died after December 31, 2000, and

''(ii) whose estate met the requirements of subsection (b)(1) other than subparagraph (B) thereof,

there shall be substituted for '$2,000,000' in paragraph (1) an amount equal to the excess of $4,000,000 over the exclusion equivalent of the credit allowed under section 2010 (as increased by this section) to the estate of the decedent referred to in subparagraph (B). For purposes of the preceding sentence, the exclusion equivalent of the credit is the amount on which a tentative tax under section 2001(c) equal to such credit would be imposed.''

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part IV of subchapter A of chapter 11 of such Code is amended by striking the item relating to section 2057.

(2) Paragraph (10) of section 2031(c) of such Code is amended by striking ''section 2057(e)(3)'' and inserting ''section 2010A(e)(3)''.

(3) The table of sections for part II of subchapter A of chapter 11 of such Code is amended by inserting after the item relating to section 2010 the following new item:

''Sec. 2010A. Family-owned business interests.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

Subtitle G—Revenue Offsets

PART I—REVISION OF TAX RULES ON EXPATRIATION

SEC. 261. REVISION OF TAX RULES ON EXPATRIATION.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 877 the following new section:

''SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

''(a) GENERAL RULES.—For purposes of this subtitle—

''(1) MARK TO MARKET.—Except as provided in subsection (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

''(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

''(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

''(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

''(3) EXCLUSION FOR CERTAIN GAIN.—The amount which would (but for this paragraph) be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by $600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

''(b) ELECTION TO DEFER TAX.—

''(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

''(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

''(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

''(4) SECURITY.—

''(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided with respect to such property.

''(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

''(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2)(A) for the property, or

''(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

''(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

''(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

''(7) INTEREST.—For purposes of section 6601, the last date for the payment of tax shall be determined without regard to the election under this subsection.

''(c) COVERED EXPATRIATE.—For purposes of this section—

''(1) IN GENERAL.—The term 'covered expatriate' means an expatriate who meets the requirements of subparagraph (A) or (B) of section 877(a)(2).

''(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

''(A) the individual—

''(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

''(ii) has been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) for not more than 8 taxable years during the 15-taxable year period ending with the taxable year during which the expatriation date occurs, or

''(B)(i) the individual's relinquishment of United States citizenship occurs before such individual attains age 18½, and

''(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

''(d) SECTION NOT TO APPLY TO CERTAIN PROPERTY.—This section shall not apply to the following property:

''(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

''(2) INTEREST IN CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(c)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.

''(B) FOREIGN PENSION PLANS.—

''(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.

''(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed $500,000.

''(e) DEFINITIONS.—For purposes of this section—

''(1) EXPATRIATE.—The term 'expatriate' means—

''(A) any United States citizen who relinquishes his citizenship, and

''(B) any long-term resident of the United States who—

''(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

''(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

''(2) EXPATRIATION DATE.—The term 'expatriation date' means—

''(A) the date an individual relinquishes United States citizenship, or

''(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

''(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the earliest of—

''(A) the date the individual renounces his United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

''(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

''(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

''(D) the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

''(4) LONG-TERM RESIDENT.—The term 'long-term resident' has the meaning given to such term by section 877(e)(2).

''(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES' INTERESTS IN TRUST.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

''(A) the individual shall not be treated as having sold such interest,

''(B) such interest shall be treated as a separate share in the trust, and

''(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

''(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

''(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii).

''(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

''(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

''(i) paragraph (1) and subsection (a) shall not apply, and

''(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

''(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

''(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

''(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

''(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

''(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

''(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods.

''(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

''(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

''(II) in the case of a person holding a nonvested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

''(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary's interest in a trust is the amount of gain which would be allocable to such beneficiary's vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

''(E) TAX DEDUCTED AND WITHHELD.—

''(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

''(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

''(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

''(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

''(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

''(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

''(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

''(G) DEFINITIONS AND SPECIAL RULE.—For purposes of this paragraph—

''(i) QUALIFIED TRUST.—The term 'qualified trust' means a trust—

''(I) which is organized under, and governed by, the laws of the United States or a State, and

''(II) with respect to which the trust instrument requires that at least 1 trustee of the trust be an individual citizen of the United States or a domestic corporation.

''(ii) VESTED INTEREST.—The term 'vested interest' means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

''(iii) NONVESTED INTEREST.—The term 'nonvested interest' means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

''(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

''(3) DETERMINATION OF BENEFICIARIES' INTEREST IN TRUST.—

''(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary's interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar advisor.

''(B) OTHER DETERMINATIONS.—For purposes of this section—

''(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

''(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

''(I) the methodology used to determine that taxpayer's trust interest under this section, and

''(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

''(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

''(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

''(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

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

(b) TAX ON GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—

(1) IN GENERAL.—Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is amended by inserting after chapter 13 the following new chapter:

''CHAPTER 13A—GIFTS AND BEQUESTS FROM EXPATRIATES

''Sec. 2681. Imposition of tax.

''SEC. 2681. IMPOSITION OF TAX.

''(a) IN GENERAL.—If, during any calendar year, any United States citizen or resident receives any covered gift or bequest, there is hereby imposed a tax equal to the product of—

''(1) the highest rate of tax specified in the table contained in section 2001(c) as in effect on the date of such receipt, and

''(2) the value of such covered gift or bequest.

''(b) TAX TO BE PAID BY RECIPIENT.—The tax imposed by subsection (a) on any covered gift or bequest shall be paid by the person receiving such gift or bequest.

''(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection (a) shall apply only to the extent that the covered gifts and bequests received during the calendar year exceed $10,000.

''(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE TAX.—The tax imposed by subsection (a) on any covered gift or bequest shall be reduced by the amount of any gift or estate tax paid to a foreign country with respect to such covered gift or bequest.

''(e) COVERED GIFT OR BEQUEST.—

''(1) IN GENERAL.—For purposes of this chapter, the term 'covered gift or bequest' means—

''(A) any property acquired by gift directly or indirectly from an individual who, at the time of such acquisition, was an expatriate, and

''(B) any property acquired by bequest, devise, or inheritance directly or indirectly from an individual who, at the time of death, was an expatriate.

''(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Such term shall not include—

''(A) any property shown on a timely filed return of tax imposed by chapter 12 which is a taxable gift by the expatriate, and

''(B) any property shown on a timely filed return of tax imposed by chapter 11 of the estate of the expatriate.

''(3) TRANSFERS IN TRUST.—Any covered gift or bequest which is made in trust shall be treated as made to the beneficiaries of such trust in proportion to their respective interests in such trust (as determined under section 877A(f)(3)).

''(f) EXPATRIATE.—For purposes of this section, the term 'expatriate' has the meaning given to such term by section 877A(e)(1).''.

(2) CLERICAL AMENDMENT.—The table of chapters for subtitle B of such Code is amended by inserting after the item relating to chapter 13 the following new item:

''Chapter 13A. Gifts and bequests from expatriates.''

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

''(47) TERMINATION OF UNITED STATES CITIZENSHIP.—

''(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(3).

''(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.''

(d) CONFORMING AMENDMENT.—Paragraph (1) of section 6039G(d) of such Code is amended by inserting ''or 877A'' after ''section 877''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after March 9, 2000.

(2) GIFTS AND BEQUESTS.—Chapter 13A of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to covered gifts and bequests (as defined in section 2681 of such Code, as so added) received on or after March 9, 2000.

PART II—DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES

Subpart A—Disallowance of Noneconomic Tax Attributes; Increase in Penalty With Respect to Disallowed Noneconomic Tax Attributes

SEC. 266. DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.

Section 7701 of the Internal Revenue Code of 1986 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.—

''(1) IN GENERAL.—In determining liability for any tax under subtitle A, noneconomic tax attributes shall not be allowed.

''(2) NONECONOMIC TAX ATTRIBUTE.—For purposes of this subsection, a noneconomic tax attribute is any deduction, loss, or credit claimed to result from any transaction unless—

''(A) the transaction changes in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and

''(B)(i) the present value of the reasonably expected potential income from the transaction (and the taxpayer's risk of loss from the transaction) are substantial in relationship to the present value of the tax benefits claimed, or

''(ii) in the case of a transaction which is in substance the borrowing of money or the acquisition of financial capital, the deductions claimed with respect to the transaction for any period are not significantly in excess of the economic return for such period realized by the person lending the money or providing the financial capital.

''(3) PRESUMPTION OF NONECONOMIC TAX ATTRIBUTES.—For purposes of paragraph (2), the following factors shall give rise to a presumption that a transaction fails to meet the requirements of paragraph (2):

''(A) The fact that the payments, liabilities, or assets that purport to create a loss (or other benefit) for tax purposes are not reflected to any meaningful extent on the taxpayer's books and records for financial reporting purposes.

''(B) The fact that the transaction results in an allocation of income or gain to a tax-indifferent party which is substantially in excess of such party's economic income or gain from the transaction.

''(4) TREATMENT OF BUILT-IN LOSS.—The determination of whether a transaction results in the realization of a built-in loss shall be made under subtitle A as if this subsection had not been enacted. For purposes of the preceding sentence, the term 'built-in loss' means any loss or deduction to the extent that such loss or deduction had economically been incurred before such transaction is entered into and to the extent that the loss or deduction was economically borne by the taxpayer.

''(5) DEFINITION AND SPECIAL RULES.—For purposes of this subsection—

''(A) TAX-INDIFFERENT PARTY.—The term 'tax-indifferent party' means any person or entity exempt from tax under subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if, by reason of such person's method of accounting, the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

''(B) SERIES OF RELATED TRANSACTION.—A transaction which is part of a series of related transactions shall be treated as meeting the requirements of paragraph (2) only if—

''(i) such transaction meets such requirements without regard to the other transactions, and

''(ii) such transactions, if treated as 1 transaction, would meet such requirements.

A similar rule shall apply to a multiple step transaction with each step being treated as a separate related transaction.

''(C) NORMAL BUSINESS TRANSACTIONS.—In the case of a transaction which is an integral part of a taxpayer's trade or business and which is entered into in the normal course of such trade or business, the determination of the potential income from such transaction shall be made by taking into account its relationship to the overall trade or business of the taxpayer.

''(D) TREATMENT OF FEES.—In determining whether there is risk of loss from a transaction (and the amount thereof), potential loss of fees and other transaction expenses shall be disregarded.

''(E) TREATMENT OF ECONOMIC RETURN ENHANCEMENTS.—The following shall be treated as economic returns and not tax benefits:

''(i) The credit under section 29 (relating to credit for producing fuel from a nonconventional source).

''(ii) The credit under section 42 (relating to low-income housing credit).

''(iii) The credit under section 45 (relating to electricity produced from certain renewable resources).

''(iv) The credit under section 1397E (relating to credit to holders of qualified zone academy bonds) or any similar program hereafter enacted.

''(v) Any other tax benefit specified in regulations.

''(F) EXCEPTIONS FOR NONBUSINESS TRANSACTIONS.—

''(i) INDIVIDUALS.—In the case of an individual, this subsection shall only apply to transactions entered into in connection with a trade or business or activity engaged in for profit.

''(ii) CHARITABLE TRANSFERS.—This subsection shall not apply in determining the amount allowable as a deduction under section 170, 545(b)(2), 556(b)(2), or 642(c).

''(6) ECONOMIC SUBSTANCE DOCTRINE, ETC., NOT AFFECTED.—The provisions of this subsection shall not be construed as altering or supplanting any rule of law referred to in

section 6662(i)(2)(B) and the requirements of this subsection shall be construed as being in addition to any such rule of law.''

SEC. 267. INCREASE IN SUBSTANTIAL UNDERPAYMENT PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES.

(a) IN GENERAL.—Section 6662 of the Internal Revenue Code of 1986 (relating to imposition of accuracy-related penalty) is amended by adding at the end the following new subsection:

''(i) INCREASE IN PENALTY IN CASE OF DISALLOWED NONECONOMIC TAX ATTRIBUTES.—

''(1) IN GENERAL.—In the case of the portion of the underpayment to which this subsection applies—

''(A) subsection (a) shall be applied with respect to such portion by substituting '40 percent' for '20 percent', and

''(B) subsection (d)(2)(B) and section 6664(c) shall not apply.

''(2) UNDERPAYMENTS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to an underpayment to which this section applies by reason of paragraph (1) or (2) of subsection (b) but—

''(A) only to the extent that such underpayment is attributable to—

''(i) the disallowance of any noneconomic tax attribute (determined under section 7701(m)), or

''(ii) the disallowance of any other benefit—

''(I) because of a lack of economic substance or business purpose for the transaction giving rise to the claimed benefit,

''(II) because the form of the transaction did not reflect its substance, or

''(III) because of any other similar rule of law, and

''(B) only if the underpayment so attributable exceeds $1,000,000.

''(3) INCREASE IN PENALTY NOT TO APPLY IF COMPLIANCE WITH DISCLOSURE REQUIREMENTS.—Paragraph (1)(A) shall not apply if the taxpayer—

''(A) discloses to the Secretary within 30 days after the closing of the transaction appropriate documents describing the transaction, and

''(B) files with the taxpayer's return of tax imposed by subtitle A—

''(i) a statement verifying that such disclosure has been made,

''(ii) a detailed description of the facts, assumptions of facts, and factual conclusions with respect to the business or economic purposes or objectives of the transaction that are relied upon to support the manner in which it is reported on the return,

''(iii) a description of the due diligence performed to ascertain the accuracy of such facts, assumptions, and factual conclusions,

''(iv)(I) a statement (signed by the senior financial officer of the corporation under penalty of perjury) that the facts, assumptions, or factual conclusions relied upon in reporting the transaction are true and correct as of the date the return is filed, to the best of such officer's knowledge and belief, and

''(II) if the actual facts varied materially from the facts, assumptions, or factual conclusions relied upon, a statement describing such variances,

''(v) copies of any written material provided in connection with the offer of the transaction to the taxpayer by a third party,

''(vi) a full description of any express or implied agreement or arrangement with any advisor, or with any offeror, that the fee payable to such person would be contingent or subject to possible reimbursement, and

''(vii) a full description of any express or implied warranty from any person with respect to the anticipated tax results from the transaction.''

(b) MODIFICATIONS TO PENALTY ON SUBSTANTIAL UNDERSTATEMENT OF INCOME TAX.—

(1) MODIFICATION OF THRESHOLD.—Subparagraph (A) of section 6662(d)(2) of such Code is amended to read as follows:

''(A) IN GENERAL.—For purposes of this section, there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

''(i) $1,000,000, or

''(ii) the greater of 10 percent of the tax required to be shown on the return for the taxable year or $5,000.''

(2) REDUCTION OF PENALTY ON ACCOUNT OF DISCLOSURE NOT TO APPLY TO TAX SHELTERS.—Subparagraph (C) of section 6662(d)(2) of such Code is amended by striking clause (ii), by redesignating clause (iii) as clause (ii), and by striking clause (i) and inserting the following new clause:

''(i) IN GENERAL.—Subparagraph (B) shall not apply to any item attributable to a tax shelter.''

(c) TREATMENT OF AMENDED RETURNS.—Subsection (a) of section 6664 of such Code is amended by adding at the end the following new sentence: ''For purposes of this subsection, an amended return shall be disregarded if such return is filed on or after the date the taxpayer is first contacted by the Secretary regarding the examination of the return.''

SEC. 268. PENALTY ON MARKETED TAX AVOIDANCE STRATEGIES WHICH HAVE NO ECONOMIC SUBSTANCE, ETC.

(a) PENALTY.—

(1) IN GENERAL.—Section 6700 of the Internal Revenue Code of 1986 (relating to promoting abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) PENALTY ON SUBSTANTIAL PROMOTERS FOR PROMOTING TAX AVOIDANCE STRATEGIES WHICH HAVE NO ECONOMIC SUBSTANCE, ETC.—

''(1) IMPOSITION OF PENALTY.—Any substantial promoter of a tax avoidance strategy shall pay a penalty in the amount determined under paragraph (2) with respect to such strategy if any tax benefit attributable to such strategy (or any similar strategy promoted by such promoter) is not allowable by reason of any rule of law referred to in section 6662(i)(2)(A).

''(2) AMOUNT OF PENALTY.—The penalty under paragraph (1) with respect to a promoter of a tax avoidance strategy is an amount equal to 100 percent of the gross income derived (or to be derived) by such promoter from such strategy.

''(3) TAX AVOIDANCE STRATEGY.—For purposes of this subsection, the term 'tax avoidance strategy' means any entity, plan, arrangement, or transaction a significant purpose of the structure of which is the avoidance or evasion of Federal income tax.

''(4) SUBSTANTIAL PROMOTER.—For purposes of this subsection —

''(A) IN GENERAL.—The term 'substantial promoter' means, with respect to any tax avoidance strategy, any promoter if—

''(i) such promoter offers such strategy to more than 1 potential participant, and

''(ii) such promoter may receive fees in excess of $1,000,000 in the aggregate with respect to such strategy.

''(B) AGGREGATION RULES.—For purposes of this paragraph—

''(i) RELATED PERSONS.—A promoter and all persons related to such promoter shall be treated as 1 person.

''(ii) SIMILAR STRATEGIES.—All similar tax avoidance strategies of a promoter shall be treated as 1 tax avoidance strategy.

''(C) PROMOTER.—The term 'promoter' means any person who participates in the promotion, offering, or sale of the tax avoidance strategy.

''(D) RELATED PERSON.—Persons are related if they bear a relationship to each other which is described in section 267(b) or 707(b).

''(4) COORDINATION WITH SUBSECTION (a).—No penalty shall be imposed by this subsection on any promoter with respect to a tax avoidance strategy if a penalty is imposed under subsection (a) on such promoter with respect to such strategy.''

(2) CONFORMING AMENDMENT.—Subsection (d) of section 6700 of such Code is amended—

(A) by striking ''PENALTY'' and inserting ''PENALTIES'', and

(B) by striking ''penalty'' the first place it appears in the text and inserting ''penalties''.

(b) INCREASE IN PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—The first sentence of section 6700(a) of such Code is amended by striking ''a penalty equal to'' and all that follows and inserting ''a penalty equal to the greater of $1,000 or 100 percent of the gross income derived (or to be derived) by such person from such activity.''

SEC. 269. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsections (b) and (c), the amendments made by this subpart shall apply to transactions after the date of the enactment of this Act.

(b) SECTION 267.—The amendments made by subsections (b) and (c) of section 267 shall apply to taxable years ending after the date of the enactment of this Act.

(c) SECTION 268.—The amendments made by subsection (a) of section 268 shall apply to any tax avoidance strategy (as defined in section 6700(c) of the Internal Revenue Code of 1986, as amended by this title) interests in which are offered to potential participants after the date of the enactment of this Act.

Subpart B—Limitations on Importation or Transfer of Built-in Losses

SEC. 271. LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 of the Internal Revenue Code of 1986 (relating to basis to corporations) is amended by adding at the end the following new subsection:

''(e) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

''(1) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in paragraph (2) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

''(2) PROPERTY DESCRIBED.—For purposes of paragraph (1), property is described in this paragraph if—

''(A) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

''(B) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner's proportionate share of the property of such partnership.

''(3) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of paragraph (1), there is an importation of a net built-in loss in a transaction if the transferee's aggregate adjusted bases of property described in paragraph (2) which is transferred in such transaction would (but for this subsection) exceed the fair market value of such property immediately after such transaction.''

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) of such Code (relating to liquidation of subsidiary) is amended to read as follows:

''(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

''(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

''(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(2) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

SEC. 272. DISALLOWANCE OF PARTNERSHIP LOSS TRANSFERS.

(a) TREATMENT OF CONTRIBUTED PROPERTY WITH BUILT-IN LOSS.—Paragraph (1) of section 704(c) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following:

''(C) if any property so contributed has a built-in loss—

''(i) such built-in loss shall be taken into account only in determining the amount of items allocated to the contributing partner, and

''(ii) except as provided in regulations, in determining the amount of items allocated to other partners, the basis of the contributed property in the hands of the partnership shall be treated as being equal to its fair market value immediately after the contribution.

For purposes of subparagraph (C), the term 'built-in loss' means the excess of the adjusted basis of the property over its fair market value immediately after the contribution.''

(b) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY ON TRANSFER OF PARTNERSHIP INTEREST IF THERE IS SUBSTANTIAL BUILT-IN LOSS.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 743 of such Code (relating to optional adjustment to basis of partnership property) is amended by inserting before the period ''or unless the partnership has a substantial built-in loss immediately after such transfer''.

(2) ADJUSTMENT.—Subsection (b) of section 743 of such Code is amended by inserting ''or with respect to which there is a substantial built-in loss immediately after such transfer'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BUILT-IN LOSS.—Section 743 of such Code is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BUILT-IN LOSS.—For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in a partnership if the transferee partner's proportionate share of the adjusted basis of the partnership property exceeds 110 percent of the basis of such partner's interest in the partnership.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 743 of such Code is amended to read as follows:

''SEC. 743. ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BUILT-IN LOSS.''

(B) The table of sections for subpart C of part II of subchapter K of chapter 1 of such Code is amended by striking the item relating to section 743 and inserting the following new item:

''Sec. 743. Adjustment to basis of partnership property where section 754 election or substantial built-in loss.''

(c) ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY IF THERE IS SUBSTANTIAL BASIS REDUCTION.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 734 of such Code (relating to optional adjustment to basis of undistributed partnership property) is amended by inserting before the period ''or unless there is a substantial downward adjustment''.

(2) ADJUSTMENT.—Subsection (b) of section 734 of such Code is amended by inserting ''or unless there is a substantial downward adjustment'' after ''section 754 is in effect''.

(3) SUBSTANTIAL DOWNWARD ADJUSTMENT.—Section 734 of such Code is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL DOWNWARD ADJUSTMENT.—For purposes of this section, there is a substantial downward adjustment with respect to a distribution if the sum of the amounts described in subparagraphs (A) and (B) of subsection (b)(2) exceeds 10 percent of the aggregate adjusted basis of partnership property immediately after the distribution.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 734 of such Code is amended to read as follows:

''SEC. 734. ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BASIS REDUCTION.''

(B) The table of sections for subpart B of part II of subchapter K of chapter 1 of such Code is amended by striking the item relating to section 734 and inserting the following new item:

''Sec. 734. Adjustment to basis of undistributed partnership property where section 754 election or substantial basis reduction.''

(d) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to contributions made after the date of the enactment of this Act.

(2) SUBSECTION (b).—The amendments made by subsection (a) shall apply to transfers after the date of the enactment of this Act.

(3) SUBSECTION (c).—The amendments made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

PART III—ESTATE AND GIFT TAX OFFSETS

SEC. 276. VALUATION RULES FOR TRANSFERS INVOLVING NONBUSINESS ASSETS.

(a) IN GENERAL.—Section 2031 of the Internal Revenue Code of 1986 (relating to definition of gross estate) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.—For purposes of this chapter and chapter 12—

''(1) IN GENERAL.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092), the value of such interest shall be determined by taking into account—

''(A) the value of such interest's proportionate share of the nonbusiness assets of such entity (and no valuation discount shall be allowed with respect to such nonbusiness assets), plus

''(B) the value of such entity determined without regard to the value taken into account under subparagraph (A).

''(2) NONBUSINESS ASSETS.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonbusiness asset' means any asset which is not used in the active conduct of 1 or more trades or businesses.

''(B) EXCEPTION FOR CERTAIN PASSIVE ASSETS.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

''(i) the asset is property described in paragraph (1) or (4) of section 1221(a) or is a hedge with respect to such property, or

''(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.

''(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

''(3) PASSIVE ASSET.—For purposes of this subsection, the term 'passive asset' means any—

''(A) cash or cash equivalents,

''(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in any entity,

''(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

''(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B),

''(E) annuity,

''(F) real property used in 1 or more real property trades or businesses (as defined in section 469(c)(7)(C)),

''(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

''(H) commodity,

''(I) collectible (within the meaning of section 401(m)), or

''(J) any other asset specified in regulations prescribed by the Secretary.

''(4) LOOK-THRU RULES.—

''(A) IN GENERAL.—If a nonbusiness asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.

''(B) 10-PERCENT INTEREST.—The term '10-percent interest' means—

''(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

''(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and

''(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

''(5) COORDINATION WITH SUBSECTION (b).—Subsection (b) shall apply after the application of this subsection.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

SEC. 277. CORRECTION OF TECHNICAL ERROR AFFECTING LARGEST ESTATES.

(a) IN GENERAL.—Paragraph (2) of section 2001(c) of the Internal Revenue Code of 1986 is amended by striking ''$10,000,000'' and all that follows and inserting ''$10,000,000. The amount of the increase under the preceding sentence shall not exceed the sum of the applicable credit amount under section 2010(c) (as increased by section 2010A) and $359,200.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

PART IV—OTHER OFFSETS

SEC. 281. CONSISTENT AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Paragraph (1) of section 195(b) of the Internal Revenue Code of 1986 (relating to start-up expenditures) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

''(i) the amount of start-up expenditures with respect to the active trade or business, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed $50,000, and

''(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the active trade or business begins.''

(2) CONFORMING AMENDMENT.—Subsection (b) of section 195 is amended by striking ''AMORTIZE'' and inserting ''DEDUCT'' in the heading.

(b) ORGANIZATIONAL EXPENDITURES.—Subsection (a) of section 248 of such Code (relating to organizational expenditures) is amended to read as follows:

''(a) ELECTION TO DEDUCT.—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

''(1) the corporation shall be allowed a deduction for the taxable year in which the corporation begins business in an amount equal to the lesser of—

''(A) the amount of organizational expenditures with respect to the taxpayer, or

''(B) $5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed $50,000, and

''(2) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.''

(c) TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.—Section 709(b) of such Code (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (4) and by amending paragraph (1) to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

''(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

''(i) the amount of organizational expenses with respect to the partnership, or

''(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed $50,000, and

''(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

''(2) DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165.''

(d) CONFORMING AMENDMENT.—Subsection (b) of section 709 of such Code is amended by striking ''AMORTIZATION'' and inserting ''DEDUCTION'' in the heading.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 282. MODIFICATION OF FOREIGN TAX CREDIT CARRYOVER RULES.

(a) IN GENERAL.—Section 904(c) of the Internal Revenue Code of 1986 (relating to limitation on credit) is amended—

(1) by striking ''in the second preceding taxable year,'', and

(2) by striking ''or fifth'' and inserting ''fifth, sixth, or seventh''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 2000.

SEC. 283. RECOGNITION OF GAIN ON TRANSFERS TO SWAP FUNDS.

(a) INTERESTS SIMILAR TO PREFERRED STOCK TREATED AS STOCK.—Clause (vi) of section 351(e)(1)(B) of the Internal Revenue Code of 1986 (relating to transfer of property to an investment company) is amended to read as follows:

''(vi) except as otherwise provided in regulations prescribed by the Secretary—

''(I) any interest in an entity if the return on such interest is limited and preferred, and

''(II) interests (not described in subclause (I)) in any entity if substantially all of the assets of such entity consist (directly or indirectly) of any assets described in subclause (I), any preceding clause, or clause (viii).''

(b) CERTAIN TRANSFERS DEEMED TO BE TO INVESTMENT COMPANIES.—Subsection (e) of section 351 of such Code is amended by adding at the end the following new paragraph:

''(3) TRANSFERS OF MARKETABLE SECURITIES TO CERTAIN CORPORATIONS.—A transfer of property to a corporation if—

''(A) such property is marketable securities (as defined in section 731(c)(2)), other than a diversified portfolio of securities,

''(B) such corporation—

''(i) is registered under the Investment Company Act of 1940 as an investment company, or is exempt from registration as a investment company under section 3(c)(7) of such Act because interests in such corporation are offered to qualified purchasers within the meaning of section 2(a)(51) of such Act, or

''(ii) is formed or availed of for purposes of allowing persons who have significant blocks of marketable securities with unrealized appreciation to diversify those holdings without recognition of gain, and

''(C) the transfer results, directly or indirectly, in diversification of the transferor's interest.''

(c) TRANSFERS TO PARTNERSHIPS.—Subsection (b) of section 721 of such Code is amended to read as follows:

''(b) SPECIAL RULE.—Subsection (a) shall not apply to gain realized on a transfer of property to a partnership if, were the partnership incorporated—

''(1) such partnership would be treated as an investment company (within the meaning of section 351), or

''(2) section 351 would not apply to such transfer by reason of section 351(e)(3).''

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transfers after March 8, 2000.

(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transfer pursuant to a written binding contract in effect on August 4, 1999, and at all times thereafter before such transfer if such contract provides for the transfer of a fixed amount of property.

Mr. RANGEL (during the reading). Mr. Speaker, I ask unanimous consent that the motion to instruct be considered as read and printed in the RECORD.

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

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from New York (Mr. RANGEL) is recognized for 5 minutes in support of his motion to recommit.

Mr. RANGEL. Mr. Speaker, if the Republicans want to have reform with results, if the Republicans really want to give some aid and assistance and comfort to the working poor, if the Republicans want to give a $1 increase in the minimum wage and at the same time give substantial relief to the employers that will be required to do this, they would support the motion to recommit.

Why? Because they would know that this motion to recommit would send to the President a bill that would do these things, and it would be a bill that would be signed by the President of the United States.

I know that many on the other side do not like the President. The question is, do they care for the American people and the working poor? He is still the President, and we have to work with him until the end of the year. If we want any bills at all to pass, we should be cooperating with Democrats and the President in order to get it done.

They just cannot pile $122 billion on a tax bill and forget the $5 trillion debt that we have and just move on, thinking that ultimately, before the year's end, they would have accomplished in piecemeal what they could not do last year with the $800 billion tax cut.

Mr. Speaker, I am suggesting that we do have an opportunity to vote on the motion to recommit. It incorporates most of the things that the Republicans would want done, some of the provisions we have worked with in a bipartisan way, and just rejects out of hand the irresponsible tax cuts, most of which go to the richest Americans that we have.

We still have an opportunity to deal with some of the serious questions of Medicare, social security, giving assistance in prescription drugs to our elderly, protecting a Patients' Bill of

Rights. Democrats cannot do this alone, and we know in their hearts these are the issues they would want to address, but they just cannot do it by going into the Republican cloakroom and coming out with these imaginary, creative ideas without consulting with the minority and the President of the United States.

Is it not time we stop playing these political games? There is enough politics to go around between now and the election. Let us not play with the poorest of the poor, who are working every day to maintain their self-esteem, to provide food and clothing, pay their rent, get shelter for their kids. Let us not play around with social security and Medicare.

Let us do the right thing by the American people and support the motion to recommit. This could truly be a beginning, a beginning in saying that now that we have the presidential primaries behind us, that the candidates can stop going after each other on a personal basis and decide how they are going to address these issues to the American people on the question of issues and not personalities.

We in the House, where truly the people should govern, should set the examples for our presidential candidates by dealing with the issues, and not personality and not politics. We do not get this opportunity often, but this is the beginning of a new era, we would believe. The Members of the Committee on Ways and Means would like to be working together in dealing with tax policy.

We resent the idea that tax bills are coming out from the Committee on Rules and other standing committees without hearings, without debate, to just bring things to the floor because it passed the majority in the last year. What we should do is separate the question of taxes and deal with the question of minimum wage.

That is why we are here in this body encouraging people not to go on welfare but to work, work for their families, work for their communities, work for their country, and we will give them a decent wage with which to do it so they would not think about going on welfare.

But we cannot have it both ways. We are talking about $6.15. Is there anyone here that would like to send anybody in their family out to the work market to earn $6.15? Give America a break, vote for the motion to recommit.

The SPEAKER pro tempore. Is the gentleman from Arizona (Mr. HAYWORTH) opposed to the motion to recommit?

Mr. HAYWORTH. I most certainly am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Arizona (Mr. HAYWORTH) is recognized for 5 minutes on the motion to recommit.

Mr. HAYWORTH. Mr. Speaker, I always listen with great interest to my colleague, the gentleman from New York (Mr. RANGEL), my close personal friend.

He said just a few minutes ago, we cannot have it both ways. Indeed, that is true. Sadly, this motion to recommit says to the American people, Mr. Speaker, ''Wait, wait for tax relief. We believe it is important, perhaps not as important as a bipartisan majority of this House. We believe it is important, but you need to wait a while longer.''

This legislation also, or this motion to recommit, offers tax relief with one hand and takes it away with the other.

Mr. Speaker, the American people have spoken loudly and clearly about the unfairness of the death tax. A recent issue of USA Today describes it thusly, quoting now:

''Taxes aren't popular to begin with. But of all the ways Uncle Sam takes a cut, none may be detested more than the tax levied on an estate after someone dies.

''The idea of the government reaching into the grave and grabbing 37 to 60 percent of the wealth accumulated during a lifetime is, well, ghoulish to many. It's the depressing confluence of the only two things in this world that Benjamin Franklin noted were 'certain.' ''

Mr. Speaker, we remember the statement of Dr. Franklin. He said, ''In this life, two things are inevitable, death and taxes.'' But Mr. Speaker, I think even Dr. Franklin, if he had the powers of prescience, could not begin to fathom that the constitutional Republic he helped to found would one day tax its citizens upon their death.

Mr. Speaker, a bipartisan majority of this House believes quite clearly there should be no taxation without respiration. Yet, with the motion to recommit, the minority in this House asks us to wait a bit longer.

I said earlier, in somewhat hyperbolic fashion, that, quoting the old movie line, sadly, our friends on the left say ''No tax relief, not for nobody, nohow.'' That is the essence of their motion to recommit, because it once again delays, delays tax relief for the American people.

The record speaks quite clearly that this commonsense majority in Congress has delivered tax relief in the past, even as we have paid down the debt hanging over the heads of our children, even as we have walled off 100 percent of the social security surplus for social security.

Today we said to those businesses that are going to be affected, you deserve tax relief; to the self-employed, you deserve 100 percent deductibility of insurance; and no, you need not wait until there is beachfront property in Yuma, Arizona. You need not wait for the physically improbable to finally get tax relief, because, Mr. Speaker, we understand what the American people are saying loudly and clearly: Yes, save Medicare and social security; yes, improve education by empowering parents and teachers and getting funds into the classroom; yes, let us make sure we provide for our national security, so grossly neglected by the current administration.

But Mr. Speaker, the American people also say to us, let us provide financial security. Let us build on this prosperity by recognizing this simple truth: that the money earned by Americans belongs not to the Treasury of the United States and Washington bureaucrats, but to the people who earn it.

The legislation supported by the majority will enact that tax relief now. The alternative offered by the minority in this motion to recommit says yet again, let us delay and delay and delay some more. Sadly, Mr. Speaker, actions speak louder than words. The verbiage and the numbers, when we strip them all away, show an antipathy toward the simple notion that Americans should keep more of their hard-earned money.

Mr. Speaker, in conclusion, I would call on my colleagues to reject this motion to recommit. Vote for real tax relief and real prosperity for all Americans.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; the Speaker pro tempore announced that the noes appeared to have it.

Mr. RANGEL. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—yeas 207, nays 218, not voting 9, as follows:

[Roll No. 40]

YEAS—207

Abercrombie	Clyburn	Frank (MA)
Ackerman	Condit	Frost
Allen	Conyers	Gejdenson
Andrews	Costello	Gephardt
Baca	Coyne	Gonzalez
Baird	Cramer	Gordon
Baldacci	Crowley	Green (TX)
Baldwin	Cummings	Gutierrez
Barrett (WI)	Danner	Hall (OH)
Becerra	Davis (FL)	Hall (TX)
Bentsen	Davis (IL)	Hastings (FL)
Berkley	DeFazio	Hill (IN)
Berman	DeGette	Hilliard
Berry	Delahunt	Hinchey
Bishop	DeLauro	Hinojosa
Blagojevich	Deutsch	Hoeffel
Blumenauer	Dicks	Holden
Bonior	Dingell	Holt
Borski	Dixon	Hooley
Boswell	Doggett	Hoyer
Boucher	Dooley	Inslee
Boyd	Doyle	Jackson (IL)
Brady (PA)	Edwards	Jackson-Lee (TX)
Brown (FL)	Engel	Jefferson
Brown (OH)	Eshoo	John
Capps	Etheridge	Jones (OH)
Capuano	Evans	Kanjorski
Cardin	Farr	Kaptur
Carson	Fattah	Kennedy
Clay	Filner	Kildee
Clayton	Forbes	Kilpatrick
Clement	Ford	

Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Larson
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Shows
Sisisky
Skelton
Slaughter
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Wise
Woolsey
Wu
Wynn

NAYS—218

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Biggert
Bilbray
Bilirakis
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Cook
Cox
Crane
Cubin
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Everett
Ewing
Fletcher
Foley
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Greenwood
Gutknecht
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jenkins
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
King (NY)
Kingston
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (OK)
Manzullo
Martinez
McCrery
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—9

Cooksey
Ganske
Granger
Johnson, E. B.
McCollum
Scarborough
Schaffer
Spence
Vento

1820

Messrs. THOMAS, LAZIO, QUINN, BARTLETT of Maryland, FRANKS of New Jersey, and YOUNG of Alaska changed their vote from ''yea'' to ''nay.''

Mr. DIXON and Mr. HALL of Texas changed their vote from ''nay'' to ''yea.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. PEASE). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. ARCHER. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 257, noes 169, not voting 9, as follows:

[Roll No. 41]

AYES—257

Aderholt
Archer
Armey
Bachus
Baird
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berkley
Biggert
Bilbray
Bilirakis
Bishop
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Boswell
Boucher
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Castle
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Condit
Cook
Cox
Cramer
Crane
Cubin
Cunningham
Danner
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Dooley
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Etheridge
Everett
Ewing
Fletcher
Foley
Forbes
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Green (WI)
Greenwood
Hall (OH)
Hall (TX)
Hansen
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Holt
Hooley
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Istook
Jefferson
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
King (NY)
Kingston
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (KY)
Lucas (OK)
Maloney (CT)
Manzullo
Martinez
McCarthy (NY)
McCrery
McHugh
McInnis
McIntosh
McIntyre
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Moore
Moran (KS)
Morella
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rivers
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanchez
Sandlin
Sanford
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Souder
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thornberry
Thune
Tiahrt
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Wu
Young (AK)
Young (FL)

NOES—169

Abercrombie
Ackerman
Allen
Andrews
Baca
Baldacci
Baldwin
Barrett (WI)
Becerra
Bentsen
Berman
Berry
Blagojevich
Blumenauer
Bonior
Borski
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Capuano
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Conyers
Costello
Coyne
Crowley
Cummings
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Doyle
Edwards
Engel
Eshoo
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Green (TX)
Gutierrez
Gutknecht
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jones (OH)
Kanjorski
Kaptur
Kennedy
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Larson
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Luther
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McDermott
McGovern
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Phelps
Pomeroy
Rahall
Rangel
Reyes
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schakowsky
Scott
Serrano
Sherman
Skelton
Slaughter
Snyder
Spratt
Stabenow
Stark
Stenholm

Stupak	Turner	Waxman
Tanner	Udall (CO)	Weiner
Taylor (MS)	Udall (NM)	Wexler
Thompson (MS)	Velazquez	Weygand
Thurman	Visclosky	Wise
Tierney	Waters	Woolsey
Towns	Watt (NC)	Wynn

NOT VOTING—9

Cooksey	McCollum	Spence
Granger	Scarborough	Strickland
Johnson, E. B.	Schaffer	Vento

1832

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF HOUSE JOINT RESOLUTION 89 and HOUSE JOINT RESOLUTION 90

Mr. PAUL. Mr. Speaker, I ask unanimous consent that the name of the gentleman from California (Mr. ROHRABACHER) be removed as a cosponsor of H.J. Res. 89 and H.J. Res. 90.

The SPEAKER pro tempore (Mr. PEASE). Is there objection to the request of the gentleman from Texas?

There was no objection.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 3575

Mr. FRANK of Massachusetts. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 3575.

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

There was no objection.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate has passed a concurrent resolution of the following title in which concurrence of the House is requested:

S. Con. Res. 94. Concurrent Resolution providing for a conditional adjournment or recess of the Senate.

MINIMUM WAGE INCREASE ACT

Mr. GOODLING. Mr. Speaker, pursuant to House Resolution 434, I call up the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

UNFUNDED MANDATE POINT OF ORDER

Mr. LARGENT. Mr. Speaker, pursuant to section 425(a) of the Congressional Budget Act of 1974, I make a point of order against consideration of H.R. 3846.

Section 425(a) states that a point of order lies against consideration of a bill that would impose an intra-governmental unfunded mandate in excess of $50 million.

The Congressional Budget Office has scored the language in H.R. 3846 as an $880 million unfunded mandate on America's State and local governments over 5 years. Section 1 of H.R. 3846 increases the Federal minimum wage from $5.15 to $6.15 an hour over 3 years. Therefore, I make a point of order against consideration of this bill.

The SPEAKER pro tempore. The gentleman from Oklahoma (Mr. LARGENT) makes a point of order that the bill violates section 425(a) of the Congressional Budget Act of 1974.

In accordance with section 426(b)(2) of the Act, the gentleman has met his threshold burden to identify the specific language in the bill (section 1) on which he predicates the point of order.

Under section 426(b)(4) of the Act, the gentleman from Oklahoma (Mr. LARGENT) and a Member opposed will each control 10 minutes of debate on the question of consideration.

Pursuant to section 426(b)(3) of the Act, after that debate the Chair will put the question of consideration, to wit: ''Will the House now consider the bill?''

The gentleman from Oklahoma (Mr. LARGENT) will be recognized for 10 minutes, and the gentleman from Missouri (Mr. CLAY) will be recognized for 10 minutes.

The Chair recognizes the gentleman from Oklahoma (Mr. LARGENT).

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

Mr. Speaker, one of the real problems that I see we face in this body is that we are consumed with so much business from day-to-day that the institutional memory of the House of Representatives tends to be very short. And so, I hope to enter into a discourse here of a little history from 5 years ago about a bill that we passed overwhelmingly called the Unfunded Mandate Reform Act.

In 1995, the House decided to change the way Washington works with America's State houses and city halls. The Unfunded Mandate Reform Act was passed to protect hard-working State and local officials from the bullies in Washington, D.C.

Its sponsors stood on this floor and said, ''For too long, Congress has imposed its own agenda on State and local governments without taking responsibility for the costs.''

The Unfunded Mandate Reform Act passed this House by a vote of 394–28.

Several Members who have introduced the bill that is currently before us were, in fact, cosponsors of the Unfunded Mandate Reform Act. Today we are scheduled to trample this law by passing a Federal minimum wage increase.

Mr. Speaker, we need to keep our promise to America's State and local officials. By voting against their own State and local officials, the Members are telling them, ''I know more than you do.''

I want to be able to look my State and local officials square in the eye and tell them that I trust them.

Many of our colleagues worked at the local level as mayors or city councilmen. Others were State legislators. These Members know the frustration of having Washington tell them how to spend their limited resources.

One Member who used to work in a New York county government and who has been instrumental in shaping this bill on the floor today and the bill on the floor in 1995 said, ''Many Federal mandates involve important programs that many of us might support in concept. But, if we are going to ask others to pay for them, we should give them more of a say in developing them, we should level with them about who is going to pay for them, and we should be ready to defend the costs.''

Where was this principle when the minimum wage bill was drafted?

Unfunded mandates force State and local governments to reduce vital services and/or increase taxes, revamp their budgets and order their priorities. This is not the kind of Federal, State, and local government partnership the Founders envisioned.

The vote on this point of order should not be confused with support for or opposition to a minimum wage. That issue is irrelevant. Rather, it is a vote for or against local control and limited government.

Who knows best, Washington or City Hall?

Many States, including the State of Oklahoma, have raised the minimum wage above the Federal level. They did not need Washington to tell them to do this. Because, believe it or not, they did it all by themselves.

The Unfunded Mandate point of order can be raised against any bill that will cost State and local governments more than $50 million. CBO estimates that this increase will cost America's State and local governments $880 million. It costs the private sector $13.1 billion, $4.1 billion in one year alone.

The Unfunded Mandate will affect 750,000 State and local government employees. Twenty percent of these employees work for State colleges. Twenty-seven percent work for State and local schools. And we all know how much trouble school districts are having with the money as it is. Why make it harder?

Two-thirds of these employees work for local governments, one-third for State governments. Over 40 percent of the Mandate falls on States in the Southeast. Twenty-eight percent falls on States in the Midwest. Seventy-two percent of the burden falls on people in small towns and rural areas.

The States that will be hardest hit by this Unfunded Mandate are California, Texas, Louisiana, Florida, and Arizona.

Mr. Speaker, in conclusion, this Unfunded Mandate hurts State and local governments; it hurts schools and hospitals; it hurts nursing homes; it hurts workers who lose their jobs; and it hurts the businesses who have to lay them off. Perhaps the only people it does not hurt are us here in Congress.

But, most importantly, it hurts the trust we have developed with State houses and city halls. It is a reversion to an old way of doing business.

In a moment, I will request a recorded vote on this issue. Those wishing to steam roll the Unfunded Mandate law that we just voted on and passed overwhelmingly on 5 years ago will vote ''aye.'' Those wishing to defend States and local governments against Washington's bullying ways will vote ''nay.'' A ''nay'' vote will force Congress to be responsible for paying for its own laws.

This vote draws a line in the sand. Either Members are for local control or they are against it. Either they believe city halls and State houses know best or they believe Washington knows best. It is just that simple.

Vote ''no'' to show support for local control.

Mr. Speaker, I reserve the balance of my time.

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

Mr. Speaker, the gentleman from Oklahoma (Mr. LARGENT) is suggesting that we deny over 10 million American workers a modest increase in the minimum wage based on a technical point of order.

The gentleman would deny 40 percent of minimum-wage workers who are the sole bread earner in their families a wage increase based on a technical point of order.

The gentleman would prevent an increase in the minimum wage that is supported by 81 percent of Americans on a technical point of order.

Mr. Speaker, the gentleman would condemn minimum-wage workers to an annual income of only $10,700, which is $3,000 less than the poverty level, on a technical point of order.

Mr. Speaker, the real Unfunded Mandate today is the majority's unpaid for and reckless $120 billion tax cut for the wealthy. This point of order is just another effort by the majority to deny a fair and just increase in the minimum wage.

So I urge Members who support increasing the minimum wage to vote ''yes'' on continuing consideration of this bill.

Mr. Speaker, I reserve the balance of my time.

Mr. LARGENT. Mr. Speaker, may I inquire how much time is remaining on each side?

The SPEAKER pro tempore. The gentleman from Oklahoma (Mr. LARGENT) has 5 minutes remaining, and the gentleman from Missouri (Mr. CLAY) has 8½ minutes remaining.

Mr. LARGENT. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Speaker, I thank the gentleman for yielding to me, and I thank him for bringing up this valid Unfunded Mandate point of order.

Earlier today, we voted on a rule that waived the 1974 budget rule saying that we should have a budget before we pass a tax cut. I voted against that rule because I believe that we ought to live by the very rules that we pass in this House.

The gentleman from Oklahoma (Mr. LARGENT) has correctly pointed out what happened 5 years ago. It is important that we consider the costs when we are imposing on local governments, as well as small business men and women, it is important that we recognize that cost and that it is an unfunded mandate when we vote a cost without providing the money to pay for it.

I remember so well the speeches that were made on this legislation 5 years ago.

1845

This problem could have been addressed earlier today by the DeMint-Stenholm State flexibility proposal. The approach in the DeMint-Stenholm amendment would have given States flexibility to debate the minimum wage as part of an overall policy to deal with poverty, low-income families, and welfare reform. I would much rather do it that way than the way in which we are proposing to do it today.

Some States may choose to have a lower minimum wage but offset this with State assistance to low-income families for health care, child care, job training, education or other programs. States may decide that it may be better to target assistance to low-income families in need through State programs instead of a minimum-wage increase. Some States may decide that the lower cost of living in their State make a lower minimum wage reasonable. Other States may decide that a higher cost of living justifies a higher minimum wage.

States are in the best position to make these judgments. These decisions should be made in a public debate in the State legislatures where these trade-offs can be debated, not on the floor of the House tonight.

I encourage all of my colleagues to vote to sustain this point of order and let us live by those bills that we pass.

Mr. LARGENT. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. PITTS).

Mr. PITTS. Mr. Speaker, I rise to support the gentleman from Oklahoma's point of order. I rise as a former Pennsylvania State legislator who knows a little bit about unfunded Federal mandates, as we had some experience with balancing our budget. I was appropriations chairman for 8 years in the State house. Every year as we went to work on our State budget, by the way, which was always balanced, we could not print money, we realized that the Federal Government had stuck us with some unfunded Federal mandates.

I think the largest one we had to grapple with every year was special ed. The law which Congress passed says that the Federal Government will provide 40 percent of the special ed funds. I think when I came to Congress 3 years ago, we were about 6 or 7 percent. I think today we are up around 14, 15 percent of those funds. But we are nowhere near the mandate in the law that Congress passed.

When this body tells States that they have to spend hundreds of millions of dollars here and millions of dollars there, it creates a hardship. Fiscal responsibility may be something that we have discovered here in Washington in the last 5 years, but to States that have been balancing their budgets all along, these mandates do cause some complications. Most States have to cut back other programs in order to meet these Federal demands. Mr. Speaker, I think when we approach unfunded Federal mandates, we should approach them with our eyes open. We should realize that the minimum wage, the Federal minimum wage, is just another unfunded Federal mandate that we are placing on local governments, on businesses, and it is sort of insulting to some of these local governments and State legislatures that have a better track record than Congress in keeping their fiscal houses in order when we pass these.

I urge my colleagues to vote ''no'' and sustain this point of order.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. NADLER).

Mr. NADLER. Mr. Speaker, I rise in opposition to this point of order, and I want to oppose a few cliches. Number one, the State capital does not always know best. Sometimes the Federal Government knows best. That is why we have a Federal Government and a Federal structure of government. If you leave it up to the States what the minimum wage will be, you cannot enforce the minimum wage, because businesses will tend to go to those States with a lower minimum wage and with less environmental protection. That is why we have Federal minimum wage laws and Federal environmental protection laws, so you do not have a race to the bottom because of the business climate in each State, so you can have a civilized minimum wage and environmental protection laws and occupational safety and health laws to protect workers.

Number two, it is not an unfunded mandate. Nobody is telling the States what they have to do, what programs they have to do. All we are saying is if you hire workers to do whatever you want to do, you have got to pay them a decent wage, not even a living wage, merely the minimum wage. That is not an unfunded mandate.

Number three, if it is construed to be an unfunded mandate, it shows one of

the reasons that the unfunded mandate law was a foolish thing to pass because if it deprives us of the power of insisting on a basic minimum wage for people in States whether they work for State government or for private enterprise, it is foolish if we are deprived of that power because we are the tribunes of the people who must insist on minimum standards so that people are protected.

Mr. LARGENT. Mr. Speaker, I yield the balance of my time to the gentleman from Ohio (Mr. PORTMAN).

Mr. PORTMAN. Mr. Speaker, I thank the gentleman from Oklahoma for yielding me this time, and more importantly for raising the unfunded mandate point of order. I would just say to my friend from New York that it is not a foolish piece of legislation and yes, indeed there is an unfunded mandate here. This is precisely what this legislation was intended to do when we passed it 5 years ago.

One, to provide for information. We now have a Congressional Budget Office impact statement which shows there is going to be an $880 million impact on State and local government because of the minimum wage bill we are about to vote on. Second, it provides for accountability.

The gentleman from Oklahoma says he is going to ask for a vote. I think that is great. We are having a debate on this issue, we are having the information provided to us which we would not have had 5 years ago, and now we are going to have a vote on whether we as a Congress are going to impose an additional almost $1 billion unfunded mandate on State and local government.

If we really believe that in Congress we ought not to be imposing these costs on State and local government that have to take it out of things like fire and police services or raise taxes on our citizens back home, then we ought to take a very careful look at the unfunded mandate impact. And in my case, I am going to vote no, because a ''no'' vote means you are upholding the point of order, a ''no'' vote means you recognize that there will be an impact on State and local government that is inappropriate. I encourage my colleagues to vote no.

Mr. CLAY. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The question is, Will the House now consider the bill?

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. CLAY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 274, nays 141, not voting 19, as follows:

[Roll No. 42]

YEAS—274

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Baca
Baird
Baker
Baldacci
Baldwin
Barcia
Barrett (NE)
Barrett (WI)
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Boehlert
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Buyer
Callahan
Canady
Capps
Capuano
Cardin
Carson
Castle
Clay
Clayton
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Doyle
Duncan
Edwards
Engel
English
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gilchrest
Gilman
Gonzalez
Gordon
Green (TX)
Greenwood
Gutierrez
Hall (OH)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Holden
Holt
Hooley
Horn
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kleczka
Klink
Kucinich
Kuykendall
LaFalce
LaHood
Lampson
Lantos
Larson
LaTourette
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Ney
Northup
Oberstar
Obey
Olver
Ortiz
Ose
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Porter
Price (NC)
Quinn
Rahall
Rangel
Regula
Reyes
Rivers
Rodriguez
Roemer
Rogers
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Schakowsky
Scott
Serrano
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Sisisky
Skelton
Slaughter
Smith (NJ)
Snyder
Spratt
Stabenow
Stark
Strickland
Stupak
Sweeney
Tanner
Tauzin
Taylor (MS)
Thomas
Thompson (CA)
Thompson (MS)
Thune
Tierney
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Walsh
Waters
Watt (NC)
Waxman
Weiner
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wilson
Wise
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—141

Archer
Armey
Bachus
Ballenger
Barr
Barton
Bass
Bateman
Biggert
Blunt
Boehner
Bonilla
Brady (TX)
Bryant
Burr
Burton
Calvert
Camp
Campbell
Cannon
Chabot
Chambliss
Chenoweth-Hage
Clement
Coble
Coburn
Collins
Combest
Cook
Cox
Crane
Cubin
Cunningham
Deal
DeLay
DeMint
Dickey
Doolittle
Dreier
Dunn
Ehlers
Ehrlich
Emerson
Everett
Ewing
Fowler
Gekas
Gibbons
Gillmor
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Gutknecht
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hoekstra
Hostettler
Hulshof
Isakson
Jenkins
Johnson, Sam
Jones (NC)
Kasich
Kingston
Knollenberg
Kolbe
Largent
Latham
Lewis (KY)
Lucas (OK)
Manzullo
McCrery
McInnis
McIntosh
McKeon
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Myrick
Nethercutt
Norwood
Nussle
Packard
Paul
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Portman
Pryce (OH)
Radanovich
Ramstad
Reynolds
Riley
Rogan
Rohrabacher
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Sensenbrenner
Sessions
Shadegg
Simpson
Skeen
Smith (MI)
Smith (TX)
Souder
Stearns
Stenholm
Stump
Sununu
Talent
Tancredo
Taylor (NC)
Terry
Thornberry
Tiahrt
Toomey
Vitter
Walden
Wamp
Watkins
Watts (OK)
Weldon (FL)
Wicker

NOT VOTING—19

Cooksey
Davis (VA)
Dooley
Gephardt
Granger
Istook
Johnson, E.B.
Linder
McCollum
Metcalf
Oxley
Scarborough
Schaffer
Shuster
Smith (WA)
Spence
Tauscher
Thurman
Vento

1918

Messrs. SMITH of Texas, TERRY, EVERETT, and KINGSTON changed their vote from ''yea'' to ''nay.''

Messrs. HUNTER, CROWLEY, MALONEY of Connecticut, and FOSSELLA changed their vote from ''nay'' to ''yea.''

So the question of consideration was decided in the affirmative.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Pursuant to House Resolution 434, the bill is considered read for amendment.

The text of H.R. 3846 is as follows:

H.R. 3846

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. MINIMUM WAGE.

Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.15 an hour beginning September 1, 1997,

''(B) $5.48 an hour during the year beginning April 1, 2000,

''(C) $5.81 an hour during the year beginning April 1, 2001, and

''(D) $6.15 an hour beginning April 1, 2002;''.

SEC. 2. EXEMPTION FOR COMPUTER PROFESSIONALS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)) is amended by amending paragraph (17) to read as follows:

''(17) any employee who is a computer systems, network, or database analyst, designer, developer, programmer, software engineer, or other similarly skilled worker—

''(A) whose primary duty is—

''(i) the application of systems or network or database analysis techniques and procedures, including consulting with users, to determine hardware, software, systems, network, or database specifications (including functional specifications);

''(ii) the design, configuration, development, integration, documentation, analysis, creation, testing, securing, or modification of, or problem resolution for, computer systems, networks, databases, or programs, including prototypes, based on and related to user, system, network, or database specifications, including design specifications and machine operating systems;

''(iii) the management or training of employees performing duties described in clause (i) or (ii); or

''(iv) a combination of duties described in clauses (i), (ii), or (iii) the performance of which requires the same level of skills; and

''(B) who, in the case of an employee who is compensated on an hourly basis, is compensated at a rate of not less than $27.63 an hour.

For purposes of paragraph (17), the term 'network' includes the Internet and intranet networks and the world wide web. An employee who meets the exemption provided by paragraph (17) shall be considered an employee in a professional capacity pursuant to paragraph (1);''.

SEC. 3. EXEMPTION FOR CERTAIN SALES EMPLOYEES.

(a) AMENDMENT.—Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)), as amended by section 2, is amended by adding at the end the following:

''(18) any employee employed in a sales position if—

''(A) the employee has specialized or technical knowledge related to products or services being sold;

''(B) the employee's—

''(i) sales are predominantly to persons or entities to whom the employee's position has made previous sales; or

''(ii) position does not involve initiating sales contacts;

''(C) the employee has a detailed understanding of the needs of those to whom the employee is selling;

''(D) the employee exercises discretion in offering a variety of products and services;

''(E) the employee receives—

''(i) base compensation, determined without regard to the number of hours worked by the employee, of not less than an amount equal to one and one-half times the minimum wage in effect under section 6(a)(1) multiplied by 2,080; and

''(ii) in addition to the employee's base compensation, compensation based upon each sale attributable to the employee;

''(F) the employee's aggregate compensation based upon sales attributable to the employee is not less than 40 percent of one and one-half times the minimum wage multiplied by 2,080;

''(G) the employee receives a rate of compensation based upon each sale attributable to the employee which is beyond sales required to reach the compensation required by subparagraph (F) which rate is not less than the rate on which the compensation required by subparagraph (F) is determined; and

''(H) the rate of annual compensation or base compensation for any employee who did not work for an employer for an entire calendar year is prorated to reflect annual compensation which would have been earned if the employee had been compensated at the same rate for the entire calendar year;''.

(b) CONSTRUCTION.—The amendment made by subsection (a) may not be construed to apply to individuals who are employed as route sales drivers.

SEC. 4. EXEMPTION FOR FUNERAL DIRECTORS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)), as amended by section 3, is amended by adding after paragraph (18) the following:

''(19) any employee employed as a licensed funeral director or a licensed embalmer.''.

SEC. 5. STATE MINIMUM WAGE.

Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) is amended by adding at the end the following:

''(h)(1) An employer in a State that adopts minimum wage legislation that conforms to the requirement of paragraph (2) shall not be required to pay its employees at the minimum wage prescribed by subsection (a)(1).

''(2) Paragraph (1) shall apply in a State that adopts minimum wage legislation that—

''(A) sets a rate that is not less than $5.15 an hour; and

''(B) applies that rate to not fewer than the employees performing work within the State that would otherwise be covered by the minimum wage rate prescribed by subsection (a)(1).''.

The SPEAKER pro tempore. An amendment striking section 5 is adopted.

The text of H.R. 3846, as amended, is as follows:

H.R. 3846

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. MINIMUM WAGE.

Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.15 an hour beginning September 1, 1997,

''(B) $5.48 an hour during the year beginning April 1, 2000,

''(C) $5.81 an hour during the year beginning April 1, 2001, and

''(D) $6.15 an hour beginning April 1, 2002;''.

SEC. 2. EXEMPTION FOR COMPUTER PROFESSIONALS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)) is amended by amending paragraph (17) to read as follows:

''(17) any employee who is a computer systems, network, or database analyst, designer, developer, programmer, software engineer, or other similarly skilled worker—

''(A) whose primary duty is—

''(i) the application of systems or network or database analysis techniques and procedures, including consulting with users, to determine hardware, software, systems, network, or database specifications (including functional specifications);

''(ii) the design, configuration, development, integration, documentation, analysis, creation, testing, securing, or modification of, or problem resolution for, computer systems, networks, databases, or programs, including prototypes, based on and related to user, system, network, or database specifications, including design specifications and machine operating systems;

''(iii) the management or training of employees performing duties described in clause (i) or (ii); or

''(iv) a combination of duties described in clauses (i), (ii), or (iii) the performance of which requires the same level of skills; and

''(B) who, in the case of an employee who is compensated on an hourly basis, is compensated at a rate of not less than $27.63 an hour.

For purposes of paragraph (17), the term 'network' includes the Internet and intranet networks and the world wide web. An employee who meets the exemption provided by paragraph (17) shall be considered an employee in a professional capacity pursuant to paragraph (1);''.

SEC. 3. EXEMPTION FOR CERTAIN SALES EMPLOYEES.

(a) AMENDMENT.—Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)), as amended by section 2, is amended by adding at the end the following:

''(18) any employee employed in a sales position if—

''(A) the employee has specialized or technical knowledge related to products or services being sold;

''(B) the employee's—

''(i) sales are predominantly to persons or entities to whom the employee's position has made previous sales; or

''(ii) position does not involve initiating sales contacts;

''(C) the employee has a detailed understanding of the needs of those to whom the employee is selling;

''(D) the employee exercises discretion in offering a variety of products and services;

''(E) the employee receives—

''(i) base compensation, determined without regard to the number of hours worked by the employee, of not less than an amount equal to one and one-half times the minimum wage in effect under section 6(a)(1) multiplied by 2,080; and

''(ii) in addition to the employee's base compensation, compensation based upon each sale attributable to the employee;

''(F) the employee's aggregate compensation based upon sales attributable to the employee is not less than 40 percent of one and one-half times the minimum wage multiplied by 2,080;

''(G) the employee receives a rate of compensation based upon each sale attributable to the employee which is beyond sales required to reach the compensation required by subparagraph (F) which rate is not less than the rate on which the compensation required by subparagraph (F) is determined; and

''(H) the rate of annual compensation or base compensation for any employee who did not work for an employer for an entire calendar year is prorated to reflect annual compensation which would have been earned if the employee had been compensated at the same rate for the entire calendar year;''.

(b) CONSTRUCTION.—The amendment made by subsection (a) may not be construed to apply to individuals who are employed as route sales drivers.

SEC. 4. EXEMPTION FOR FUNERAL DIRECTORS.

Section 13(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 213(a)), as amended by section 3, is amended by adding after paragraph (18) the following:

''(19) any employee employed as a licensed funeral director or a licensed embalmer.''.

The SPEAKER pro tempore. After 1 hour of debate on the bill, it shall be in order to consider Amendment No. 2 printed in House report 106–516, which may be offered only by the Member designated in the report, shall be considered read, and shall be debatable for the time specified, equally divided and controlled by the proponent and an opponent.

The gentleman from Pennsylvania (Mr. GOODLING) and the gentleman from Missouri (Mr. CLAY) each will control 30 minutes of debate on the bill.

The Chair recognizes the gentleman from Pennsylvania (Mr. GOODLING).

Mr. GOODLING. Mr. Speaker, I yield 5 minutes to the gentleman from North Carolina (Mr. BALLENGER), our esteemed subcommittee chairman.

Mr. BALLENGER. Mr. Speaker, I would like to express my support for many of the provisions of H.R. 3846. The bill makes several changes in the Fair Labor Standards Act, which is the primary Federal statute that governs the hours of wages and work.

As a general rule, the law requires employers to pay employees time and a half for overtime hours. However, there are a number of exemptions from the minimum wage and overtime for specific groups of employees.

For example, there is a provision that has been part of the law since 1938 which provides an exemption from the minimum wage and overtime for an ''outside sales employee.'' The general requirement for meeting the exemption is that the individual must regularly work outside the employer's business establishment selling products or services. There is no minimum salary requirement.

The bill would provide that a new exemption under the Fair Labor Standards Act for the so-called ''inside sales'' employee, who works primarily at the employer's facility using the computer and the fax and the phone to communicate with customers. The bill has a three-part test for an overtime exemption for inside sales personnel: a detailed ''jobs duties'' test, a ''commission on sales'' test and a ''minimum compensation'' test. This would remove some of the constraints within the current law which frequently work against many highly trained, highly skilled sales employees by restricting their ability to achieve great earnings.

The bill would further clarify the current exemption for computer professionals. In 1990, a bipartisan amendment to the act created an exemption for the minimum wage and overtime for certain high-skilled, well-compensated computer professionals. The exemption detailed a ''jobs duties'' test which clarified the treatment of these employees under the Act. However, there are now many new types of positions in the information technology industry that are not addressed by the current exemption, so the bill would update the law to reflect the recent changes in the technology industry.

I would also note that the language in H.R. 3846 is identical to a bipartisan bill, H.R. 3038, introduced by the gentleman from New Jersey (Mr. ANDREWS) and the gentleman from South Carolina (Mr. GRAHAM).

The bill would provide a new exemption under the Fair Labor Standards Act for licensed funeral directors and licensed embalmers from minimum wage and overtime. Licensed funeral directors and embalmers must typically undergo mandatory education and training to acquire the necessary skills to obtain their licenses and maintain their jobs. These types of employees are not specifically referenced in the current law, and this provision would provide some clarity as to their classification for the purposes of overtime.

Finally, Mr. Speaker, while I support the three straightforward reforms of the Fair Labor Standards Act, I am unable to support the underlying purpose of this bill, which is to increase the minimum wage. We have heard so much today from proponents of the increase about how raising the minimum wage is an effective antipoverty program. We have also heard that increasing the minimum wage imposes little social cost. Unfortunately, the facts do not support either of these beliefs.

First, most low-wage workers are not in poor families. Therefore, an increased earnings associated with a higher minimum wage would not significantly impact low-income families. According to recent studies, only one in four low-wage workers resides in the families in the bottom 20 percent of income distribution. Less than 1 dollar in 5 of the additional earnings going to families who rely on low-wage compensation as their primary source of compensation. When the additional earnings reach low-income families, most of the increase is taxed away by the Social Security contributions or the State and Federal income taxes.

Second, it is illogical to think that wages will rise without any adverse result. Businesses may decide to increase their prices, reduce their workforce, or to meet their operations, or cut back on customer services. In other situations where the employer cannot reduce costs or raise prices, they must absorb the new labor costs. The money comes out of the expansion or investment. Either way, there are clearly costs, and I would urge my colleagues to carefully consider these issues.

Mr. CLAY. Mr. Speaker, I yield myself such time as I may consume, and I rise in opposition to H.R. 3846.

Mr. Speaker, minimum wage workers deserve a raise. In this time of unprecedented prosperity, fairness dictates that we act now. Since 1980, the average income of most workers has increased by 68 percent, while the real value of the minimum wage has declined by 16 percent. Unfortunately, this bill offers only 33 cents an hour next year to minimum-wage workers. Why do we, Mr. Speaker, nickel and dime those workers who need an increase the most?

Stretching the minimum wage increase over 3 years instead of 2, while at the same time authorizing tax cuts for the most wealthy, is a miscarriage of justice. This bill denies almost $1,000 in pay to minimum-wage workers, and it would permit other workers to work in excess of 40 hours a week for no additional pay.

Mr. Speaker, raising the minimum wage will not make workers rich; it will simply enable them to have a chance at supporting themselves and their families. A decent minimum wage encourages work and discourages reliance on welfare. A decent minimum wage allows workers to meet their own needs without dependence on others or welfare. A decent minimum wage will allow workers an amount of dignity through the elevation of their standard of living, and a strong minimum wage will allow workers to share in our prosperity.

Mr. Speaker, I reserve the balance of my time.

Mr. GOODLING. Mr. Speaker, I yield 7 minutes to the distinguished gentleman from Illinois (Mr. SHIMKUS), the author of the legislation.

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

Mr. SHIMKUS. Mr. Speaker, I rise to introduce H.R. 3846, a bill to raise the minimum wage $1 over 3 years, which is a complementary bill to the small business tax relief in H.R. 3832.

In 1996, I ran for this seat in Congress as an opponent of the minimum wage. My Democratic opponent and I debated this issue 13 times throughout the 20th district. In the last debate in Centralia, Illinois, a portion of the debate was for questions from the audience. A man raised his hand and went to the microphone wanting to address the issue of the minimum wage. What he said there in that question solidified my position on this issue. He said, because of the increase in the last minimum wage, I lost my second job.

This story reflects the reality that our decisions here have a direct impact, sometimes a negative impact, on the very people we are trying to help.

Mr. Speaker, I join the gentleman from New York (Mr. LAZIO), the gentleman from California (Mr. CONDIT), and the gentleman from Alabama (Mr. CRAMER) in crafting this bill, H.R. 3842, for two reasons. One, it is a political reality that the minimum wage is going to be increased during this Congress. While some may not like to hear it, it is true. However, if we are going to raise the minimum wage, I want to take an active role to ensure that no one loses their job as a result. These bills merged together will do just that.

My second reason for joining in this effort was to show my colleagues, my constituents, and even myself that we can work in a bipartisan fashion to address the issues that face our Nation. I am pleased that H.R. 3846 is truly a bipartisan product which encompasses all interested parties in the debate over raising the minimum wage.

The bill includes an increase of $1 over 3 years which is a compromise between the small business community who settled for $1 over 4 years and the labor community who fought for $1 over 2 years. H.R. 3846 also amends the Fair Labor Standards Act to clarify

and update minimum wage and overtime exemptions for computer professionals, inside sales and funeral directors. The bill originally drafted included the State flex option, which I oppose, but allowed to be placed in to move the process to the floor; and I want to thank the gentleman from South Carolina (Mr. DEMINT) for pulling that with a unanimous consent earlier today.

We have heard and will continue to hear about how today's economy is running at such a break-neck speed that a minimum wage can be easily increased. Yet, the facts are that increasing the minimum wage has a significant impact on the ability of our Nation to create and sustain entry-level and second jobs. Multinational corporations and all of those listed with the stock exchanges appear to be doing extraordinarily well in terms of their profits. However, most minimum-wage jobs and most new jobs in general are created by small business owners. In fact, small businesses not only account for nearly 60 percent of the jobs in our Nation's workforce, small businesses created two-thirds of all new jobs since the early 1970s.

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So let us keep in mind, it is not Bill Gates who is paying the minimum wage and creating new jobs, it is our neighborhood pharmacist creating new jobs. It is our local grocer. It is our favorite restaurant.

These small business owners are struggling every day to exist and expand in a market over which they have little control. Through their own blood, sweat, tears, and self-determination, these men and women are working to survive, expand, and provide jobs and a sense of community for our neighbors and our families.

H.R. 3846 is a bipartisan solution which provides a $1 increase in the minimum wage over the next 3 years. If we look back to the last increase in 1996, this $1 increase that we are proposing actually gives a greater increase to the recipients than if we tied their wage to the CPI, the consumer price index.

The CPI estimates that if the wage were to increase from 1996 to 2005 using the CPI, minimum wage workers would actually receive less than what our proposal provides.

This increase is a fair, phased-in proposal that allows us to protect the jobs of those who earn a minimum wage while gradually increasing it at the same time.

A key factor in helping to protect minimum wage jobs is that H.R. 3846 and H.R. 3832 do not gouge small businesses. In the Herald and Review of Decatur, Illinois, the editorial headline on October 26, 1999, read ''Minimum Wage, Tax Break Link Sensible.''

The paper stated that, when the minimum wage increases, someone has to pay for it, because business owners have to maintain a profit level. ''The result could be higher prices or fewer jobs at minimum wage. Just as a worker will offer his work at an acceptable wage level, an employer will pay workers a wage that permits his company to earn a profit. That is why a minimum wage increase alone won't work and why a bill to raise the rate linked to some tax breaks for small businesses makes sense.''

Mr. Speaker, I learned a lesson in 1996 when that constituent told us how he lost his job due to the increase in the minimum wage. I also learned many lessons working with my colleagues from both sides of the aisle in fashioning this bill: Our actions have consequences, some intended, some unintentional; some thought out, some never considered.

We have worked for the last year to put together a package that has arrows coming from all sides, but workers get a raise, small businesses get much-needed tax relief, and this Congress will have shown that we have addressed our Nation's issues in a bipartisan manner with a sense of purpose and civility.

Mr. Speaker, I am just sorry that we cannot address an issue of another group that is going to be severely impacted by increasing the minimum wage. That is our nonprofit organizations, those who go and ask for money to run the blood banks, to run the food pantries, to run the clothing stores. They will also be mandated to pass an increase in the minimum wage, and no real benefits to recover that, other than asking donors for additional support.

I congratulate the gentleman from New York (Mr. LAZIO) and my colleagues on the Democratic side, particularly the gentleman from California (Mr. CONDIT) and the gentleman from Alabama (Mr. CRAMER), all of whom are owed a debate of graduate for putting aside partisan and ideological differences for the purpose of doing the Nation's business. They certainly have my deepest gratitude.

Once again, I strongly urge my colleagues in Congress to support this sensible increase in the minimum wage.

Mr. CLAY. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan (Mr. BONIOR), the distinguished minority whip.

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

Mr. BONIOR. Mr. Speaker, the other day I read that the co-founder of a high-tech company was spending $25 million to build himself a castle to live in. This castle had a moat around it. It had all the improvements that we could imagine. In this economy it is not unusual to hear stories like that, but there are other stories that are much more common, Mr. Speaker.

This is the story of a woman named Cheryl Costas from Pennsylvania, a 37-year-old mother of four whose husband is disabled with a back injury. That means her family depends on the check she brings home from her job at the grocery store. What does she earn? She earns $5.50. Cheryl and her husband are not thinking about building any castles. They are lucky just to keep a roof over their heads.

She is not alone. Today more than 10 million hourly workers earn less than $6.15 an hour. Almost 70 percent of them are adults. Three out of every five are women. A lot of them are single moms who have to work two, sometimes three jobs to make ends meet, and are never home to be with their kids. They are seldom home. They are struggling to give their kids, though, a better life.

Today we say that it is high time we do our part to help them. That is why we Democrats propose raising the minimum wage $1 over 2 years. That is $1,000 more than the Republicans have called for. That is enough money to buy nearly 3½ months' worth of groceries, enough money to buy their kids a new pair of jeans, and, God forbid, enough money maybe to take them out for an ice cream cone once in a while, or take them to a movie; enough money to help people live with a little bit more hope and dignity than they are able to do right now on $5.15 an hour.

That is why, Mr. Speaker, our plan has gained the support of religious leaders all across America. They understand that in this economy, there is no excuse for minimum wage workers earning $3,200 less than it takes a family of three to stay out of poverty in this country. They understand that when CEO salaries climb by 480 percent over the last 10 years, there is no excuse that the minimum wage purchases less than it did back in 1979.

Mr. Speaker, in short, they understand that while America is a prosperous Nation, we will never truly be successful until poverty wages become part of America's past and not our future. We can pass a wage increase that can make a difference in the lives of the working poor, $1 an hour over 2 years, or we can squander this opportunity and instead pass a wage increase that is inadequate; and coupled with this tax break, $122 billion over 10 years that we just passed, this tax break for the rich; and then, in addition, an assault on working rights that the gentleman from Missouri (Mr. CLAY) addressed.

Mr. Speaker, the fact is that buried in this Republican plan are provisions that would trash overtime protection for nearly 1 million workers on the job today.

Just the other day I read where the Republican leader, the gentleman from Texas (Mr. ARMEY), said he believes raising the minimum wage is wrong. He topped what he said just a few years ago, that he would fight with every fiber in his body to defeat it.

I would say to the gentleman from Texas that he should take a moment and listen to the real America out there, not just those enjoying the best

of times, but the working families fighting to keep these from becoming the worst of times.

Those Americans not only need a raise, they have earned a raise. They have earned it by cleaning our offices, they have it by bagging our groceries, they have earned it by cooking our meals, by helping care for our children. They have earned it by taking care of our ailing parents and grandparents. They have earned it by tending to the sick in our hospitals.

Mr. Speaker, we owe it to people like Cheryl and all these others out there, these 10 million, to listen to their voices. We owe it to them to act. I urge Members to vote for the amendment that will be raised on the floor of the House in about an hour to move the minimum wage up $1 over 2 years. I thank my colleague, the gentleman from Missouri (Mr. CLAY) for his leadership on this.

Mr. Speaker, I include for the RECORD correspondence from religious organizations which support increasing the minimum wage by $1 over 2 years.

The material referred to is as follows:

RELIGIOUS LEADERS ASK $1/HOUR INCREASE IN MINIMUM WAGE IN 2000–2001

March 7, 2000, Washington, DC.—Eighteen Jewish, Orthodox, Roman Catholic and Protestant leaders of denominations and national religious organizations today released a letter to President Clinton and Members of Congress which calls for two 50-cent increases in the minimum wage beginning this year.

The letter witnesses to their common conviction that poverty in the midst of abundance is unacceptable and that the standard of equality of opportunity rings hollow when minimum wage employees cannot provide an adequate economic base for their families.

The full text of their letter follows.

MARCH 7, 2000.

DEAR PRESIDENT CLINTON AND MEMBERS OF CONGRESS, We religious leaders urge you, during this session of Congress, to pass legislation that will increase the minimum wage by $1.00 over the next two years. So many of the working poor are in deep pain because of lack of sufficient income to provide for themselves and their families. We believe, as does a high percentage of the American public, that increasing the minimum wage by $1.00 over two years would be one of the most compassionate and effective ways of responding to that pain. We believe that justice and compassion for ''the least of these'' demands that we act now.

This $1.00 increase would mean an additional $2,000 per year for those working people and their families who are most in need of additional income; full-time workers who are paid the minimum wage. This $1.00 increase would lift a family of two out of poverty. The extra $2,000 per year would buy approximately six months of groceries, or four months of rent; or seventeen months of tuition and fees at a two-year college. Surely in a time of enormous prosperity for so many, in a time when some among us have so much and some so little, we can do no less.

An estimated 18,500,000 workers would benefit from a $1.00 increase in the minimum wage. 10,100,000, about 7½ percent of the workforce, would benefit directly from a $1.00 increase. Of this group 69 percent are adults (age twenty and older) and 60 percent are women. Spillover effects of the increase would likely raise the wages of an additional 8,400,000 workers who currently earn up to $7.15 an hour.

We are aware that there are some who believe that increasing the minimum wage will increase unemployment. However, a number of recent studies, including one by the Bureau of Labor Statistics, do not support this belief. Bureau of Labor Statistics data show that employment increased and unemployment decreased, since the last increases in the minimum wage took effect in 1996 and 1997. Further, economists at the Economic Policy Institute studies the 1996–1997 minimum wage increases and found overall there was no statistically significant effect on job opportunities. Other studies could be cited.

Please support an increase in the minimum wage by $1.00 over the next two years so that justice may be done and compassion received.

Signatories

The Rev. Dr. Robert W. Edgar, General Secretary, National Council of the Churches of Christ in the U.S.A.; The Rt. Rev. McKinley Young, Ecumenical Officer, African Methodist Episcopal Church; The Rev. Dr. Daniel E. Weiss, General Secretary, American Baptist Churches; The Rev. David Beckmann, President, Bread for the World; Rabbi Paul Menitoff, Executive Vice President, Central Conference of American Rabbis; The Rev. Dr. Richard L. Hamm, General Minister and President, Christian Church (Disciples of Christ); Bishop Nathaniel Linsey, Ecumenical Officer, Christian Methodist Episcopal Church; Dr. Kathleen S. Hurty, Executive Director, Church Women United; The Most Rev. Frank T. Griswold, Presiding Bishop and Primate, The Episcopal Church; The Rev. H. George Anderson, Presiding Bishop, Evangelical Lutheran Church in America; His Grace Bishop Dimitiros of Xanthos, Ecumenical Officer, Greek Orthodox Archdiocese of America; The Rev. Dr. Clifton Kirkpatrick, Stated Clerk, Presbyterian Church (U.S.A.); Bishop Thomas Gumbleton, Auxiliary Bishop, Roman Catholic Archdiocese of Detroit; Rabbi David Saperstein, Director, Union of American Hebrew Congregations, Center of Reformed Judaism; The Rev. John H. Thomas, President, United Church of Christ; The Rev. William Boyd Grove, Ecumenical Officer, Council of Bishops, United Methodist Church; The Rev. John Buehrens, President, Unitarian Universalist Association of Congregations; and Dr. Valora Washington, Executive Director, Unitarian Universalist Service Committee.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE USA

STATEMENT ON MINIMUM WAGE

By Robert W. Edgar, General Secretary, National Council of the Churches of Christ in the U.S.A.

''Speak out for those who cannot speak, for the rights of all the destitute. Speak out, judge righteously, defend the rights of the poor and needy.'' Proverbs 31:8–9 (NRSV)

Even as our nation continues to enjoy unprecedented prosperity and record low unemployment, the religious community is deeply dismayed by the increasing evidence that many people are not participating in this widespread affluence. As providers of a broad variety of services to people in need, we know that hunger is increasing among low-income working families, and that the lack of health care coverage and soaring prices for housing are undermining their well-being. The people who operate feeding programs in our congregations tell us that more and more children are being brought by their parents to church meal programs and food distribution centers. We are greatly troubled by the depth and extent of poverty among these vulnerable little ones.

Consequently we call on Congress to raise the minimum wage by 50¢ now and 50¢ in one year. Even this small increase would make a tremendous difference in the ability of low-wage workers to support themselves and their families. For a household with a full-time, full year worker, an additional $1 an hour would provide $2,000 more each year to meet the needs of the family, a significant improvement for those affected.

With an additional $2,000 of income, many families who now utilize soup kitchens and mass feeding programs would be able to eat most of their meals at home, providing nourishing food for their children in a familiar setting. Others would be able to move away from inadequate or dangerous housing, thus providing their children with safer places to live, study, and play.

We know that the great majority of minimum wage workers are adults and that close to half of them are the sole supporters of their families. In a nation that honors as a core value the right and responsibility of parents to attend to the welfare of their children, how can we tolerate the conditions that allow heads of households to work full time and still be forced to try to support their families on incomes that are substantially below the poverty level? How can we bear to have the children of working parents be dependent on charity for their clothes and food?

Our concept of justice holds that no person who works should be impoverished, and that no family which seeks to meet its own needs, however modestly it is able to do so, should live in want. Thus, we call on Congress to give prompt approval to the legislation now before it which would increase the minimum wage by $1 over two years.

FRIENDS COMMITTEE ON NATIONAL LEGISLATION,
Washington, DC, March 1, 2000.

DEAR REPRESENTATIVE: I am writing on behalf of the Friends Committee on National Legislation (FCNL) regarding minimum wage legislation.

Perhaps as early as next week, you will be called to vote on alternative proposals to increase the minimum wage. H.R. 3081 has been introduced by Reps. Lazio and Skimkus; an alternative bill has been introduced by Reps. Bonior, Rangel, Phelps, and Sandlin. Although these two proposals appear similar in their minimum wage provisions (they each propose to increase the minimum wage by $1, spread over either three or two years, respectively) we believe that only one of these proposals (the Bonior-Rangel bill) will help to reduce the growing economic disparity between the poorest and the weathiest in the U.S.

Many economic indicators give evidence of the growing disparity. For example, a report issued last fall by the Center for Budget and Policy Priorities indicates that, since 1977, the after-tax income of the wealthiest 1% in the U.S. has grown by 115%, the income of the wealthiest 20% has grown by 43%, the income of the middle three-fifths has grown by 8%, while the income of the poorest 20% has actually dropped by 9%. Current Census Bureau figures reveal that, for 1997, the household income of the top 20% of all households by income was 49.4%, nearly as much as the bottom 80% of all households. FCNL believes that Congress should act to reduce this enormous and growing economic gap.

H.R. 3081 includes a tax-cut package which, it is estimated, will cost the U.S. about $120

billion over ten years. Moreover, since these cuts would have a major effect on estate taxes, they would primarily benefit those at higher income levels. Under the guise of helping minimum wage workers, H.R. 3081 would likely increase the economic disparity in the U.S. and thus rachet up the distress experienced by poor individuals and families as they try to subsist on minimum wage jobs. We oppose this charade.

The Bonior-Rangel alternative minimum wage bill also includes a tax-cut package, however it is substantially more modest ($30 billion over 10 years) and is directed primarily at small businesses, many of whom will bear the brunt of any minimum wage increase. The tax-cut package in the Bonior-Rangel alternative minimum wage bill is thus designed to provide a more equitable response to the effects of the minimum wage increase. This package would include, among other elements, incentives to help employers hire disadvantaged workers and 100% tax-deductibility of health insurance for the self-employed in 2000, both measures that would aid many low-income workers.

We recognize that in this period of unprecedented economic growth and budget surpluses, tax cuts are very attractive. However, FCNL holds that this is not the time to markedly reduce government revenues (through tax breaks) but rather the time to invest in programs that benefit society, such as those that reduce the economic gap between the wealthiest and poorest in the U.S. We believe that the Bonior-Rangel-Phelps-Sandlin alternative minimum wage bill, with its combination of a minimum wage increase spread over only two years and a tax-cut package that includes elements designed to assist lower-income workers, is an appropriate bill.

We urge you to support the Bonior-Rangel-Phelps-Sandlin alternative minimum wage bill. We urge you to oppose H.R. 3081 and any substantially similar substitute bill.

Sincerely,

FLORENCE C. KIMBALL,
Legislative Education Secretary.

HELP FAMILIES SUSTAIN THEMSELVES: RAISE THE MINIMUM WAGE $1 OVER TWO YEARS

This week, Congress has an opportunity to take a powerful step forward for the future of America's children and families. Both parties in both houses agree that it is time to raise the minimum wage. They should do it on the shortest possible timetable.

The crafters of welfare reform legislation asserted that their new policies would free people from dependency and enable them to support their families in dignity through work. Thus far, we have seen that this will not happen unless the earnings from work are adequate to support a family. Millions of women are struggling to support their families through work outside the home. Yet even a full-time job at minimum wage is insufficient to bring a family of two out of poverty.

To raise the minimum wage by $1 an hour is a small but vital step toward the goal of seeing that every family has a livable income. In the long run, the minimum wage should be indexed to inflation (as Rep. Bernie Sanders has proposed), but not until its purchasing power is adequate to sustain a family. To do it in two years is a reasonable and cautious proposal; spreading the increase over three years would cost each full-time minimum wage earner hundreds of dollars that can never be made up.

To fulfill the great national purpose expressed in our welfare reform laws, we need to see that everyone does their part, including employers. As long as the minimum wage fails to pay enough to sustain even a family of two, low-income families will continue to subsidize employers who are not ready or able to pay the full cost of doing business. The sooner we can end corporate dependency on the poor, the better.

DR. VALORA WASHINGTON,
Executive Director Unitarian Universalist Service Committee.

MARCH 8, 2000.

DEAR PRESIDENT CLINTON AND MEMBERS OF CONGRESS: We at NETWORK, A National Catholic Social Justice Lobby, urge you to support passage of legislation designed to raise the minimum wage by $1.00 over a two-year period and to reject efforts to link this raise to tax cuts that primarily benefit people who are wealthy.

NETWORK's more than 10,000 members include individuals and organizations working directly with people who live in poverty, including the more than 10 million workers who must currently support themselves and their families in minimum wage jobs. In an era of unparalleled economic prosperity, it is unconscionable that millions of hard-working people are forced to choose among feeding their children, finding adequate housing, and buying health insurance for their families. They simply cannot afford to do it all on the poverty-level income from minimum wage jobs. Clearly, justice demands that we do better. An immediate increase in the minimum wage is a small but important step in the movement toward a livable wage for all.

Even as we support this legislation, we understand that a person working full time and supporting two children would still be living below the poverty line after the $1.00 increase goes into effect. We are confident that your leadership in this area will continue beyond the passage of this bill toward securing a living wage for all workers.

NETWORK believes that a living wage is a fundamental right. The U.S. Catholic Bishops explain:

The way power is distributed in a free-market economy frequently gives employers greater bargaining power than employees in the negotiation of labor contracts. Such unequal power may press workers into a choice between an inadequate wage and no wage at all. But justice, not charity, demands certain minimum guarantees. The provision of wages and other benefits sufficient to support a family in dignity is a basic necessity to prevent this exploitation of workers. (Economic Justice for All, 1986)

Thank you for understanding that anyone who works full-time should not live in poverty. We look forward to your continued support on this very important issue.

Sincerely,

KATHY THORNTON,
RSM NETWORK National Coordinator.

Mr. GOODLING. Mr. Speaker, I yield 2 minutes to the gentleman from Colorado (Mr. TANCREDO), a member of the committee.

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

Mr. Speaker, we hear the plaintive cries about our need to help the poor; our need, our desire to increase the minimum wage. The term ''our'' is used over and over again, ''us'', as if in fact we in this body are actually the people that will be giving the money to the most needy, the people who are going to be benefiting from the increase in the minimum wage.

But, of course, it is none of us here who actually are providing this money that we are so freely giving away. We are giving away other people's money as we do so often here, we do so well and so often. To pretend as though it is coming out of our hide, out of our wallets, no, it is not. We are going to pass a law here to force somebody else to pay somebody else the money.

Of course, who will actually benefit? Will the ''poor'' actually benefit from an increase in the minimum wage? Economic analysis consistently shows that most of the benefits of mandated higher entry-level wages go to families who are already above the poverty level.

In 1997, nearly 60 percent of poor Americans over the age of 15 did not work and would not be helped by such an increase. Fewer than 10 percent of poor Americans over the age of 15 who could benefit from increasing the minimum wage worked an average of 16 hours a week.

The neediest families would receive a relatively small portion of the increase wage bill. Most of the benefits would go to families who earn more than twice the poverty threshold.

The idea that we are doing all of this for this category of worker, that we will raise them up out of poverty as a result of forcing people to pay an increase in the minimum wage, is absolutely false. The economists that came in and talked to us in our committee could never make that kind of allegation.

They tried to. They even tried to explain where they came up with an idea of $1 over a 2-year or 3-year period of time. There is absolutely no economic benefit or no economic model they could point to saying this was the correct amount. Mr. Speaker, there was absolutely not one shred of evidence to show any of us on the committee that $1 was right, and even the economists said, no, we do not know that $1 is right. It has no significance. It is what you will get away with politically. It sounds good. It is a nice, round number, $1, but it has absolutely no relevance to any economic theory. Nobody could ever show us that it was important or that it mattered in the total scheme of things. It was just a nice round number.

Do Members know what, that is what this whole idea of increasing the minimum wage is, is just a nice-sounding thing that we can go home with and explain that we have done something so good for the poor. In fact, we have done absolutely nothing.

The idea that the government knows best how much money anybody should make for any particular job is idiotic. I will fully admit that I do not know what anyone should make in this economy. I do not know what the smallest minimum wage should be, or the highest. I admit that, because there is something that is in fact important and that does make that decision. It is called the marketplace. I will trust the marketplace.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. FROST).

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

Mr. FROST. Mr. Speaker, I rise today to offer my strong support for raising the minimum wage by $1 over a sensible 2-year period. For too long now we have pleaded with the majority to simply allow us to vote on a 2-year minimum wage increase. Apparently many Republican Members still do not understand the importance of the minimum wage to millions of America's working families.

Let us be clear about what we are talking about this evening: 11 million working Americans, 10 percent of our work force, toil for the minimum wage. To these working families, a minimum wage increase means a raise of $2,000 a year; that is, if we raise it $1 an hour.

Today a single mother with two children who works full-time for the minimum wage does not earn enough to make ends meet. She makes just $10,700 annually. That is $3,000 below the poverty line. Mr. Speaker, this is inexcusable. We are in the midst of the longest economic expansion in American history. Surely we can afford a modest increase in salaries for working Americans at the bottom of the economic ladder.

I support the Democratic alternative because working families need a raise over 2 years, not 3. Opponents of this real wage increase have again trotted out their usual arguments: ''We cannot afford a minimum wage increase. A minimum wage increase will result in massive job losses for low-income workers.''

Economic evidence has again debunked these well-circulated myths. The last minimum wage increase did not result in job loss. In reality, overall employment grew among low-income workers after the minimum wage increase, 9.9 million working Americans saw a direct increase in their salaries, and nearly 20 million workers, 18 percent of the work force, also got a boost in pay.

The time has come for those who pay lip service to the value of work to put their money where their mouth is. It is time to make work pay for working families.

Mr. GOODLING. Mr. Speaker, I yield 1 minute to the gentleman from Alabama (Mr. ADERHOLT).

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

Mr. ADERHOLT. Mr. Speaker, I rise today in support of increasing the minimum wage and in support of H.R. 3846. This legislation is the result of hard work by both Democrats and Republicans. I commend my colleagues on both sides of the aisle for working together to bring forth this compromise.

Despite the harsh words about this issue from some in both parties, this legislation is a good example of Congress at its best, Democrats and Republicans working together and working to do what is best for America's working families. This is what the American people expect, and quite frankly, it is what they deserve.

This legislation will go a long way toward helping many working families make ends meet. Far too many families in this Nation depend on one or more family members making minimum wage in order to pay their bills and all of their expenses.

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This legislation will give these hardworking Americans a leg up, and I urge its adoption.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. OWENS).

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

Mr. OWENS. Mr. Speaker, common sense and logic dictate that we should build into our economic policy a simple way to share in the great prosperity that this Nation is presently experiencing. A minimum wage increase is the way to share our great wealth with the people on the bottom.

At this time of great prosperity, the gap is growing ever wider between rich and poor. In New York where the rich are richest, the gap between rich and poor is greatest.

The infant mortality rate in New York is greater than anywhere else in the country. The Democratic substitute proposes a simple $1 increase over a 2-year period, a simple $2,000 increase in the annual pay. The best way to share the wealth and help the poor is to increase the amount of money in their paychecks.

If my colleagues care about family values, common sense dictates that they support this small increase in income. If the new compassionate conservativism is not just phony public relations, then grant this measly $1 increase over a 2-year period.

We need improvements in all of the social safety net programs: child care, health care, more public housing, decent schools, and educational opportunity. I support more funds and more programs to deal with these very serious problems. But the best way, the most efficient way, and the most effective way to help the poor is to put more money in their paychecks.

Conservatives, step forward and show your compassion at a time when millionaires and billionaires are having their income doubled in a year, surely you can afford to give a $1 increase over a 2-year period to the poorest people in the country.

Working families should not have to live in poverty. They go to work every day, and still they are in poverty. Even with this increase to $6.15 an hour over a 2-year period, we will not reach the $8 that is necessary to get out of poverty. Working families need higher paychecks. Compassionate conservatives, step forward and show your compassion.

Mr. GOODLING. Mr. Speaker, I yield 5 minutes to the gentleman from Maryland (Mr. BARTLETT), my neighbor across the border.

(Mr. BARTLETT of Maryland asked and was given permission to revise and extend his remarks.)

Mr. BARTLETT of Maryland. Mr. Speaker, I would like us for a few moments to think about what raising the minimum wage means. What we are doing is telling a business that certainly they are prosperous enough to pay a dollar more an hour to their employees.

This is clearly, then, an attempt on our part to mandate something, which clearly we cannot mandate; and that is prosperity. If we can mandate prosperity, then there are some other things that I would like us to mandate. How about happiness? It is just as reasonable that we can mandate happiness as we can mandate prosperity. If we can mandate prosperity and happiness, then I am particularly interested in mandating longevity.

If we really can mandate prosperity, then why should we stop at a small dollar an hour increase? Why do we not make the minimum wage $10 an hour or $20 an hour. See, if we really do have the power to mandate prosperity, why should we be so miserly in the delegation of this power. Let us make it $10 an hour or $20 an hour.

The minimum wage is not an issue in the district that I have the honor of representing. I see signs out at sheet stores $7.25 an hour. But I will tell my colleagues where it is important. It is important in those areas where we are cutting off the bottom rung of the economic ladder for those who need it most.

Who works for minimum wage? Young people living with their parents count for 37.6 percent of those on minimum wage. 85.1 percent of all those on minimum wage either live with their parents, are single and live alone, have a working spouse, or extended family members and nonrelatives living in the home. Only 5, let me repeat this, only 5.5 percent of minimum wage earners are single parents, and only 7.8 percent are in married single-earner families where the household may or may not include children.

What I want to do is to give all the payroll taxes back to head of family that is working on minimum wage. I want to give more than that. I have no problem helping the working poor. But what we cannot do is pretend that we can do something we cannot do, and that is to mandate prosperity.

The marketplace determines, we cannot possibly determine the value of a job. The marketplace determines the value of a job. But I will tell my colleagues what we can do is come in after the marketplace has determined the value of a job, and then we can help, we can help so that person, that family can live a reasonable life.

I need also to say that this bill is clearly unconstitutional. I carry a Constitution, and I will tell my colleagues, they can search this from front to

back, article 1 section 8 has in it all of the powers of the Congress. There is not even a hint in the Constitution that this is something that we can do. Doing this makes a mockery of the 10th Amendment, which says that if one cannot find it in article 1, section 8 the Congress cannot do it.

Minimum wage eliminates jobs. That is why my colleagues have not made it $10 an hour or $20 an hour because they know that eliminates jobs. This small increase will also eliminate jobs. If one makes eating in McDonald's too expensive, those jobs simply disappear. If one makes the product that is produced by a manufacturer too expensive, those jobs go to the Pacific Rim.

We do not need to hurt those that we are pretending to help by trying to do something that we clearly cannot do. Let us let the marketplace determine the value of the jobs and let us help in a lot of ways after the marketplace determines the value of the job.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. PAYNE).

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

Mr. PAYNE. Mr. Speaker, the reason the minimum wage must be increased over 2 years instead of 3 years is simple, because the increase is long overdue. The tiptoe approach that many Members of the other side of the aisle advocate is not fair for hard working men and women that find themselves at the lower spectrum of the income wage.

Just a little while ago, I received a letter from a constituent of mine that worked full time all year-round and was still significantly below the poverty line for his family of three. If my colleagues are wondering how a full-time worker in this day and age could still be below the poverty line, the answer lies in the inadequate minimum wage of $5.15 an hour. Even a modest $1 increase that we are debating today is not enough to lift him and his family above the poverty line. Why then should he, and the other 11.8 million minimum wage workers, have to wait 3 years for a dollar increase to take place?

The opponents of raising the minimum wage over 2 years claim that it will have a negative impact on jobs. Since the last increase in the minimum wage in 1996, 1997, the unemployment rate has dropped to its lowest level in 30 years, and an estimated 8.7 million new jobs are being created. These are not Internet jobs. By contrast, 1.2 million new retail jobs have been added, 415,000 new restaurant jobs have been added and over 4.4 million service jobs have sprung up.

How does that have a negative impact on employment? Let me leave my colleagues with this thought: Between 1980 and 1998, the average worker increased their pay by 68 percent, while at the same time, the pay for the average CEO has increased by 757 percent. If the minimum wage had been indexed to CEO pay, it would be worth $23 an hour. We need to cut this disparity.

We need to have a minimum wage, we should have a livable wage which is even $8.30 an hour if we are going to take people out of poverty. We cannot continually tell people to work 40 hours a week, 52 weeks a year, a family of three, and still be in poverty. It is hypocrisy.

We have grown to the lowest unemployment rate in the history, and we had an increase in the minimum wage. Please reject the 3-year, add the 2-year, which should be a 1-year.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentlewoman from Hawaii (Mrs. MINK).

(Mrs. MINK of Hawaii asked and was given permission to revise and extend her remarks.)

Mrs. MINK of Hawaii. Mr. Chairman, I strongly support raising the minimum wage. This is long overdue. The last increase took effect in 1996, 1997.

A family of three, a mother and two children, making the minimum wage, earns only slightly over $10,000 a year, $3,000 below the poverty level. A dollar increase of the minimum wage still keeps this family in poverty.

The majority of minimum-wage earners today are women. Almost a million women earn the minimum wage, and an additional 5.8 million are paid wages between $5.15 and $6.15.

Currently, nine States, including Hawaii, boast a higher minimum wage than mandated by the Federal law. America must follow the call of the States and update our wage standards. Eleven million people today work for the minimum wage.

Arguments that a minimum wage increase would contribute to a loss of jobs are spurious at best, considering that the U.S. jobs grew by another 8.7 million at the pace of 240,000 jobs a month since the last increase.

Economic reports have shown that there has been no negative impact to business because of the 1996 minimum wage increase. The Economic Policy Institute documents several clear facts about the last increase. It raised the wages for 4 million workers. Seventy percent of these were adults, and 59 percent were women. Forty percent of the increase went to families at the bottom 20 percent of the income scale.

The Republican bill raises the minimum wage by spanning the dollar increase over a period of 3 years, sacrificing $1,200 to a family desperately in need of this money. Around here, it does not sound like much, but to a family trying to scrape by on a minimum wage, this is $400 less for the family per year than the Democratic substitute.

I urge this House to adopt the amendment that will put this wage increase effective in 2 years.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. ANDREWS).

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

Mr. ANDREWS. Mr. Speaker, I thank the gentleman from Missouri (Mr. CLAY) for yielding me this time.

Mr. Speaker, among the people who work the hardest in our country are those who make the least. Tonight we are about to vote for a long overdue increase in the minimum wage.

I appreciate the cooperation of the majority in including in this underlying legislation, legislation that I have co-authored involving the treatment of inside and outside sales employees on parity, involving the clarification of the computer professionals exemption, and involving the definition of funeral professionals.

I will vote with my Democratic colleagues who would wish to reconsider those matters in committee so that they may have a fair look at them, but I support them because I think they are the right thing to do.

I am going to strongly support the Democratic amendment to make the minimum wage increase 2 years. The people who will be most affected by that, Mr. Speaker, are not watching us tonight. They are cleaning offices. They are taking care of the elderly and the sick in nursing homes. They are involved in stores and retail. They are doing very difficult jobs for very long hours, or they are home resting after a long and weary day.

At a time of booming prosperity, lowered unemployment, and greater opportunity, it is unconscionable that we have waited this long to raise the minimum wage for our lowest paid people. To make them wait for 3 years would be even more unconscionable.

It is imperative that we pass the Democratic amendment to make the minimum wage 2 years instead of 3 and pass the underlying bill as well. It is a long overdue and a deserved raise for the hard-working people of America.

Mr. GOODLING. Mr. Speaker, I yield myself 30 seconds. I certainly was shocked and surprised to hear that the last speaker would support something in order to get rid of three things that he is either the lead sponsor or the cosponsor. He is a cosponsor of inside sales, the lead sponsor of computer professionals, and a cosponsor of funeral directors. So that was kind of a shock.

Mr. Speaker, I reserve the balance of my time.

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Mr. CLAY. Mr. Speaker, I yield 30 seconds to the gentleman from New Jersey (Mr. ANDREWS).

Mr. ANDREWS. Mr. Speaker, I appreciate the endorsement of my efforts by the gentleman from Pennsylvania (Mr. GOODLING).

I would simply say that my colleagues, who wished that there had been regular order to consider these in committee, I believe, should have been given that opportunity, where I know the gentleman would have given them a fair and complete hearing.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. CROWLEY).

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

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

The House is considering a minimum-wage bill that is contingent on tax breaks. Under the guise of tax breaks for small businesses to offset the minimum wage increase, Republicans give $122 billion in tax breaks to the wealthiest taxpayers, increasing the Federal minimum over an extended period of 3 years. Mr. Speaker, this debate should be about minimum wage. Tax relief is a separate issue.

My colleague from New York has crafted a small business tax relief bill that actually provides tax breaks to small businesses and is fully offset. However, I truly believe that today this debate should be first and foremost about giving a raise to America's lowest paid workers with tax relief for the small businesses that would be most affected.

Believe me when I say that no one can support a family, especially in my district in New York City, on $5.15 an hour. A full-time, year-round minimum-wage worker earns only $10.72. That is almost $3,000 less than the $13,290 needed to raise a family of three out of poverty, and much less than what it takes to provide any sort of comfortable existence for a working family.

Every year we do not increase the minimum wage, its current value decreases. In fact, if we do not increase the minimum wage today, its value will fall to $4.67 by the year 2003 in inflation-adjusted dollars; $4.67 an hour for a week's work that will only bring in $186.80, and that is before taxes. We should think about budgeting for our own families and ask the question, could I support them on less than $187 per week?

Furthermore, I do not believe the arguments on the other side of the aisle that any minimum-wage increase will adversely impact low-wage earners. A study by the Economic Policy Institute showed that minimum-wage increases in 1996 and 1997 did not result in job loss. Our hard-working Americans deserve better. They do not deserve to work two and three jobs to pay rent. Our economy is booming and salaries of business workers have increased tremendously.

Let us help those who are at the lowest end of the salary spectrum, those who work just as hard, if not harder than us, to support their families and make ends meet.

Mr. CLAY. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. DAVIS).

(Mr. DAVIS of Illinois asked and was given permission to revise and extend his remarks.)

Mr. DAVIS of Illinois. Mr. Speaker, as I have listened to this debate, it reminds me of Victor Hugo, who once said that there is always more misery among the lower classes than there is humanity in the higher. It seems to me that the Republican approach to this issue further promotes the misery and suffering of the lower class and illuminates the inhumanity of the higher: huge tax breaks for the wealthy, while stringing along and stringing out those at the bottom.

Today, a working mother, full time, under the current minimum-wage law, earns a meager $10,000 a year. Combined with recent cuts in welfare, food stamps and affordable housing, it is impossible to live on that kind of salary.

Now, I know it is difficult to understand the significance of a dollar raise when one has never had to function at that level. It is hard to know what it is like to be broke when one has always had more than what one needed. But I know full well how important a dollar raise is. In my district there are 54,000 households with incomes below $10,000 a year and 165,000 people living at or below the poverty level. These are solid Americans, struggling to live a good and decent life.

It is time for us to listen to those who have the need. It is time to give help to the young, to the poor, to those who are disinherited, to those that life has been less than the American Dream.

I urge that we vote ''yes'' in support of the Traficant amendment and that we move towards a livable wage so that every person in this country can live with dignity, with pride, and the ability to pay their bills.

Mr. CLAY. Mr. Speaker, I yield back the balance of my time.

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

Mr. Speaker, in a free society one is generally paid according to their qualifications to do the job, the demand for their skills, and their dedication to doing a good job. However, H.R. 3846 has some much-needed reforms to the Fair Labor Standards Act of 1938. Let me repeat, 1938. This is the 21st century, and we are still dealing with rules and regulations and laws of 1938. These three reforms are important regulatory relief for small businesses.

Section 2 amends the Fair Labor Standards Act and updates the current computer professionals exemption from the overtime provisions of the act. The gentleman from New Jersey (Mr. ANDREWS), the gentleman from South Carolina (Mr. GRAHAM), and the gentleman from New York (Mr. OWENS) supported this legislation.

With the explosion of new jobs in the Internet industry, many positions that did not exist a decade ago are causing confusion as to the appropriate classification of these workers. This provision clarifies the existing exemption in the law. There was a lot of discussion in committee on this. The bill would specify additional duties performed by workers who have similar skills to those already exempted.

This bipartisan reform is identical to H.R. 3038, introduced by the gentleman from New Jersey (Mr. ANDREWS), the gentleman from South Carolina (Mr. GRAHAM), and the gentleman from New York (Mr. OWENS) from the other side of the aisle.

Section 3 amends the Fair Labor Standards Act to provide increased opportunity and flexibility for sales professionals. The House passed an identical bipartisan bill in 1998 with considerable Democrat support. Sales employees who work outside of the office, traveling from customer to customer, have always been exempt from overtime requirements, but technology has left the Fair Labor Standards Act behind. Today, sales professionals can better serve their customers and be more productive using modern communications and computers to keep in touch with their customers.

There is no reason to penalize these innovative workers because they do not get in their cars to visit their customers. With the ever-increasing use of technology, the law must be updated to accommodate the changes that have occurred in the job duties and functions of an inside sales force. This exemption would only be extended to sales employees who meet strict criteria regarding job duties, compensation, structure, and minimum salary.

This section is identical to H.R. 1302, introduced by the gentleman from Ohio (Mr. BOEHNER) and the gentleman from New Jersey (Mr. ANDREWS). It is amazing. Every one of these pieces of legislation has the gentleman from New Jersey (Mr. ANDREWS) right in the forefront. All three are bipartisan pieces of legislation. This provision is also identical to H.R. 2888, which passed the House by a vote of 261 to 165 last Congress with bipartisan support.

Section 4 exempts licensed funeral directors and licensed embalmers from minimum wage and overtime requirements. The act does not specifically address the treatment of these employees. This provision will offer some clarity in this area of the law.

H.R. 793 was introduced by the gentleman from South Carolina (Mr. GRAHAM) and the gentleman from New Jersey (Mr. ANDREWS). It is identical to section 4 of this bill. What they offered is identical to section 4 of this bill.

I support these reforms that provide needed regulatory relief for employees and small businesses.

Ms. JACKSON-LEE of Texas. Mr. Speaker, today I rise in support of the Traficant/Martinez Amendment to increase the minimum wage over a two-year period, rather than the three-year period currently in this bill. I am in strong favor of increasing the minimum wage for all hardworking Americans; however, I cannot support the Republican sponsored bill—Minimum Wage Increase (HR 3846). This bill seeks to give large tax breaks to the wealthy, on the backs of working families and this I will not accept.

HR 3846 will provide a $1 an hour increase in the federal minimum wage over three years, reaching $6.15 by the year 2002. However, this bill will not keep pace with the inflation rate, presently 21% below the 1979 level. This

is because this measure delays and stretches out the much-needed minimum wage increase over the next three years.

Economists at the Economic Policy Institute analyzed the effects of the real value of minimum wage inequality in the overall wage structure. They concluded that for workers with less than a college education (representing approximately 75% of the total labor force) maintaining the minimum wage at its 1979 purchasing power results in a significant decline in the real hourly wage rate of those earning above the minimum.

As a consequence, women with just high school diplomas have experienced a decline in their average real hourly rate. This is just an example of the widening equality in our nation's wage structure. We must support sensible minimum wage increases.

This bill also seeks to eliminate the overtime protections that benefit many of hard working families throughout the nation. For example, this bill will exclude hi-technology employees, salespersons, and funeral directors from inclusion in the overtime calculation. Terminating overtime will encourage workers to work longer hours for less money with less time for quality family time.

In addition, the bill also permits states to ''opt out'' of any increase in the minimum wage above the current level of $5.15. Thus, states could freeze the minimum wage at its current level, or provide a smaller increase than set by the bill. This measure is unacceptable, and the President rightfully will veto this bill.

Minimum wage increases are not just about dollars and cents. It is about the majority of those who live either in poor families or families in which the primary earner has low wages. We must give those who have not prospered in this age of economic prosperity a chance to provide for their families. An honest wage, for an honest day's work.

Higher wages will increase greater employee loyalty and effort at the workplace. Though an employer's payroll cost may go up, employers will gain productivity and reduced turnover, training, and recruitment costs.

The last time we increased the minimum wage was back in 1996. How can we not come together and resolve our difference? With 72% of minimum wage workers making $15,000 a year in annual income, we must seek responsible legislation to increase the minimum wage.

I cannot support a bill that couples an inadequate minimum wage increase with large tax cuts for those who have benefited most in this economic boom. Let us not forget those who need assistance. American workers need wage increases now, and we cannot stand idly by while our citizens fall deeper into economic despair. However, I will not support irresponsible tax cuts at the expense of those who truly need a wage increase.

Mr. COX. Mr. Speaker, the New York Times has editoralized against any minimum wage at all. Their editorial was headlined: The Right Minimum Wage: $0.00

Let me quote from that editorial:

Raise the legal minimum price of labor above the productivity of the least skilled workers and fewer will be hired.

If a higher minimum means fewer jobs, why does it remain on the agenda of some liberals? A higher minimum would undoubtedly raise the living standard of the majority of low-wage workers who could keep their jobs. That gain, it is argued, would justify the sacrifice of the minority who became unemployable. The argument isn't convincing. Those at greatest risk from a higher minimum would be young, poor workers, who already face formidable barriers to getting and keeping jobs.

Perhaps the mistake here is to accept the limited terms of the debate. The working poor obviously deserve a better shake. But it should not surpass our ingenuity or generosity to help some of them without hurting others.

* * * The idea of using a minimum wage to overcome poverty is old, honorable—and fundamentally flawed. It's time to put this hoary debate behind us, and find a better way to improve the lives of people who work very hard for very little.

Tonight's debate is just as hoary as when that editorial was written—in 1987.

Indeed, this debate is so hoary that I need only to reproduce here the remarks I made in 1996 and 1989 when Congress debated this same subject.

Washington, May 23, 1996

THE MINIMUM WAGE

Mr. COX of California. Mr. Speaker, I would like to share with my colleagues some words that come from a 67-year-old woman who works at the minimum wage in Santa Ana, CA: Dear Congressman—she wrote me recently—I strongly advise you not to raise the minimum wage. In my working career, I have had a lot of under, slightly over and straight minimum wage jobs. As a single parent, I managed to raise my son without any handout from the government. Although raising the minimum wage may sound like a great humanitarian idea, it really isn't.

In the past every time minimum wages were raised, the entire national work force, plus welfare recipients, also demanded and received raises. The cost of goods and services rose to meet the higher cost of labor, and you forced me to work a lot of overtime to maintain the same buying power I had before my 'generous' raise.

I am now 67 years old and consider myself extremely lucky to have an employer willing to hire elderly people like myself. My employer is a small businessman. Recently because of the economy he was forced to raise his prices and cut his overhead just to stay in business. I took a Small Business Administration class in college, and I know that he has to match my Social Security payments, pay higher State disability and workers compensation. He and others like him will have no alternative but to close their doors and I will be unemployed.

When I lose my job, because my employer can no longer afford to stay in business, what is the government going to do about me, someone who is willing to work? How is the government going to help support me? Who is going to pay for this?

Very truly yours, Joanna B. Menser, Santa Ana, CA.

That is a personal story, but how about the big picture? How about macroeconomics, and how about the views of such institutional stalwarts of the liberal point of view as the New York Times? Some time ago the New York Times ran an editorial on the minimum wage. The headline was, the right minimum wage, zero. By that the New York Times did not mean that people should actually work for nothing. Rather, what they meant is that wages, the cost and the price of labor should be determined in a free market and in fact no one should be held to a so-called minimum wage but, rather, everyone should have the opportunity to make an increasing wage in return for higher skills and higher productivity.

Let me read from that editorial in the New York Times which was titled, 'The Right Minimum Wage: $0.00.' 'Anyone working in America,' the New York Times says, 'surely deserves a better standard than can be managed on the minimum wage.'

I think we can all agree with that.

But there is a virtual consensus among economists that the minimum wage is an idea whose time has passed. Raising the minimum wage by a substantial amount would price poor working people out of the job market, people like Joanna Menser, whose remarks we just heard.

'An increase in the minimum wage,' the New York Times wrote in their editorial, 'would increase unemployment.' Let me repeat this line from the New York Times editorial: 'An increase in the minimum wage would increase unemployment. Raise the legal minimum price of labor above the productivity of the least skilled worker, and fewer will be hired.'

If a higher minimum wage means fewer jobs, why does it remain on the agenda of some liberals,' the New York Times asked.

'Those at greatest risk from a higher minimum wage would be young poor workers who already face formidable barriers to getting and keeping jobs.'

They conclude their editorial in the New York Times as follows: 'The idea of using a minimum wage to overcome poverty is old, honorable, and fundamentally flawed.' This is the New York Times now. This is not Congressman Chris Cox from California.

'The idea of using a minimum wage to overcome poverty is old, honorable, and fundamentally flawed. It's time to put this hoary debate behind us and find a better way to improve the lives of people who work very hard for very little.'

Finally, the New York Times of Friday, April 19, just last Friday, is worth noticing here on the floor in this debate among our colleagues. Three factoids from the New York Times, Friday April 19, 1996, I commend to all of my colleagues:

Number of times in 1993 and 1994, when Democrats controlled Congress, that President Clinton mentioned in public his advocacy of a minimum wage increase: zero. Number of times he has done so in 1995 and 1996, when Republicans have controlled Congress, 47. Number of congressional hearings Democrats held on the minimum wage in 1993 and 1994: zero.

WASHINGTON, MARCH 22, 1989

DEBATING GOVERNMENT-MANDATED WAGE CONTROLS

Mr. COX. Mr. Chairman, I rise in opposition to H.R. 2 and in support of the Goodling-Penny-Stenholm bipartisan substitute which is endorsed by President Bush.

No less a liberal bastion than the New York Times has supported President Bush's arguments that the substantial increase in the minimum wage being urged here today is a bad idea. In an editorial today, the New York Times said, ''An increased minimum wage is no answer to poverty.''

On January 14, 1987, the New York Times—in an editorial titled, ''The Right Minimum Wage: Zero,'' set out in great detail the arguments in favor of expanded opportunity for the working poor—and against the minimum wage. I'd like to share a portion of the Times editorial with you now, because it is right on target in this current debate.

The Federal minimum wage has been frozen at $3.35 an hour for . . . years. . . . It's no wonder, then, that Edward Kennedy, the . . . chairman of the Senate Labor Committee, is being pressed by organized labor to battle for an increase. No wonder, but still a mistake. . . . [T]here's a virtual consensus among

economists that the minimum wage is an idea whose time has passed.

Raising the minimum [wage] by a substantial amount would price working poor people out of the job market. . . . It would increase employers' incentives to evade the law, expanding the underground economy. More important, it would increase unemployment. . . . If a higher minimum [wage] means fewer jobs, why does it remain on the agenda of some liberals? . . . Perhaps the mistake here is to accept the limited terms of the debate. The working poor obviously deserve a better shake. But it should not surpass our ingenuity or generosity to help some of them without hurting others. . . . The idea of using a minimum wage to overcome poverty is old, honorable—and fundamentally flawed. It's time to put this hoary debate behind us, and find a better way to improve the lives of people who work very hard for very little.

That is what the New York Times has said. Frankly, Mr. Chairman, I could not have put it better myself.

Finally, Mr. Speaker, I direct the attention of our colleagues to this policy statement on wage and price controls issued by the House Policy Committee on May 21, 1996.

House Republicans are committed to higher take-home pay and better job opportunities for low-income Americans. We strongly support policies to give low-income Americans increased wages and improved chances to find work. But we are against government-mandated wage and price controls that destroy jobs and hurt the economy.

President Nixon concluded, after leaving the Presidency, that the wage and price controls initiated during his Administration were a serious mistake. During much of the 1970s, the President and Congress imposed harsh wage and price controls on most sectors of the economy. These policies were disastrous for the long-term economy and failed to meet even short-term goals, instead contributing to the ''stagflation''—economic stagnation coupled with runaway inflation—for which the Carter era is known. By destroying economic opportunity, these policies dimmed the American Dream for millions.

All this changed in 1981, when, as one of his first actions as President, Ronald Reagan ended the remaining Carter price controls. His action became the first element of a coordinated economic program of deregulation, the end of price and wage controls, elimination of trade barriers, an inflation-fighting monetary policy, and tax cuts to encourage economic growth and increase the take-home pay of all Americans. Ronald Reagan's economic policy ushered in the longest peacetime economic expansion in American history.

Echoing Ronald Reagan, Candidate Bill Clinton promised in 1992 to balance the budget, cut taxes for the middle class, and ''grow'' the economy. But once in office, he signed into law the largest tax increase in American history, stifling economic growth. In 1995, the economy grew at a sickly 1.5%. Clinton's vetoes of spending cuts insure continued deficits well into the 21st century. Then, having succeeded in implementing this tax-and-spend agenda—without a single Republican vote in the House or Senate—he sought to nationalize our health care system by placing a bureaucrat in nearly every health care decision, levying taxes on ''excessive'' health care benefits, and imposing price controls to ration health care for every American.

Republicans strongly opposed to Clinton's effort to impose price controls on one-seventh of our national economy. That principled opposition to government controls on the health care system contributed measurably to the 1994 election of the first Republican Congress in 40 years.

Government should not—indeed, cannot—rationally determine the prices of labor, goods, or services for health care, energy, or any other industry in a free market economy. In the 1970s, when the federal government imposed price controls on gasoline, the result was shortages and long lines. By attempting artificially to fix the price of gasoline, government ensured we got less of it. Wage controls have precisely the same effect. ''Raise the legal minimum price of labor above the productivity of the least skilled workers,'' the New York Times editorialized when the Democrats controlled Congress, ''and fewer will be hired.'' Their editorial was headlined, ''The Right Minimum wage: $0.00.'' The politically liberal editorial policy of the New York Times caused them to ask: ''If a higher minimum means fewer jobs, why does it remain on the agenda of some liberals?'' Their answer: the liberal arguments aren't convincing—particularly since ''those at greatest risk from a higher minimum would be young, poor workers, who already face formidable barriers to getting and keeping jobs.''

Because in so many cases the minimum wage jobs that will be lost are the all-important first jobs—the jobs that give young Americans the experience, the discipline, and the references they need to move to better, higher-paying jobs in the future—an imprudent increase in the minimum wage would contribute to cycles of poverty and dependence.

Such government focus on starting wages is especially misguided since low paying, entry-level jobs usually yield rapid pay increases. According to data compiled by the Labor Department, 40% of those who start work at the minimum wage will receive a raise within only four months. Almost two-thirds will receive a raise within a year. After 12 months' work at the minimum wage, the average pay these workers earn jumps to more than $5.50 an hour—a 31 percent increase.

In a very real sense, the minimum wage is really a starting wage—the pay an unskilled, inexperienced worker can expect on first entering the work force. Once these workers have a foot on the employment ladder, their hard work and abilities are quickly rewarded. But these rewards can only be earned if workers can find that all-important first job. Consider who earns the minimum wage. According to the Labor Department, half are under 25 years of age, often high school or college students. Sixty-three percent work part time. Sixty-two percent are second income earners. And fully 80 percent live in households with incomes above the poverty level. Even Labor Secretary Robert Reich, in a 1993 memorandum to now-Treasury Secretary Robert Rubin, admitted that ''most minimum wage earners are not poor.'' But while undue increases in the minimum wage do little to help the poor, curtailing unskilled employment opportunities will exacerbate poverty.

Bill Clinton himself has argued against raising the minimum wage. In 1993, he called it ''the wrong way to raise the incomes of low-income workers.'' He was right: according to Labor Department statistics, half a million jobs were lost in the two years following the last increase in the minimum wage. In the year after the minimum wage was increased, 15.6 percent fewer young men (aged 15–19), and 13 percent fewer women, had jobs. Over three-fourths of the 22,000 members of the American Economics Association believe a minimum wage increase would lead to a loss in jobs. Many estimates of the cost of raising the minimum wage exceed one half of a million jobs lost. One such study, by Michigan State University Professor David Neumark and Federal Reserve Economist William Wascher, estimates a loss between 500,000 and 680,000 jobs.

''The primary consequence of the minimum wage law is not an increase in the incomes of the least skilled workers,'' liberal economists William Bumble and Clinton Federal Reserve appointee Alan Blinder recently wrote, ''but a restriction of their employment opportunities.'' An increase would also be an unfunded mandate on every State locality in America. According to the Congressional Budget office, the minimum wage increase will cost state and local governments (that is taxpayers) $1.4 billion over five years.

President Clinton did not raise the issue of minimum wage publicly during 1993 or 1994, when the Democrats controlled the Congress. Congressional Democrats, likewise, failed to hold even a single hearing on the minimum wage during that same period. The Democrat devotion to this issue in 1996 is entirely political—and, as the New York Times editorialized, inexplicable for liberals who care about the working poor.

The snare and delusion of wage and price controls must not distract us from the fundamental economic and fiscal policy reforms necessary to expand our economy and create good job opportunities for all Americans. A balanced budget, tax relief for workers and small business, and regulatory relief from unnecessary government red tape offer the surest means of steering our economy toward lasting growth. Comprehensive welfare reform that promotes work and breaks the cycle of dependency can go far toward restoring the natural incentives for individual responsibility and personal growth. And redoubled efforts to focus our educational resources in the classroom—where educators, parents, and students exercise control over learning rather than taking dictation from federal and state governments—can pave the way for a better trained and more employable workforce for the future.

These solid Republican policies will lead us to a better, stronger America. Wage and price controls, in contrast, are premised on the notion that government fiat can raise wages without cost—a notion that fails both in theory and in fact. It is individual initiative rather than government beneficiaries that creates wealth, jobs, and a higher standard of living for all Americans.

Mr. PAUL. Mr. Speaker, I appreciate the opportunity to explain why I oppose the H.R. 3846, a bill to raise the federally-mandated minimum wage. Raising living standards for all Americans is an admirable goal, however, to believe that Congress can raise the standard of living for working Americans by simply forcing employers to pay their employees a higher wage is equivalent to claiming that Congress can repeal gravity by passing a law saying humans shall have the ability to fly.

Economic principles dictate that when government imposes a minimum wage rate above the market wage rate, it creates a surplus ''wedge'' between the supply of labor and the demand for labor, leading to an increase in unemployment. Employers cannot simply begin paying more to workers whose marginal productivity does not meet or exceed the law-imposed wage. The only course of action available to the employer is to mechanize operations or employ a higher-skilled worker whose output meets or exceeds the ''minimum wage.'' This, of course, has the advantage of giving the skilled worker an additional (and government-enforced) advantage over the unskilled worker. For example, where formerly

an employer had the option of hiring three unskilled workers at $5 per hour or one skilled worker at $16 per hour, a minimum wage of $6 suddenly leaves the employer only the choice of the skilled worker at an additional cost of $1 per hour. I would ask my colleagues, if the minimum wage is the means to prosperity, why stop at $6.65—why not $50, $75, or $100 per hour?

Those who are denied employment opportunities as a result of the minimum wage are often young people at the lower end of the income scale who are seeking entry-level employment. Their inability to find an entry-level job will limit their employment prospects for years to come. Thus, raising the minimum wage actually lowers the employment and standard of living of the very people proponents of the minimum wage claim will benefit from government intervention in the economy!

Furthermore, interfering in the voluntary transactions of employers and employees in the name of making things better for low wage earners violates citizens' rights of association and freedom of contract as if to say to citizens ''you are incapable of making employment decisions for yourself in the marketplace.''

Mr. Speaker, I do not wish my opposition to this bill to be misconstrued as counseling inaction. Quite the contrary, Congress must enact ambitious program of tax cuts and regulatory reform to remove government-created obstacles to job growth. For example, I would have supported the reforms of the Fair Labor Standards Act contained in this bill had those provisions been brought before the House as separate pieces of legislation. Congress should also move to stop the Occupational Safety and Health Administration (OSHA) from implementing its misguided and unscientific ''ergonomics'' regulation. Congress should also pass my H.J. Res. 55, the Mailbox Privacy Protection Act, which repeals Post Office regulations on the uses of Commercial Mail Receiving Agencies (CMRAs). Many entrepreneurs have found CMRAs a useful tool to help them grow their businesses. Unless Congress repeals the Post Office's CMRA regulations, these businesses will be forced to divert millions of dollars away from creating new jobs into complying with postal regulations!

Because one of the most important factors in getting a good job is a good education, Congress should also strengthen the education system by returning control over the education dollar to the American people. A good place to start is with the Family Education Freedom Act (H.R. 935), which provides parents with a $3,000 per child tax credit for K–12 education expenses. I have also introduced the Education Improvement Tax Cut (H.R. 936), which provides a tax credit of up to $3,000 for donations to private school scholarships or for cash or in-kind contributions to public schools.

I am also cosponsoring the Make College Affordable Act (H.R. 2750), which makes college tuition tax deductible for middle-and-working class Americans, as well as several pieces of legislation to provide increased tax deductions and credits for education savings accounts for both higher education and K–12. In addition, I am cosponsoring several pieces of legislation, such as H.R. 1824 and H.R. 838, to provide tax credits for employers who provide training for their employees.

My education agenda will once again make America's education system the envy of the world by putting the American people back in control of education and letting them use more of their own resources for education at all levels. Combining education tax cuts, for K–12, higher education and job training, with regulatory reform and small business tax cuts such as those Congress passed earlier today is the best way to help all Americans, including those currently on the lowest rung of the economic ladder, prosper.

However, Mr. Speaker, Congress should not fool itself into believing that the package of small business tax cuts will totally compensate for the damage inflicted on small businesses and their employees by the minimum wage increase. This assumes that Congress is omnipotent and thus can strike a perfect balance between tax cuts and regulations so that no firm, or worker, in the country is adversely effected by federal policies. If the 20th Century taught us anything it was that any and all attempts to centrally plan an economy, especially one as large and diverse as America's, are doomed to fail.

In conclusion, I would remind my colleagues that while it may make them feel good to raise the federal minimum wage, the real life consequences of this bill will be vested upon those who can least afford to be deprived of work opportunities. Therefore, rather than pretend that Congress can repeal the economic principles, I urge my colleagues to reject this legislation and instead embrace a program of tax cuts and regulatory reform to strengthen the greatest producer of jobs and prosperity in human history: the free market.

Mr. WATTS of Oklahoma. Mr. Speaker, I would like take the time to express to you my significant concern over the current debate which is occurring in Washington regarding increasing the minimum wage. The impact of a $1.00 per hour increase in the minimum wage on rural hospitals would be devastating. The impact on direct payroll alone could amount to hundreds of thousands of dollars. What is impossible to estimate is the impact that it will have on other hospital costs, for example, food costs, medical supplies, pharmaceuticals, and utilities. Where is it anticipated these funds will come from?

At many rural hospitals, over 80% of the patients they treat are beneficiaries of either the Medicare or Medicaid program. Certainly, unless reimbursement levels are increased under these programs, there is no source for providing the funds that a minimum wage increase would require. The remaining 20% of patients that rural hospitals serve are largely charity patients, for whom there is no reimbursement, or private sector patients whose reimbursement is fixed under managed care agreements.

The minimum wage issue is a glaring example of the concerns which are frequently expressed about unfunded mandates—Congress cannot continue to impose higher levels of cost on rural hospitals without increasing reimbursements under the Medicare and Medicaid programs by a like amount. Continuing to proceed with unfunded mandates will simply bring about the demise of rural health care, unless some method of relief is instituted.

Our rural hospitals have suffered enough. Before casting your vote on the minimum wage bill, I urge my colleagues to contact your rural hospitals to hear first hand the devastating impact an increase in the minimum wage would have upon them.

Mr. SMITH of Texas. Mr. Speaker, raising the minimum wage is touted as a way to help many blue-collar workers. And there are millions of others who earn more than the proposed minimum wage increase but who still struggle to make ends meet.

Reform of our immigration policies would help all these workers.

Each year, almost a million legal immigrants enter the United States. Of these, about 300,000 lack a high school education. This policy destroys the opportunities of American workers with a similar education level.

Our immigration policy should create opportunities for those in the workforce. But it does the opposite.

The National Academy of Sciences concluded in a study that competition from immigration was responsible for ''about 44 percent of the total decline in relative wage[s] of high school drop outs.''

The Center for Immigration Studies calculated that ''immigration may reduce the wages of the average native in a low-skilled occupation by . . . $1,915 a year.'' It concluded that: ''Reducing the flow of less-skilled immigrants who enter each year would . . . have the desirable effect of reducing job competition between more established immigrants and new arrivals for low-wage jobs.''

The RAND Corporation reported that in California, ''the widening gap between the number of jobs available for non-college-educated workers and the increasing number of new non-college-educated immigrants signals growing competition for jobs and, hence, a further decline in relative earnings at the low end of the labor market.''

The U.S. Commission on Immigration Reform, chaired by former Congresswoman Barbara Jordan, found that ''immigration of unskilled immigrants comes at a cost to unskilled U.S. workers . . .''

The Brookings Institution published a paper concluding that ''immigration has had a marked adverse impact on the economic status of the least skilled U.S. workers . . .''

Think of a single mother barely surviving in a minimum wage job who sees her annual wages depressed by $,2000 because she must compete with more and more unskilled immigrants. She might even be a recent immigrant seeking a better life for herself and her children. Or think of the recent welfare recipient struggling to keep his first job.

Think what they could do for themselves and their children with that lost money—buy a used car, put a down payment on a modest home, fix the furnace before winter comes. Or think what will happen if they actually lose their jobs because of the never-ending competition from new arrivals.

The $1,915 reduction in wages that competition with immigrants costs low-skilled workers equals a $1 increase in the minimum wage.

To be certain, it is not the immigrants themselves who are to blame and who understandably want to come to America. But who knows how many people have been hurt by the unintended consequences of our outdated immigration policy?

No one should complain about the plight of the working poor or the persistence of minority unemployment or the levels of income inequality without acknowledging the unintended consequences of our present immigration policy and the need to reform it.

Mr. VENTO. Mr. Speaker, I support a raise in the minimum wage. The fact of the matter is that this is an issue on which we can no longer drag our feet. Each month that passes without a minimum wage increase means another paycheck that falls short of keeping hard working people out of poverty.

However, there are some provisions in the Republican bill which concern me greatly. Therefore, I support both of the Democratic amendments being offered to this legislation which would rectify language I find troublesome. The first amendment would strike the provision of the bill that permits states to opt-out of any increase in the federal minimum wage above the current level of $5.15 per hour. The opt-out language included in the bill is simply an underhanded method of undermining an increase in the minimum wage. Hard working people can't ''opt-out'' of living in poverty; states should not be able to effectively ignore this initiative by opting out of paying a decent wage.

The second amendment would mandate that the $1 increase would take effect over two years rather than three. Let's be frank, raising the minimum wage by $1 is helpful, but still only restores the purchasing power of this wage to what it was in 1982. Making workers wait for three years rather than two to actually reap the benefits of this raise is almost adding insult to injury, working people need—and deserve—to see a prompt implementation of this legislation.

Unlike many other legislative initiatives, raising the platform for workers' wages would actually benefit those who need it most. Fifty-seven percent of the gains from the last minimum wage increase assisted families at the bottom 40 percent of the income scale.

Many of the arguments that we have heard repeatedly from those who are against raising the minimum wage simply do not hold water. Opponents of this legislation maintain that teenage workers are the only people to benefit from a raise in the minimum wage. However, 70 percent of minimum wage workers are over the age of 20, and 40 percent are the sole breadwinners in their families. Therefore, this myth should be put to rest so that we can finally focus on helping working families.

Beyond the purely financial hardships faced by minimum wage earners, we can not forget the cultural and family ramifications as well. The work schedules maintained by parents in many households erode time and attention they could be spending on their children. Despite working longer hours and sending more family members into the workforce, minimum wage workers are increasingly less able to hold onto what were once considered the essential elements of a middle class life. I'm not talking about extravagant living, but rather comfortable economic survival—a roof over your head, some food on the table, and the ability to spend quality time with family.

Simply stated, the disturbing trend of the wealthiest Americans grabbing the lion's share of income gains must be put to an end. Raising minimum wage is a much needed, positive step toward closing the income gap. It is time that the workers who are largely responsible for the day to day operations to finally get fair compensation for their hard work.

Mr. STARK. Mr. Speaker, I rise today in opposition of H.R. 3846, the GOP's feeble attempt to raise the minimum wage and H.R. 3081, the Wage and Employment Growth Act. I cannot support this half-hearted gesture that gives our lowest-paid workers a mere $1 per hour increase over three years when the Democratic alternative would have offered these workers $1 per hour increase over a two-year period and would have eliminated the top-heavy Republican tax cuts. Unfortunately, the leadership did not allow for debate and a vote on the Democratic alternative. The Wage Growth and Opportunity Act is a misleading title. This bill actually gives tax breaks to the wealthiest Americans but is disguised as offsetting the effects of a minimum wage increase on small businesses. I will not support this misleading and reckless bill.

Studies have shown that increasing the minimum wage does not have a discernable impact on small businesses as some would have you believe. But given that the sponsors of the tax proposal want the American taxpayers to believe that a minimum wage increase can hurt small businesses, then we must scrutinize the bill on the floor of the House today.

H.R. 3081 does little for small businesses but does much for the wealthiest one percent of Americans. While the GOP intends to prolong a minimum wage increase, and thus lower the benefit from an increase, it also wants to provide $123 billion in tax breaks to the wealthy. It does this through estate tax relief for the wealthy and pension changes that benefit those who contribute $10,000 per year to their 401(k) plans.

Nearly 65 percent of H.R. 3081 is dedicated to reducing the estate tax for all estates. Only a small fraction of estate taxes are paid on small businesses included in estates. This bill has little bearing on small businesses and has nothing to do with the minimum wage. The estate tax provisions in this bill are targeted to wealthy individuals who don't even own small family businesses. I'd hardly consider Microsoft a small business, yet Bill Gates will reap a $6 billion tax break from H.R. 3081.

We still don't have a Medicare prescription drug benefit for seniors, yet our legislative leadership is asking Congress to squander billions of dollars on those who don't need it. We also don't have a plan in place to shore-up Social Security for future retirees. I suggest to my colleagues that we take a close look at our legislative priorities prior to enacting such irresponsible tax cuts.

The tax cuts proposed today grow over time and are permanent. The minimum wage bill is not permanent and does not grow with the rate of inflation. The Republican tax bill over ten years is nearly eleven times greater than their proposed minimum wage increase. Clearly, the tax bill before us today is a gift to the wealthy at the expense of our minimum wage workers and seniors.

I urge my colleagues to defeat the GOP minimum wage and tax bill and give minimum wage workers $1 per hour increase over two year, not three.

Mr. EVANS. Mr. Speaker, I rise today to urge my colleagues to stand up for America's working families.

Today we will vote on a measure that will affect millions of people across America. Unfortunately, the Republicans want to use this opportunity to instantly give another tax break to the wealthy and make working families wait three years for a complete increase in the minimum wage.

The Republicans will do anything they can to avoid raising the minimum wage. Last year, even while they raised their own pay, they refused to allow a vote on a measure to raise it. This year, the Republicans say they will raise the minimum wage one dollar over three years, but only if they can hand out $122 billion in tax breaks skewed to the most affluent in our society.

Instead of letting Democrats introduce a tax substitute which provides more relief to family farms and small businesses, the Republicans are standing behind a bill which would give the top one percent of all taxpayers almost three-quarters of the tax reduction. As a cosponsor of the Small Business Tax Relief Act, I am proud to say that, under our bill, family farms and small businesses worth up to $4 million would pay no estate tax at all.

I urge my colleagues to support the Democratic Small Business Tax Relief Act and to enact a minimum wage increase over two years. It is time to take care of America's working men and women.

Mr. SANDLIN. Mr. Speaker, I rise today in strong support of increasing the minimum wage. A real increase in the minimum wage is long-overdue. In a period of unprecedented economic expansion, every worker should reap the benefits of the booming economy. The real issue here is a much-deserved minimum wage hike, and Congress must ensure that every minimum wage worker receives the increase our economy can surely afford.

The Fair Labor Standards Act (FLSA) sets the current minimum wage at $5.15 per hour. This is unacceptably low. At $5.15 per hour, a minimum wage worker who is employed 40 hours per week for 52 weeks will earn a mere $10,712 a year. This is approximately $1,000 below the poverty level for a family of two. We cannot continue to sit idly by while working families struggle in a growing economy. Increasing the minimum wage to $6.15 per hour will help fulfill our moral obligation to working people—the obligation to pay a living wage.

Mr. Speaker, the global strength of the United States and the strength of our economy is due to the strength of our labor force. Full-time, working families should not be allowed to fall below the poverty level. It is time that we give the workers who help run this nation and fuel our economy just compensation for their work.

Beyond this, the need to pay a fair minimum wage to the average American worker is crucial to the overall success of our country's economy. Since the last minimum wage increase in 1996, the economy has created new jobs at a pace of over 250,000 per month; the inflation rate has been cut nearly in half; and the unemployment rate has fallen to 4.4 percent. By raising the minimum wage, we will give monetary merit to the workers who are responsible for this unprecedented growth and increase their purchasing power.

The impact from the last minimum wage increase is clear: 10 million workers got a raise, and there is no evidence that jobs were lost. Furthermore, economic studies find no negative effect of the minimum wage on employment. In fact, recent research has even suggested that higher wages can increase employment because they improve employers' ability to attract, retain, and motivate workers. Finally, recent increases in the minimum wage have helped reduce the welfare caseload by increasing the incentive to work.

While I do not believe that an increase in the minimum wage should have to be tied to

a tax cut, I do support the provisions of this particular small business tax package. Specifically, this bill contains important estate tax relief for small business and family farms. I have fought for repeal of this egregious tax since I came to Congress, and I am happy today to finally see some meaningful relief.

In addition to estate tax relief, this bill would increase contribution and benefit limits for retirement plans, enabling more Americans to save for their future. It also increases business meal deductions to 60% and accelerates the 100% deduction for health insurance for the self-employed and increases the deduction for the purchase of business equipment. Perhaps one of the most important provisions of the tax portion with regard to small businesses is the repeal of a current law prohibiting businesses that use accrual accounting methods from selling assets in installments and spreading out their tax liability. Unfortunately, this provision was part of a larger tax relief bill passed last year and has proven to be detrimental to small businesses. As a cosponsor of H.R. 3594, the Installment Tax Correction Act, legislation which would repeal this penalty, I am happy to lend my support to this important provision. Finally, the tax portion of today's bill would also authorize the creation of fifteen new ''renewal communities'' that would be eligible for various tax breaks and would increase the low-income housing tax credit.

Mr. Speaker, the critical issue at stake today is a much-needed increase in the minimum wage. The minimum wage plays an important role in ensuring that all workers share in the growing economy, and there are numerous reasons for an increase. I call on my colleagues today to support this much-needed legislation and help ensure that no working American will have to live in poverty.

Mr. COYNE. Mr. Speaker, I rise today in support of a minimum wage increase over two years and in opposition to an unjustifiable tax break.

Mr. Speaker, the minimum wage has significantly improved the quality of life for American Working families. And yet, the majority of Republicans in Congress have consistently opposed or worked to eviscerate the minimum wage.

Today we see Congressional Republicans bowing to significant pressure to raise the minimum wage—but offering a minimum wage bill that as their leadership recently acknowledged, raises the minimum wage as little as possible over the longest possible period of time. It would also provide numerous exemptions for certain categories of workers and allow states to opt out of the minimum wage increase. I find such an attack on America's working families to be indefensible.

That is bad enough, but the Republican House Leadership will also attempt to either kill or take advantage of a minimum wage bill by linking it to a tax package, provides that $122 billion in tax breaks to some of the wealthiest families in the country. Three quarters of the tax breaks in this bill would go to the one percent of the American people with incomes of more than $300,000. If that is not class warfare, I don't know what is.

The bill's supporters argue that the tax breaks are necessary to offset the cost to small businesses of increasing the minimum wage. Since the Republican proposal provides eleven dollars in tax cuts for every one dollar in increased wages, that argument rings false.

Moreover, the Republican tax package is back-loaded, which means that the bill's impact on the federal budget will not be fully felt for many years to come. It puts another massive dent in the projected budget surplus before Congress has adopted a plan to save Social Security, a plan to preserve Medicare, a play to provide a Medicare prescription drug benefit, a plan for paying down the national debt, or even a budget plan for the coming fiscal year. While the substance of the tax bill is unacceptable, the timing of this tax cut is inexplicable.

I urge my colleague to reject this unwise approach. Let's pass a clean minimum wage increase—or barring that, let's pass a tax break package that helps the struggling ''Mom and Pop'' businesses on Main Street, not the folks already living on Easy Street. I urge my colleagues to vote against the bill and in favor of a motion to recommit with instructions.

Mr. DINGELL. Mr. Speaker, I rise today to express my strong support for giving the American people a raise. I share the belief of millions of Americans who strongly believe anyone who works hard should be rewarded by receiving wages that not only allow them to subsist and survive, but to feed, clothe, house and support their families. Working Americans should not have to live in poverty or turn to federal assistance to subsist. The simple idea that hard work should be rewarded is a fundamental American value. I would note a recent ABC news poll shows 83 percent of Americans support a higher minimum wage.

Mr. Speaker, the minimum wage must keep pace with the changing value of the dollar. The value of today's minimum wage is 21 percent less than it was in 1979. At a minimum, it is time to raise the minimum wage by $1.00 over two years. In my opinion, it should be raised higher still. Raising the minimum wage to $6.15 over two years simply restores the value of the minimum wage to 1982's level.

Currently, a full-time minimum wage worker earns $10,700 per year $3,200 below the poverty level. Forty percent of minimum wage workers are sole breadwinners for their families. The Traficant-Martinez amendment would directly benefit nearly 10 million workers nationwide, 400,000 in Michigan alone.

The Republican leadership has worked hard to prevent a real minimum wage increase, tying the minimum wage to a fiscally irresponsible tax cut the President has promised to veto. In place of a helpful wage package, they also have offered a watered down minimum wage increase that provides little immediate assistance to workers and, for some ludicrous reason, allows states to opt out. These deceptive attempts to dupe the American public only shortchange those Americans at the bottom of the pay scale and help corporate businesses and special interest groups. Mr. Speaker, let's not play politics with hard working Americans' salaries. Let's give workers a real raise.

Mr. GOODLING. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). All time for general debate has expired.

It is now in order to consider amendment No. 2 printed in House Report 106–516.

AMENDMENT NO. 2 OFFERED BY MR. TRAFICANT

Mr. TRAFICANT. Mr. Speaker, I offer an amendment.

The SPEAKER pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 2 offered by Mr. TRAFICANT:

Amend section 1 to read as follows:

SECTION 1. MINIMUM WAGE.

Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

''(1) except as otherwise provided in this section, not less than—

''(A) $5.15 an hour beginning September 1, 1997,

''(B) $5.65 an hour during the year beginning April 1, 2000, and

''(C) $6.15 an hour beginning April 1, 2001;''.

The SPEAKER pro tempore. Pursuant to House Resolution 434, the gentleman from Ohio (Mr. TRAFICANT) and a Member opposed each will control 15 minutes.

Does the gentleman from North Carolina (Mr. BALLENGER) seek time in opposition?

Mr. BALLENGER. Yes, Mr. Speaker, I am opposed to the amendment.

The SPEAKER pro tempore. The gentleman will have the time in opposition.

The Chair recognizes the gentleman from Ohio (Mr. TRAFICANT).

Mr. TRAFICANT. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. MARTINEZ), the coauthor of this amendment, and as he walks down the aisle, I want to thank him for coming to my district some 15 years ago and helping to save many family homes in my valley. I consider the gentleman to be one of the great Democrats in the House, and I am proud to have him as a coauthor.

Mr. MARTINEZ. Mr. Speaker, I thank the gentleman from Ohio (Mr. TRAFICANT) for his kind remarks.

Mr. Speaker, I rise today to join my colleague in Ohio in offering an amendment that will raise the minimum wage by $1 over 2 years.

The last time Congress raised the minimum wage was back in 1996. This amendment raises the minimum wage in two steps, the first is to $5.65 an hour beginning April 1, 2000 and the second is to $6.15 an hour beginning April 1, 2001.

Let me put it in simple terms, Mr. Speaker. A $1 increase in the minimum wage is enough for a family of four to buy groceries for 7 months or pay rent for 5 months. Now, one of my colleagues said we are trying to promote prosperity and happiness. I can tell my colleagues that we are not trying to promote prosperity; but for sure, coming from a poor family, I can say that when there is a little more on the table, or the landlord is not knocking at the door for the rent, yes, it brings a lot of happiness.

Now, I would have preferred that we were debating a clean minimum-wage bill, one free of special-interest exemptions, but reality dictates otherwise. American men and women cannot and should not have to wait any longer for

Congress to provide them with a living wage. This increase is long overdue. It is unacceptable to delay the American worker this pay raise even one additional year. A 3-year increase, as proposed by the bill, would cost a full-time, year-round worker more than $900 over 2 years. Now, $900 may not sound like a lot of money to Members of Congress, but to millions of Americans who make a minimum wage, it can sometimes make the difference in raising them above the poverty level.

America has achieved the longest period of economic growth in our entire history, Mr. Speaker. It is time, with the lowest unemployment rates in 30 years, with the lowest poverty rates in 20 years, that we provide a decent wage to working men and women, the very people who made this economic growth possible. Why must these people, these men and women, wait for even 1 more year?

There are nearly 12 million American workers who depend on us today to do the right thing. Will we do the right thing and provide them with a step up to a better future for their families and their children? Will we provide these families a chance to pursue the American Dream? Mr. Speaker, it is embarrassing for the richest Nation in the world, the most powerful Nation in the world, the most advanced Nation in the world to have a minimum wage that falls below the level needed to keep a family out of poverty.

I urge every Member, and I especially urge Members on the other side of the aisle, to show that compassion that I know they can show and take a stand for working families in this country.

Mr. BALLENGER. Mr. Speaker, I yield myself such time as I may consume, and I rise in opposition to the amendment of my good friends, and I would like to apologize to them ahead of time.

We have heard so much discussion today from the proponents of the increase about a higher minimum wage lifting the working poor out of poverty. But the proposed increase will have little impact on low-income families because few workers actually support families under the minimum wage. The minimum wage is typically paid to individuals who are just entering the workforce, the overwhelming majority of whom are young, single, and childless.

According to the statistics, or the data that we get from the U.S. Census Bureau, 37 percent of those who benefited from the last-minimum wage increase were young people living with their parents.

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Some 85 percent either live with their parents, or are single and childless, or living alone, or have a working spouse. Only one in ten minimum wage earners is trying to support a family. In reality, the minimum wage is a poorly targeted issue for anti-poverty as a tool.

The proponents of a higher minimum wage increase seem to suggest that entry-level employees work for years without a wage increase. But according to recent research, the vast majority of those who start at the minimum wage do not remain there long. Nearly two-thirds of minimum wage workers move above the minimum wage within one year of working. The majority of minimum wage workers use entry level positions to gain experience and acquire the skills necessary to move ahead in better paying jobs.

Those employees who do not quickly advance beyond the minimum wage tend to be the least skilled, the least educated, and the least experienced workers. Typically, those are the most vulnerable in terms of losing their jobs or having their hours of work reduced. Research has shown that the minimum wage increases shift many jobs from low-skilled adults to teenagers and students.

Mr. Speaker, I urge my colleagues to oppose this amendment. Increasing the minimum wage is an ineffective way of helping those in need. It is not well targeted at poor families. And while it benefits some individuals, it will clearly harm others by lessening employment opportunities.

For the 25 percent of low-wage workers whose families are poor, hiking the minimum wage too quickly may do more harm than good. Minimum wage increases cause price increases that disproportionately affect the poor.

We also heard testimony regarding the disemployment effects of the higher minimum wage. Witnesses concluded that the net effect of the minimum wage is to increase the proportion of families that are poor.

In addition, Chairman Greenspan has testified before Congress that the wage inflation that we may have could derail the booming economy. The hallmark of the economic good times we enjoy today has been low inflation. Raising the minimum wage will contribute to raise inflation at the same time as the Federal Reserve is raising interest rates to contain the deleterious effects of wage inflation.

Mr. Speaker, I reserve the balance of my time.

Mr. TRAFICANT. Mr. Speaker, might I inquire how much time is remaining on each side?

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The gentleman from Ohio (Mr. TRAFICANT) has 11½ minutes remaining. The gentleman from North Carolina (Mr. BALLENGER) has 12 minutes remaining.

Mr. TRAFICANT. Mr. Speaker, I yield 1 minute to the dynamic gentlewoman from California (Ms. WATERS).

Ms. WATERS. Mr. Speaker, now I know why we are here trying to convince some of the Members on the other side of the aisle that we should allow a $1 raise over a 2-year period of time. They really do not understand.

The gentleman from North Carolina (Mr. BALLENGER) just told us that there are no real people out there who are working for a minimum wage that are taking care of families. He said they are teenagers and they are people just starting in the workplace.

Well, I do not know what he knows about home health care workers, people who do some of the toughest work who make minimum wages. I do not know if he knows that many of the people who serve food in our restaurants, waiters and waitresses, make minimum wage. I do not know if he knows what is happening in the nursing homes, where they are taking care of the sick and the elderly, that many of them are on minimum wage. I do not know if he knows that the airport safety workers who check us when we go through the metal detectors are making minimum wage. He does not know that they are elevator operators.

Well, now I know why we must tell this story over and over and over again. They are ignorant of the facts.

Mr. BALLENGER. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I do not know how many people here have ever worked at the minimum wage. I did when it was 65 cents an hour.

I would like to mention, in fact, that in every one of the cases that the gentlewoman from California (Ms. WATERS) mentioned, all of these are going to result in cost increases.

Take day-care. I checked this out at home. The day-care workers that we have started on the CEDA program and they are now up to $7.50 an hour, $8 an hour. If we raise the minimum wage, do not tell me that they are still able to charge the same price for day-care.

So anybody that uses day-care, anybody that uses those services for the elderly, they are going to all suffer from the increased costs.

The SPEAKER pro tempore. The gentleman from North Carolina (Mr. BALLENGER) has 11½ minutes remaining. The gentleman from Ohio (Mr. TRAFICANT) has 10½ minutes remaining.

Mr. TRAFICANT. Mr. Speaker, I yield 1 minute to the dynamic gentlewoman from California (Ms. LEE).

Ms. LEE. Mr. Speaker, I rise in strong support of the 2-year increase in the minimum wage.

Working men and women deserve an immediate increase in the minimum wage from a meager $5.15 to $6.15 an hour. During these times of unprecedented economic prosperity, we should do nothing less.

What we really should be talking about, though, is a livable wage, a living wage, which in Northern California, for example, is $14 an hour.

I also oppose the Republicans' proposal for the tax cut because $123 billion will go to the wealthiest of Americans. This is wrong. Why should the rich get a tax break while America's lowest wage workers continue to struggle each and every day to make ends

meet? We should be supporting our lowest wage individuals.

The Republican plan ignores these hard-working men and women. When in the world are we going to begin to close these huge income disparities in our country? Income inequality should not exist in a country such as America.

Let us be fair to working men and women. Let us raise the minimum wage as soon as possible. At least we should raise it within 2 years.

Mr. TRAFICANT. Mr. Speaker, since I have more speakers, will the gentleman from North Carolina (Mr. BALLENGER) yield some of his time to me as a courtesy?

Mr. BALLENGER. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio (Mr. TRAFICANT).

Mr. TRAFICANT. Mr. Speaker, I want to thank my distinguished friend from North Carolina for that gesture. He has always been fair. Even though we disagree on this, we agree more often than not; and I thank him.

Mr. Speaker, I yield 3 minutes to the distinguished gentleman from New York (Mr. BOEHLERT).

Mr. BOEHLERT. Mr. Speaker, I rise in strong support of this amendment to raise the minimum wage by $1 over 2 years.

In this era of unprecedented prosperity, we should be both willing and able to ensure that workers are not left behind.

Now, I have no doubt that we are able to provide this increase. We live in a wealthy Nation that is in its economic prime, 110 consecutive months of growth in our economy. We live in a Nation in which enterprises are starting all the time, in which top executives are compensated with almost unimaginable sums of money. Sixty-three new millionaires a day are being created in the Silicon Valley alone. Study after study has shown that the minimum wage does not cost jobs.

So there is no question that we are able to provide this increase. The only question is whether we are willing to do so. And the answer ought to be a resounding ''yes.''

For more than 60 years, the minimum wage has protected the Nation's workers and, in doing so, has helped the Nation's economy and society as a whole. But the minimum wage has not kept up with inflation and, in relative terms, is more minimal than ever.

We should not be abandoning hard-working people, people who often work long hours in dangerous jobs, at a time when most Americans are doing so well.

The people at the top of the economic ladder are enjoying this record prosperity. What about those at the bottom end? Can we not lift them up? I think the answer should be clearly ''yes.''

So I urge my colleagues to support this amendment. It is moderate, it is affordable, and it is the right thing to do.

Mr. BALLENGER. Mr. Speaker, I yield such time as he may consume to the gentleman from Colorado (Mr. TANCREDO).

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

Mr. Speaker, what we are contemplating here in changing the minimum wage is in one sense I think unacceptable. I have already expressed my concerns about doing this audacious thing to believe for just a moment, even a second, that we in this body know what is the right amount of money to pay anybody for anything for any job that they do, but now we are contemplating doing even more damage by reducing the number of years in which this would occur.

Increasing the minimum wage from $5.15 to $5.65 or $6.15 an hour over 2 years, as has been proposed, would be unparalleled. It would amount to a 44.7 percent increase in the minimum wage, or $1.90 per hour since 1996, when the minimum wage was $4.25.

Congress has never raised the minimum wage by more than $1.05 per hour over a 5-year period, and that $1.05 an hour hike occurred between 1978 and 1982, when inflation was increasing by an average of 9.8 percent per year, far more than the 2.5 percent average rate over the last 5 years.

Now, these are facts. These are economic facts. But I do not expect them to carry today. Because, of course, this entire debate is not over economic facts. It is over emotion and what feels good to many of our colleagues here, their ability to say again that we, this royal ''we'' have somehow increased the minimum wage, when, of course, we are not doing anything but forcing somebody else to pay an increase in the minimum wage, not us, not the Congress, are forcing employers to do that.

And so, it is in a way senseless, I suppose, to try and argue statistics and facts. The fact is, as has been pointed out more than once, that most of the people who will actually benefit from such an increase are not those people most in need, not the ''working poor.'' They will not be the beneficiaries of this move.

But it does not matter. It would not matter I think frankly if not a single person in America who was accurately classified as the ''working poor'' were the beneficiary of this particular piece of legislation. If not a single one of them benefitted, we would still do this. And the reason, of course, is because it sounds good, it plays well. We know that.

We know exactly what happens when you take polls on this issue and you say to the general public, How do you feel about raising the minimum wage? Do you not think it is only right that somebody should be making x number of dollars an hour? And the response is always, oh, of course, sure, absolutely. Because, of course, there is no real understanding of the economic impact of something like this.

Does anybody really think that this does not have them in the slightest inflationary tendency or impact? I mean the big ''I'' word, the thing that scares everybody to death that sends the stock market into tailspins every time Mr. Greenspan even mentions it, ''inflation.'' ''Inflation.'' But we are doing something here, of course, that is, in fact, inflationary. It does not matter. It will not matter because those kinds of arguments will not hold the day.

I know that. I know where this bill is heading. I know where the votes are. But I have to plead with my colleagues to think carefully about the steps they take. Because now we are not just talking about making a huge mistake in, quote, increasing the starting wage, as if we knew that a dollar an hour over any period of time, a year, 2 years, 3 years, 5 years, as if we knew that that was right. That is what is amazing about this. We argue it as if we have some understanding of what this meant, of some internal mechanism in our own minds that says, yes, of course we know that there is some economic reason for us to do this, that the economy will prosper, that everybody will be better off as a result of this. But this is absolutely false, my colleagues, totally false.

As mentioned before, even when we asked the most prestigious members of the academy, economists from all over the country who came to testify, in favor of increasing the minimum wage, by the way, they were not hostile witnesses in the committee, but when we asked them, on what basis did you arrive at the conclusion that a dollar was right, they said, there is no basis.

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There is absolutely nothing. It is just a good, round number. There is no economic reason for this. There is not even a moral justification for it. Because, as I say, we will not be improving the lives of the people that we have heard so much about on the floor of the House today. In fact, we may be doing damage to them. But we do not know that because, of course, we are trying to be the unseen hand in the market. We have made this assumption about the fact that we know exactly how to adjust the marketplace between an employer and employee.

I do not doubt for a moment that there are people out there working for perhaps less than they are worth, and I certainly do not doubt for a moment that there are people out there working for more than they are worth. We have heard all about these people, heads of companies making these outrageous sums of money as if this has any relevance whatsoever to this particular piece of legislation. It of course does not.

But just as we can concede that we do not know what is right for the highest wage earners to make, it is appropriate for us to concede that we do not know what is right for the lowest wage earners to make. We simply do not know that. Let us confess it. Let us tell the people the truth. We do not know if

a dollar is right over a year, over 2 years, over 3, over 4, we have no idea. It sounds good, so, therefore, we are going to propose it.

Mr. TRAFICANT. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. MARTINEZ), my coauthor, to respond to the previous speaker.

Mr. MARTINEZ. Mr. Speaker, I do not challenge the gentleman from Colorado's figures. They are probably accurate. But his logic is a little skewed. Every year the cost of living goes on and almost every other wage earner is guaranteed at least that cost of living increase, whether he works for an organized shop or not. But the fact is, that if the cost of living keeps going on, and you do not raise the minimum wage, that minimum wage is going to buy less than what it bought last year and the year before and the year before and so that eventually they are going to be living in poverty, worse than they are now.

The fact is, that we need to understand the premise of a minimum wage is to make sure people do not starve to death. That is what it is. All we are doing is trying to provide them with somewhat of a livable wage. If what you are saying is allow the marketplace to determine, that does not even determine, because an employer himself determines.

Every employer, and I was in business, there are other costs that go up, cost of materials to produce your product, cost of operations in your facility if it is a service facility that make the price of your service go up; and you have to increase that to keep up with that. It is no different with the wage.

Mr. TRAFICANT. Mr. Speaker, I yield 1½ minutes to the gentlewoman from Ohio (Mrs. JONES), a dynamic young Member from the Cleveland area, doing a great job replacing Lou Stokes, one of our greatest.

Mrs. JONES of Ohio. I thank the gentleman from Ohio (Mr. TRAFICANT) for that warm introduction.

Mr. Speaker, I rise in support of this amendment. At a time when our economy is at its best, why not give those at the bottom of the economic ladder an opportunity to eat a piece of the bountiful pie? Currently, a full-time minimum-wage worker makes $10,920, out of which they must pay all of their expenses. One dollar over 2 years is not all we would like to have, but it is better than having it over 3 years.

I guess very few Republicans make minimum wage. Otherwise, they would be screaming on the floor like we are protesting like the Democrats. We are telling these families, buy your children food. No, wait, wait 3 years, you can buy food in 3 years. No, wait, buy your children shoes in 3 years. No, wait, get the medicine you need over 3 years. Do not even try and drive a car because gasoline has increased over the last 6 months more than we are offering an increase in the minimum wage. Bread costs the same for minimum wage workers. How do they buy it? Eggs cost the same for minimum wage workers. How do they buy it? Meat costs the same for minimum wage workers. How will they buy it?

The economic fact is that people are underpaid at minimum wage. The economic fact is they need more to buy clothing, to buy shoes; and let us not even think about health care, which they do not get on minimum wage. I urge my colleagues to vote in support of this amendment.

Mr. TRAFICANT. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. SHERWOOD).

Mr. SHERWOOD. I thank the gentleman from Ohio for yielding me the time.

Mr. Speaker, I rise today in support of the amendment to increase the Federal minimum wage by $1 over 2 years. Our Nation's economic expansion came a little late to the 10th Congressional District of Pennsylvania. Unfortunately, we have too many working Americans in my district for whom the struggle to afford housing and other basic necessities is a formidable challenge. That is why I made a commitment to support a minimum-wage increase.

Since last fall, I have been working with my colleagues on both sides of the aisle to bring about an increase in the minimum wage. The Bureau of Labor Statistics found that 4 million workers in America earn $5.15 an hour. I have too many of those workers in my district, and their families are working three jobs to support the family.

Just yesterday, the U.S. Department of Labor issued a report on our Nation's workers' productivity. In the fourth quarter of 1999, both the business sector and the nonfarm sector saw productivity rises which were the largest since the fourth quarter of 1992. Manufacturing productivity rose at a 10.3 percent annual rate. Our economy has enjoyed 20 consecutive years of labor productivity. I believe now is the time for a Federal minimum-wage increase. It has been more than 2 years since we did this.

I am aware that businesses, and I was a businessman for 30 years, particularly those in the restaurant and the retail industries, will face higher labor costs. For that reason, I supported the Small Business Tax Fairness Act of 2000. That includes several key provisions to provide the needed tax relief to keep these small businesses going, which have been the engines of our economic growth.

Mr. Speaker, it is time to let a little of our unprecedented prosperity down to the people that work the hardest for their wages.

Mr. TRAFICANT. Mr. Speaker, I yield 1½ minutes to the gentleman from Mississippi (Mr. TAYLOR), a good friend and a powerful fighter for the military second to none.

Mr. TAYLOR of Mississippi. Mr. Speaker, there is a line from a very popular song, ''Harvest for the World.'' It keeps asking the question rhetorically, why do those who pay the price come home with the least?

When it came time to balance the budget this year, it was done at the expense of the men and women in uniform. They delayed their pay by 2 days. Again, for a Congressman, no big deal. For a young E–4, a young E–5 trying to take care of his wife and his kid, that is probably a weekend when baby formula does not get bought, or the Pampers do not get bought, and they try to make do as best they can.

I listen to Members of this body say we have to give the senior citizens a COLA, and everybody votes for it. We have to give the retirees a COLA. Everybody votes for it. So if we are willing to reward people for what they have done, why are we not willing to reward people for what they are doing in some of the crummiest jobs in America? What this whole amendment is about is 17 cents an hour, the difference between the Republican proposal and the Democratic proposal. We are willing to give them that 17 cents a year sooner. If we want people to value work, then work must have value.

I encourage my colleagues to vote for the Traficant amendment.

Mr. TRAFICANT. Mr. Speaker, I yield 1 minute to the dynamic gentlewoman from Connecticut (Ms. DELAURO).

Ms. DELAURO. Mr. Speaker, let us raise the minimum wage. Let us do it from $5.15 to $6.15 an hour. Let us do it in 2 years, 50 cents this year and 50 cents next year. My God, imagine. Let us try to string it out, which my colleagues on the other side of the aisle would do, 33 cents a year. I wonder if that is what they would do with their raises, to let it just drift out at 33 cents a year. It is unconscionable. We have a unique opportunity to do something for hard-working Americans in this country. This alternative provides that opportunity.

Seventy percent of minimum-wage workers are adults. Sixty percent are women. Nearly half are full-time workers. There are more than 60,000 people in my own State of Connecticut who rely on a minimum-wage job. You cannot raise a family on $5.15 an hour even when you work full time. The minimum wage is the best measure of our willingness to defend the ideal that if you work hard, if you play by the rules, then you should be able to support your family and create a better life for your family. This is about our values, who we are as Americans. Let us pass a minimum wage; let us do it in 2 years and give these folks a break.

Mr. TRAFICANT. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. GREEN).

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

Mr. GREEN of Texas. Mr. Speaker, I proudly stand in support of a minimum-wage increase. The original bill, H.R. 3846, falls short of meeting the

needs of the American family and that is why the Traficant-Martinez amendment is needed. A full-time, year-round minimum-wage worker with a family of three earns about $2,000 less than what is needed to live above the Federal poverty line. Our economy is the strongest it has been in years and these American workers deserve to share in our prosperity.

That is why I support the Democratic substitute by my California and Ohio colleagues which increases the minimum wage instead of from 3 years to 2 years over the period of time. More than 11.8 million workers will benefit from this increase. In my home State of Texas, 13.3 percent of the workforce stands to benefit from such an increase, and that is over 1 million workers. That is why an increase will give not only my constituents but also hard-working Americans the chance to earn a livable wage.

We had a great Senator from Texas named Ralph Yarborough. When he debated the minimum wage, he said, it is time we put the jam on the lower shelf for the little people.

Mr. TRAFICANT. Mr. Speaker, I yield 30 seconds to the fiery gentleman from Vermont (Mr. SANDERS), who tells it like it is.

Mr. SANDERS. Mr. Speaker, I thank the gentleman for yielding me this time. Let me be very honest and say that I think a $1-an-hour increase over a 2-year period is not enough. In my view, we should raise the minimum wage today to at least $6.50 an hour. The idea, however, of doing it over a 3-year period is an absolute insult to millions and millions of low-income workers who are struggling to keep their heads above water. Let us defeat the Republican proposal. Let us pass the Traficant amendment.

Mr. TRAFICANT. Mr. Speaker, I yield myself the balance of my time.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The gentleman from Ohio is recognized for 4 minutes.

Mr. TRAFICANT. Mr. Speaker, I want to commend the Speaker, the Republican leadership and the Republican Party for giving us an opportunity to bring this amendment. I want to thank the distinguished gentleman from North Carolina for being so fair, which he always is. Ironically as we bash around here, in the last 4 years there have been two minimum wage increases and the Republicans were in the majority.

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Quite frankly, I do not like the spin that it is mean spirited by the Republicans to oppose the minimum wage. I believe they make a valid argument that inflation could hurt every one of our workers.

Now having made that statement, I think it is time to tell it like it is. We have people out there that are struggling to make a go of it. We have gasoline prices now approaching $2.00. We have families that build the economy, not kill it.

The last minimum wage increase spurred an economic boom for the following simple reason: Poor people do not have enough money to save. Poor people spend their money, put their money on the streets and they grow the economy. This is a growth bill, not a wage increase bill.

Now, I voted earlier today to reduce taxes for a tax break. The gentleman from California (Mr. MARTINEZ) and I were the only two Democrats. Yes, I want to give the boss a break. He deserves it so he can give a raise to my people who desperately need it. Without an investor, there is no company. Without a company, there is no worker. Mr. Speaker, without an entrepreneur, there is no job.

There is reasonableness here, but what I am trying to do today is to ensure that if this vehicle is vetoed and we revisit it, we will be revisiting $1.00 over two years. Let me say this: That 17 cents is not going to kill anybody.

Now I come from a very poor family, and that is not making a political statement here. Many of my colleagues have. My father finally got into that middle class maybe when I was about 10, 11 years old. We had a lot of love, but my dad never worked for a poor man.

We cannot continue to pit rich against poor, old against young, black against white. This partisanship must end.

I want to commend the Republican Party for reaching out and including in their bill a minimum wage increase that we thank them for, but we think it is a little too modest, quite frankly, and we are asking the Republican Party Members to join with us and pass this amendment.

There is one last statement here. When someone waters the tree, the big tree, do they water the leaves or do they water the roots?

We cut back on welfare. We must incentivize work and incentivize work by making work more attractive, making work one that people will aspire to; moving from dependence to independence, self-actualized lifestyles. This is more than a minimum wage increase.

I want to commend the Republican Party here. I want to commend their Speaker. I want to commend each and every one of them for allowing the gentleman from California (Mr. MARTINEZ) and I to bring this amendment and I am asking for the votes from the Republican side of the aisle.

I would say to the gentlemen from Pennsylvania (Mr. GOODLING) and the gentleman from Illinois (Mr. HYDE), I want them to consider voting for this. I am asking them for their vote.

Mr. BENTSEN. Mr. Speaker, I rise in support of raising the national minimum wage by $1.00 over two years. The Traficant amendment to H.R. 3846 accomplishes this goal.

American workers need relief and three years is simply not soon enough. The Democratic measure increases the minimum wage to $6.15 by September 1, 2000. Some context is needed for considering this amendment. In 1998, approximately 4.4 million wage and salary workers, paid on an hourly basis, earned at or below $5.15 per hour. Today's minimum wage has 21% less purchasing power that it had in 1979. According to a recent study by the Economic Policy Institute, some 10.3 million American workers stand to benefit from a new increase in the minimum wage. Forty percent of minimum wage earners are the sole breadwinners in their families. The Democratic proposal is patently more responsive than H.R. 3846 to the needs of America's workers and should be passed by this body.

I support raising the minimum wage because I believe it will help ensure work pays more than welfare and assists lower-income families struggling to make ends meet. Mr. Chairman, lets really think about what this really means for American families. Minimum wage workers play a pivotal role in today's economy—caring for our parents and grandparents in their homes, and for our children in daycare. Under current law, a single mother of two, employed full-time, 40 hours per week for 52 weeks, earns $10,712, $3,200 below the poverty line. Work should be a bridge out of poverty but, unfortunately, there were nearly 3.4 million full-time workers in 1997 who still lived below the poverty line. We all know that we cannot truly reform our welfare system unless we ensure that work pays more than welfare and truly allows families to become self-sufficient. Raising the minimum wage is a critical part of this equation.

Opponents of this legislation argue that raising the minimum wage over two years will endanger the longest economic expansion in our nation's history. If history is an indicator, this is simply not a reasonable concern. Since the minimum wage increase in 1996, statistics indicate that employment has actually increased in every sector, even among those regarded as the most difficult to employ. Further, over the past two years the minimum wage has increased 90 cents, while the unemployment and inflation rates have decreased to record lows.

The Traficant amendment is responsive to this labor trend and provides American workers with much needed relief. Again, the Department measure is more responsive to the needs of America's workers than the Republican alternative and should be adopted.

Mr. CONYERS. Mr. Speaker, I rise today in support of the Traficant/Martinez amendment to H.R. 3846, the ''Minimum Wage Increase'' bill. This amendment would provide for a real minimum wage increase of $1 over two years, which is so necessary for American workers. By combining the minimum wage bill with H.R. 3081, a bill that gives $122 billion in tax breaks to the wealthiest taxpayers, instead of allowing a clean vote on real minimum wage reform, the Republican leadership has shown that they only want to pay lip service to this vital pay raise for America's low-wage workers.

Even though the minimum wage was raised to $5.15/hour in 1996, you certainly can't raise a family on that salary. At present, a single person, male or female, working full time, earning the minimum wage and supporting a family of three, takes in $10,700 a year, placing them well below the poverty line. In Detroit, an astounding 43% of the population lives below that poverty line.

Raising the minimum wage is extremely important because we have to continue to redress the damage inflicted during the 1980's, when American workers lost 25% of their purchasing power. From 1990 to 1995, this trend continued and they lost a further 12%. If we really wanted to match the purchasing power of the minimum wage in 1968, when it reached its peak, the minimum wage today would be $7.40/hour across the board.

I joined Representative DAVID BONIOR earlier this year in introducing a bill to raise the minimum wage to $6.15/hour. The increase would occur in fifty cent increments over two years. This would be an important first step towards addressing the fundamental economic injustice resulting from the stagnant wages during the Reagan-Bush era. The amendment before the House today would provide this real pay increase which has been delayed so long to working Americans for far too long.

An increase in the minimum wage would benefit 300,000 people in my state of Michigan alone. Most of those who earn the minimum wage are women, and 40% of them are the sole breadwinners of the family.

The 12 million people who earn the minimum wage across the country are the people who prepare our food, care for our elderly and our children. Remember an increase in the minimum wage will not only help close the increasing gap between the rich and the poor, but will benefit all Americans. Extra buying power will be injected into small businesses, family stores, and restaurants, stimulating the economy at the local level and the state level. Through increasing the earnings of so many families American children will learn the value of hard work—that it really pays to work hard.

Many of my colleagues from across the aisle have suggested that an increase in the minimum wage will cost jobs. However numerous studies have proven that increasing the minimum wage will not cost jobs and the buoyancy of the American economy ensures this fact. Since the last minimum wage hike in 1996, unemployment has fallen to its lowest (official) rate in 25 years, inflation has dropped from 2.5 to 1.7% and the American economy continues to grow, creating jobs at a historic high of 250,000 per month.

Americans appreciate the raise too: three polls taken during 1998 by the Washington Post and the Los Angeles Times all showed that 76% to 78% approve the wage increase.

I urge my colleagues to join with me in supporting the Trafficant/Martinez amendment for a real minimum wage increase. The American people deserve a living wage.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The question is on the amendment offered by the gentleman from Ohio (Mr. TRAFICANT).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. MARTINEZ. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 246, noes 179, not voting 9, as follows:

[Roll No. 43]

AYES—246

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Bilbray
Bishop
Blagojevich
Blumenauer
Boehlert
Bonior
Borski
Boswell
Boucher
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson
Castle
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Ehlers
Engel
English
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Ganske
Gejdenson
Gephardt
Gibbons
Gilchrest
Gilman
Gonzalez
Gordon
Green (TX)
Greenwood
Gutierrez
Hall (OH)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Horn
Houghton
Hoyer
Hyde
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Jones (OH)
Kanjorski
Kaptur
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kleczka
Klink
Kucinich
LaFalce
LaHood
Lampson
Lantos
Larson
Lazio
Leach
Lee
Levin
Lewis (GA)
Lipinski
LoBiondo
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Ney
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pomeroy
Price (NC)
Quinn
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Ros-Lehtinen
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Schakowsky
Scott
Serrano
Shays
Sherman
Sherwood
Shimkus
Shows
Sisisky
Skelton
Slaughter
Smith (NJ)
Snyder
Spratt
Stabenow
Stark
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thune
Thurman
Tierney
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Walsh
Waters
Watt (NC)
Waxman
Weiner
Weldon (PA)
Weller
Wexler
Weygand
Wilson
Wise
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NOES—179

Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Biggert
Bilirakis
Bliley
Blunt
Boehner
Bonilla
Bono
Boyd
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Cook
Cox
Crane
Cubin
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehrlich
Emerson
Everett
Ewing
Fletcher
Foley
Fossella
Fowler
Gallegly
Gekas
Gillmor
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Gutknecht
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hutchinson
Isakson
Istook
Jenkins
Johnson, Sam
Jones (NC)
Kasich
Kelly
Kingston
Knollenberg
Kolbe
Kuykendall
Largent
Latham
LaTourette
Lewis (CA)
Lewis (KY)
Linder
Lucas (KY)
Lucas (OK)
Manzullo
McCrery
McInnis
McIntosh
McKeon
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Myrick
Nethercutt
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Porter
Portman
Pryce (OH)
Radanovich
Ramstad
Regula
Reynolds
Riley
Rogan
Rogers
Rohrabacher
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Sensenbrenner
Sessions
Shadegg
Shaw
Shuster
Simpson
Skeen
Smith (MI)
Smith (TX)
Souder
Stearns
Stenholm
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Toomey
Vitter
Walden
Wamp
Watkins
Watts (OK)
Weldon (FL)
Whitfield
Wicker
Wolf

NOT VOTING—9

Cooksey
Granger
Johnson, E. B.
McCollum
Scarborough
Schaffer
Smith (WA)
Spence
Vento

2110

Mr. PACKARD, Mr. WHITFIELD, and Mrs. ROUKEMA changed their vote from ''aye'' to ''no.''

Ms. ROS-LEHTINEN and Mr. GREENWOOD changed their vote from ''no'' to ''aye.''

So the amendment was agreed to.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Pursuant to House Resolution 434, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. CLAY

Mr. CLAY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. CLAY. Yes, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CLAY moves to recommit the bill H.R. 3846 to the Committee on Education and the Workforce with instructions to report the same back to the House with the following amendments:

Strike sections 2, 3, and 4 of the bill.

At the end of the bill, insert the following section:

SEC. MINIMUM WAGE IN THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

(a) IN GENERAL.—Subject to subsection (b), the provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

(b) TRANSITION.—

(1) IN GENERAL.—Nothwithstanding subsection (a), the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be $3.55 an hour beginning on the date that is 30 days after the date of enactment of this section.

(2) INCREASES IN MINIMUM WAGE.—

(A) IN GENERAL.—On the date that is 6 months after the date of enactment of this Act, and every 6 months thereafter, the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be increased by $0.50 per hour (or such a lesser amount as may be necessary to equal the minimum wage under such section) until such time as the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under this subsection is equal to the minimum wage set forth in section 6(a)(1) of such Act for the date involved.

(B) FURTHER INCREASES.—With respect to dates beginning after the minimum wage applicable to the Commonwealth of the Northern Mariana Islands is equal to the minimum wage set forth in section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)), as provided in subparagraph (A), such applicable minimum wage shall be immediately increased so as to remain equal to the minimum wage set forth in section 6(a)(1) of such Act for the date involved.

Mr. CLAY (during the reading). Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the RECORD.

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

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Missouri (Mr. CLAY) is recognized for 5 minutes in support of the motion to recommit.

Mr. CLAY. Mr. Speaker, this motion is to recommit with instructions.

H.R. 3864 repeals overtime pay for millions of employees working in the computer sales and funeral services industry. These antiworking provisions, Mr. Speaker, have never been considered by the Committee on Education and the Workforce in this Congress or evaluated by expert witnesses to determine what impact they will have on the workforce. Eliminating overtime means workers will work longer hours for less pay. In effect, this bill steals time and money from workers.

My motion strikes the provisions of the bill that repeal overtime pay. It also closes the legal loophole that permits sweat shops to operate in the Northern Mariana Islands by phasing in the Federal minimum wage. I urge Members to support this motion to preserve overtime pay for workers.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Pennsylvania (Mr. GOODLING) in opposition to the motion to instruct.

Mr. GOODLING. Mr. Speaker, I yield to the gentleman from Alaska (Mr. YOUNG).

Mr. YOUNG of Alaska. Mr. Speaker, first, let me say that I have jurisdiction over the Marianas. We have reviewed this. We requested a GAO report and most of the accusations made, in fact all of the accusations made, by the Interior Department have been proven false. In fact, the Marianas improved the well-being of their people. I have been there. It has worked well, and we have made an independent nation out of the Marianas.

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To have this motion to recommit and enforce this I say undue burden upon the Marianas would be wrong to those people there. This Congress said they shall be independent. This would take their independence away from them. I rise in strong opposition to the motion to recommit.

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

Mr. Speaker, we have debated today a very difficult issue. There are those who are convinced that the wage hike is necessary. There are those who are convinced that the wage hike is unnecessary. But one thing that both sides of the aisle agree on, however, is that certain forward-looking reforms need to be made to the Fair Labor Standards Act, written in 1938, for the 21st century.

Taking out the three FLSA reforms is not only a purely political act ignoring the needs of the American workplace, it is also a purely political act that ignores the bipartisan foundation these three sensible reforms rest upon.

The bipartisan reform measure that updates the FLSA with respect to computer professionals is identical to H.R. 3038, a bill introduced by the gentleman from New Jersey (Mr. ANDREWS), the gentleman from South Carolina (Mr. GRAHAM), and the gentleman from New York (Mr. OWENS).

The bipartisan reform measure reflects the computer professionals' problem that they are faced with today. The current computer exemptions which remain require that they be paid $57,000 a year. That does not sound like a minimum wage problem to me. The reform measure recognizes the real world and our changing economy by simply updating the current computer professionals' exemption from the overtime provisions of the FLSA. The measure simply clarifies existing law.

The second reform measure, dealing with sales employees, is identical, is identical to the bipartisan Sales Incentives Compensation Act, H.R. 1302, introduced by the gentleman from Ohio (Mr. BOEHNER) and the gentleman from New Jersey (Mr. ANDREWS). This measure simply reflects the changes in the workplace that enable sales employees to be more productive with modern communications technology. In the 105th Congress it passed overwhelmingly, with bipartisan support.

The third reform measure is a bipartisan effort. It is identical to H.R. 793, introduced by the gentleman from South Carolina (Mr. GRAHAM) and the gentleman from New Jersey (Mr. ANDREWS). The form simply exempts licensed funeral directors and embalmers from minimum wage and overtime, which codifies what the courts have said over and over again, they are professionals.

The last-minute attempt to strip these minor but important measures from the bill is a last-minute attempt to score political votes and points. This 11th hour attempt marginalizes the good-faith efforts of the Members to deal with difficult issues in a serious way, and I ask Members to reject the motion to recommit and support the bipartisan efforts that are in this bill.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. CLAY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—ayes 181, noes 243, not voting 10, as follows:

[Roll No. 44]

AYES—181

Abercrombie	Davis (IL)	Inslee
Ackerman	DeFazio	Jackson (IL)
Allen	DeGette	Jackson-Lee (TX)
Andrews	Delahunt	Jefferson
Baca	DeLauro	Jones (OH)
Baird	Deutsch	Kanjorski
Baldacci	Dicks	Kaptur
Baldwin	Dingell	Kennedy
Barcia	Dixon	Kildee
Barrett (WI)	Dooley	Kilpatrick
Becerra	Doyle	Kleczka
Bentsen	Edwards	Klink
Berkley	Engel	Kucinich
Berman	Etheridge	LaFalce
Blagojevich	Evans	Lampson
Blumenauer	Fattah	Lantos
Bonior	Filner	Larson
Borski	Forbes	Lee
Boswell	Ford	Levin
Boucher	Frank (MA)	Lewis (GA)
Brady (PA)	Frost	Lipinski
Brown (FL)	Gejdenson	Lowey
Brown (OH)	Gephardt	Luther
Capps	Gonzalez	Maloney (CT)
Capuano	Gordon	Maloney (NY)
Cardin	Green (TX)	Markey
Carson	Gutierrez	Mascara
Clay	Hall (OH)	Matsui
Clayton	Hastings (FL)	McCarthy (MO)
Clement	Hilliard	McCarthy (NY)
Clyburn	Hinchey	McDermott
Conyers	Hinojosa	McGovern
Costello	Hoeffel	McIntyre
Coyne	Holden	McKinney
Crowley	Holt	McNulty
Cummings	Hooley	Meehan
Danner	Hoyer	

Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Moakley
Mollohan
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Phelps
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Skelton
Slaughter
Snyder
Spratt
Stabenow
Stark
Strickland
Stupak
Tanner
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Wise
Woolsey
Wu
Wynn

NOES—243

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berry
Biggert
Bilbray
Bilirakis
Bishop
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Boyd
Brady (TX)
Bryant
Burr
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth-Hage
Coble
Coburn
Collins
Combest
Condit
Cook
Cox
Cramer
Crane
Cubin
Cunningham
Davis (FL)
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Doggett
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Eshoo
Everett
Ewing
Farr
Fletcher
Foley
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Goss
Graham
Green (WI)
Greenwood
Gutknecht
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
Kind (WI)
King (NY)
Kingston
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lofgren
Lucas (KY)
Lucas (OK)
Manzullo
Martinez
McCrery
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Minge
Moore
Moran (KS)
Moran (VA)
Morella
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Stenholm
Stump
Sununu
Sweeney
Talent
Tancredo
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Toomey
Traficant
Udall (NM)
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—10

Burton
Cooksey
Granger
Johnson, E. B.
McCollum
Scarborough
Schaffer
Smith (WA)
Spence
Vento

2137

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. CLAY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 282, noes 143, not voting 9, as follows:

[Roll No. 45]

AYES—282

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Bilbray
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Blagojevich
Blumenauer
Boehlert
Bonior
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Boswell
Boucher
Brady (PA)
Brown (FL)
Brown (OH)
Buyer
Camp
Canady
Capps
Capuano
Cardin
Carson
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Davis (FL)
Davis (IL)
DeFazio
DeGette
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Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
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Duncan
Edwards
Ehlers
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English
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Everett
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goodling
Gordon
Green (TX)
Green (WI)
Greenwood
Gutierrez
Hall (OH)
Hastings (FL)
Hayes
Hill (IN)
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Holden
Holt
Hooley
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Houghton
Hoyer
Hunter
Hyde
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
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Klink
Kucinich
LaFalce
LaHood
Lampson
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Larson
LaTourette
Lazio
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Lee
Levin
Lewis (CA)
Lewis (GA)
Lipinski
LoBiondo
Lofgren
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Luther
Maloney (CT)
Maloney (NY)
Markey
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Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Ney
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
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Pelosi
Peterson (MN)
Petri
Phelps
Pomeroy
Price (NC)
Quinn
Rahall
Rangel
Regula
Reyes
Riley
Rivers
Rodriguez
Roemer
Rogers
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Rush
Ryan (WI)
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Schakowsky
Scott
Serrano
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Sisisky
Skelton
Slaughter
Smith (NJ)
Snyder
Spratt
Stabenow
Stark
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thune
Thurman
Tierney
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Walsh
Waters
Watt (NC)
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Weiner
Weldon (PA)
Weller
Wexler
Weygand
Wicker
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Wise
Wolf
Woolsey
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Wynn
Young (AK)
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NOES—143

Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Biggert
Bliley
Blunt
Boehner
Bonilla
Boyd
Brady (TX)
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Burr
Burton
Callahan
Calvert
Campbell
Cannon
Chabot
Chambliss
Chenoweth-Hage
Coble
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Cook
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Cubin
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Davis (VA)
Deal
DeLay
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Goode
Goodlatte
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Graham
Gutknecht
Hall (TX)
Hansen
Hastings (WA)
Hayworth
Hefley
Herger
Hill (MT)
Hoekstra
Hostettler
Hulshof
Hutchinson
Isakson
Istook
Jenkins
Johnson, Sam
Jones (NC)
Kasich
Kingston
Knollenberg
Kolbe
Kuykendall
Largent
Latham
Lewis (KY)
Linder
Lucas (KY)
Lucas (OK)
Manzullo
McCrery
McInnis
McIntosh
McKeon
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Nethercutt
Northup
Norwood
Ose
Oxley
Packard
Paul
Peterson (PA)
Pickering
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Pryce (OH)
Radanovich
Ramstad
Reynolds
Rogan
Rohrabacher
Royce
Ryun (KS)
Salmon
Sanford
Sensenbrenner
Sessions
Shadegg
Simpson
Skeen
Smith (MI)
Smith (TX)
Souder
Stearns
Stenholm
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Toomey
Vitter
Walden
Wamp
Watkins
Watts (OK)
Weldon (FL)
Whitfield

NOT VOTING—9

Cooksey
Granger
Johnson, E.B.
McCollum
Scarborough
Schaffer
Smith (WA)
Spence
Vento

2150

Mr. WATTS of Oklahoma changed his vote from ''aye'' to ''no.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Pursuant to section 3 of House Resolution 434, the text of H.R. 3846 will be appended to the engrossment of H.R. 3081; and H.R. 3846 will be laid on the table.

GENERAL LEAVE

Mr. GOODLING. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 3842.

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

There was no objection.

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 3842, MINIMUM WAGE INCREASE ACT

Mr. GOODLING. Mr. Speaker, I ask unanimous consent that in the engrossment of the bill, H.R. 3842, the Clerk be authorized to make technical corrections and conforming changes to the bill.

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

There was no objection.

PERSONAL EXPLANATION

Mr. STUPAK. Mr. Speaker, I was unavoidably detained at a bipartisan meeting on youth violence and missed rollcall vote on House Resolution 433 regarding the consideration of H.R. 1695. Had I been present I would have voted ''aye.''

ANNOUNCEMENT OF AMENDMENT PROCESS FOR H.R. 2372, PRIVATE PROPERTY RIGHTS IMPLEMENTATION ACT

(Mr. LINDER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LINDER. Mr. Speaker, this evening a ''Dear Colleague'' letter was sent to all Members informing them that the Committee on Rules is planning to meet the week of March 13 to grant a rule which may limit the amendment process on H.R. 2372, the Private Property Rights Implementation Act.

Any Member who wishes to offer an amendment should submit 55 copies and a brief explanation of the amendment by 4 p.m. on Tuesday, March 14, to the Committee on Rules in room H–312 of the Capitol. Amendments should be drafted to the text of the bill as reported by the Committee on the Judiciary.

Members should use the Office of Legislative Counsel to ensure that their amendments are properly drafted and should check with the Office of the Parliamentarian to be certain their amendments comply with the rules of the House.

CONFERENCE REPORT ON S. 376, OPEN-MARKET REORGANIZATION FOR THE BETTERMENT OF INTERNATIONAL TELECOMMUNICATIONS ACT

Mr. BLILEY. Mr. Speaker, I call up the conference report on the Senate bill (S. 376) to amend the Communications Satellite Act of 1962 to promote competition and privatization in satellite communications, and for other purposes.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Pursuant to the rule, the conference report is considered as having been read.

(For conference report and statement, see proceedings of the House of March 2, 2000, at page H636.)

The SPEAKER pro tempore. The gentleman from Virginia (Mr. BLILEY) and the gentleman from Michigan (Mr. DINGELL) each will control 30 minutes.

The Chair recognizes the gentleman from Virginia (Mr. BLILEY).

GENERAL LEAVE

Mr. BLILEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on the conference report on S. 376.

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

There was no objection.

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

Mr. Speaker, tonight the House will pass and send to the President the conference report on S. 376, very important legislation to privatize the intergovernmental satellite organizations.

The bill lowers prices for consumers and promotes the free enterprise market. It opens new opportunities for American companies seeking to do business overseas. It creates new and better jobs. It breaks up a cartel. It ends a monopoly.

I started working on this issue when I became chairman of the Committee on Commerce in 1995. The bill the gentleman from Massachusetts (Mr. MARKEY) and I introduced in the last Congress was reported out of the conference committee and passed 403 to 16. The bill we are considering today is based on and reflects the hard work we did back then.

This bill will lead to the pro-competitive privatization of the intergovernmental organizations, INTELSAT and Inmarsat.

INTELSAT, like the U.N., is a treaty-based organization, not a company. They cannot be sued, taxed, or regulated. Governments, not the market, determine its action.

INTELSAT is like the oil cartel OPEC. It is run by a combination of the world's governments and owned by a consortium of national telecommunications monopolies and dominant players: by government monopolies, for government monopolies, of government monopolies. Its supporters call it a ''cooperative.'' Where I come from, that is called a ''cartel.''

The INTELSAT system is like the post office. Its U.S. signatory COMSAT has a government-sponsored monopoly over access for its services in the U.S.

Our legislation puts an end to all this. Our legislation requires privatization and an end of the U.N.-like intergovernmental structure. It also ends the privileges and immunities.

Our legislation ends the cartel by freeing up the existing ownership structure.

Finally, our legislation ends the monopoly over access to INTELSAT from the U.S. held by COMSAT.

I should add that we do welcome a pro-competitive INTELSAT into the international marketplace.

I urge all Members to support this consensus conference report and submit a joint statement on behalf of myself and the ranking democrat of the Telecommunications, Trade and Consumer Protection Subcommittee, Mr. MARKEY.

JOINT STATEMENT OF PRIMARY ORIGINAL SPONSORS OF LEGISLATION COMMITTEE ON COMMERCE CHAIRMAN TOM BLILEY AND RANKING DEMOCRAT OF THE TELECOMMUNICATIONS, TRADE AND CONSUMER PROTECTION SUBCOMMITTEE EDWARD J. MARKEY

The Conference Report the House is considering today is based on the hard work we have done on this issue over the years. As the primary sponsors of this legislation in the House we believe it is important for us to clarify the meaning of several provisions in this legislation.

First, section 624(1) is, with one change discussed below, identical to section 624(4) in H.R. 3261 and an identical provision in the bill which passed the House in the last Congress. Circumstances have changed with respect to this particular section which require clarification of its meaning. Last August, ICO, also known as ICO Global Communications (Holdings) Ltd., declared bankruptcy and bankruptcy proceedings have been ongoing since then. All references in the Conference Report to ICO are viewed as references to the entity formally known as ICO Global Communications (Holdings) Ltd.

The policy reasons for section 624 were that Inmarsat should not be able to expand by repurchasing all or some of, or control, its spin-off, ICO. A primary purpose of the legislation is to dilute the ownership by signatories or former signatories of INTELSAT, Inmarsat and their spin-offs.

When the bankruptcy process is complete, the charter of ICO is likely to have fundamentally changed. First, the ownership structure is likely to be very different from that of Inmarsat. Most importantly, ICO is likely to be liquidated in bankruptcy and its assets and subsidiaries acquired by a new entity with an ownership structure will be very different from that of Inmarsat. This post-bankruptcy ''new-ICO'' will be controlled by new investors. Thus the policy reasons for the prohibition on ownership by ICO of Inmarsat no longer apply if it does indeed emerge from bankruptcy in such a reconstituted form. This would occur, for example, if

ICO emerges from bankruptcy in a structure that fully reorganizes the corporation so that there is no governmental ownership of the reconstituted company beyond the one percent ownership by Inmarsat permitted by section 624(1), where no officers or managers of the new company are simultaneously officers or managers of any signatory or hold positions in any intergovernmental organization, and where any transactions or other relationships between this reconstituted company and Inmarsat can be conducted on an arm's length basis.

Furthermore, the limitations of section 624 were never intended to apply to a company acquiring the assets of ICO or to investors in such a company. Thus the purchase of interests in Inmarsat of greater than one percent by ''new-ICO,'' or by investors in ''new-ICO,'' would not be prohibited by this legislation.

The one change in section 624 from H.R. 3261 was to allow the ownership of up to one percent of ICO by Inmarsat, which was likely to be the result of the bankruptcy proceedings.

Second, we have also inserted into the RECORD a letter dated February 12, 1997 from United States Trade Representative Ambassador Charlene Barshefsky which states USTR's finding that ''[w]e have also concluded that the United States cannot be forced to grant a license to a privatized ISO (should the ISO change its treaty status and incorporate in a country) or to a future privatized affiliate, subsidiary or other form of spin-off from the ISO. Existing U.S. communications and antitrust law, regulation, policy and practice will continue to apply to license applicants if a GBT deal goes into effect.''

It is clear that this legislation's provisions are consistent with the U.S. WTO obligations as applied to not only INTELSAT and Inmarsat, but also to their privatized successors and spin-offs.

Third, it is important to clarify section 648, which addresses exclusivity arrangements. This provision was contained in H.R. 3261 as section 649 and was described in Mr. BLILEY's extension of remarks on that bill. This provision applies to foreign market exclusivity whether it was obtained by actively seeking it or passively accepting it. This language is designed to prevent any satellite operator who serves the U.S. market from benefitting from exclusivity in any foreign market.

Mr. Speaker, I submit for the RECORD correspondence regarding the conference report.

FEBRUARY 28, 2000.

Hon. WILLIAM J. CLINTON,
President of the United States,
The White House, Washington, DC.

DEAR MR. PRESIDENT: We are writing to urge you to support international satellite telecommunications reform legislation. As you are aware, Chairmen Bliley and Burns and Representative Markey, principal sponsors of the House and the Senate bills now in conference, recently announced that a compromise has been reached on this satellite privatization legislation. The bills in conference, S. 376 and H.R. 3261, were quite different, although both had the stated purpose of promoting a competitive global market for international satellite communications. This is a very delicately balanced compromise that may well unravel if it is reopened.

The companies listed below represent every aspect of the U.S. commercial international satellite industry, as well as the largest U.S. users of international satellite services. We firmly believe that the compromise is fair and balanced. As with most compromises, none of the parties is entirely happy, but the compromise has gained significant support for being fair, reasonable, and timely. In fact, all of the U.S. companies involved in this legislative effort support it. It is critical that this long-overdue reform package, as represented by the recent compromise, be passed by Congress and signed by the President as soon as possible.

We urge you to support this compromise without modification and to expedite final enactment of this important telecommunications policy reform that is key to promoting U.S. competitiveness in the international marketplace.

Sincerely,

American Mobile Satellite Corporation; AT&T Corp.; Columbia Communications Corporation; Ellipso, Inc.; General Electric Company; Hughes Electronics Corporation; Iridium LLC, Level 3 Communications, Inc.; MCI WorldCom; PanAmSat Corporation; Sprint, and Teledesic Corporation.

TELECOMMUNICATIONS INDUSTRY ASSOCIATION,
Washington, DC, March 6, 2000.

Hon. WILLIAM JEFFERSON CLINTON,
The President of the United States,
The White House, Washington, DC.

DEAR MR. PRESIDENT: I am writing to you on behalf of the Telecommunications Industry Association (TIA) to urge you to sign the Conference Report to S. 376, the Open Market Reorganization for the Betterment of the International Telecommunications Act (ORBIT). TIA represents over 1000 suppliers of communications and information technology products on public policy, standards and marketing developing initiatives. Our member companies manufacture or supply virtually all of the products used in building and updating global communications networks.

We strongly support this important legislation. While the House and Senate bills were originally very different, under the leadership of Chairman Bliley, Senator Burns and Representative Markey, principal sponsors of the House and Senate bills, the conference managers were able to reconcile the differences between the House and Senate bills in order to achieve a truly bipartisan agreement. Not only is this bill widely supported in the House and Senate, but also it is strongly supported by every American industry group and all interested companies, from service providers to the entire satellite industry to all of the communications manufacturers and suppliers of TIA.

This consensus agreement is the key that will unlock the international satellite sector to competition. Enactment of this bill will create new jobs and new business opportunities for domestic satellite companies, who will at last be able to compete on a global scale. The manufacturers of TIA will only benefit from the enabling effect that this satellite reform legislation will have on the rapid deployment of new communications technologies.

TIA urges your swift approval of this bipartisan compromise, which has already passed the Senate by unanimous consent. After five long years of debate, the time for pro-competitive privatization is now. The sooner this agreement is enacted into law the sooner the American consumer will be able to reap the benefits of competition in the international telecommunications marketplace.

It is critical to American industry, consumers and workers that you sign this important legislation.

Sincerely,

MATTHEW J. FLANIGAN,
President, TIA.

NEW SKIES,
March 8, 2000.

Senator CONRAD BURNS,
Chairman, Senate Commerce, Science and Transportation Committee, Subcommittee on Communications, Washington, DC.

Representative THOMAS J. BLILEY, Jr.,
Chairman, House Commerce Committee, Washington, DC.

DEAR SENATOR BURNS AND REPRESENTATIVE BLILEY: On behalf of New Skies Satellites N.V. (''New Skies''), I am writing to endorse the version of S. 376, the ''Open-market Reorganization for the Betterment of International Telecommunications Act'' (the ''ORBIT Act''), that recently was approved by the committee of conference and that was passed by the Senate on March 2, 2000. Although New Skies had concerns with earlier drafts of the legislation, I am pleased that, as a result of constructive discussions with the conferees and their staffs, these concerns have been redressed in the current version of the ORBIT Act.

New Skies believes that the ORBIT Act now provides an appropriate framework within which to regularize New Skies' continued access to the U.S. market and to foster a vibrant and competitive market for international satellite services. Specifically, the ultimate passage of the ORBIT Act will ensure that New Skies will be able to provide high quality satellite services to, from and within the United States on a long term basis, thereby increasing competition and securing the pro-competitive objectives of the authors of the legislation. Plainly the true beneficiaries of this important legislation are U.S. satellite users and the American citizens they serve.

Sincerely,

ROBERT W. ROSS,
Chief Executive Officer.

CHAMBERS ASSOCIATES INCORPORATED,
Washington, DC, March 1, 2000.

Hon. WILLIAM J. CLINTON,
President of the United States,
Washington, DC.

DEAR MR. PRESIDENT: I am writing on behalf of Inmarsat Holdings Ltd. (Inmarsat) to say that Inmarsat now supports the international satellite privatization bill, the ''Open-Market Reorganization for the Betterment of International Telecommunications Act.''

As Inmarsat's Washington representative, I am authorized to say that in light of important changes made to the legislation earlier today, Inmarsat now endorses the bill in its modified form.

Sincerely,

W. ALLEN MOORE,
Vice President.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE,
Washington, DC, February 12, 1997.

Mr. KENNETH GROSS,
President and Chief Operating Officer,
Columbia Communications, Bethesda, MD.

DEAR MR. GROSS: I am writing in reply to a letter of January 31, 1997, from your legal counsel, regarding the negotiations on basic telecommunications services at the World Trade Organization. The U.S. goal in these negotiations is to strengthen the ability of the U.S. satellite services industry to compete globally, and on a level playing field, with the inter-governmental satellite services organizations and with satellite service providers of other countries.

The United States has taken a number of steps to make certain that our key trade partners provide market access for satellite-based delivery of basic telecom services. Based on a note issued by the chairman of

the negotiations in November, 1996, which has become part of the formal record of the proceedings, we have clarified the scheduling approach with regard to satellites. As a result, close to forty countries have made offers that would provide full market access for satellite-based delivery of all scheduled services on an immediate or phased-in basis.

WTO members that make specific commitments on satellites will be subject to allocating and assigning frequencies in accordance with the principles of most-favored-nation and national treatment, as well as in accordance with the requirement for domestic regulations in the General Agreement on Trade in Service. Almost all of the countries making full satellite commitments have also adopted the reference paper on pro-competitive regulatory commitments. As a result, they will be obligated to provide additional regulatory safeguards with respect to allocation and use of radio frequencies.

A successful agreement on basic telecom services would also obligate those countries which have not made satellite commitments to provide treatment no less favorable to satellite service providers of the United States than the treatment provided to service suppliers of other countries. This would apply, for example, to how WTO members reach decisions regarding new market access arrangements involving service suppliers of other countries.

I share your deep concern regarding the possible distortive impact on competition in the U.S. satellite services market of certain proposals for restructuring INTELSAT. The United States has proposed a restructuring of INTELSAT that would lead to the creation of an independent commercial affiliate, INTELSAT New Corporation (INC). If made independent, the United States believes that the creation of INC will enhance competition and help ensure the continuation of INTELSAT's mission of global connectivity for core services. As you are aware, however, many INTELSAT members are resisting the idea of independence for INC and we believe that a failure to achieve independence could adversely affect competition in the U.S. satellite services market. In the WTO negotiations we have taken pains to preserve our ability to protect competition in the U.S. market.

Our legal conclusion, for which there is a consensus among participants in the WTO negotiations, is that the ISOs do not derive any benefits from a GBT agreement because of their status as treaty-based organizations. The status of ISOs was discussed in detail in the GBT multilateral sessions. No delegation in the GBT negotiations has contested this conclusion.

We have also concluded that the United States cannot be forced to grant a license to a privatized ISO (should the ISO change its treaty status and incorporate in a country) or to a future privatized affiliate, subsidiary or other form of spin-off from the ISO. Existing U.S. communications and antitrust law, regulation, policy and practice will continue to apply to license applicants if a GBT deal goes into effect. Both Department of Justice and FCC precedent evidence long-standing concerns about competition in the U.S. market and actions to protect that competition. We have made it clear to all our negotiating partners in the WTO that the United States will not grant market access to a future privatized affiliate, subsidiary or other form of spin-off from the ISOs, that would likely lead to anti-competitive results.

It has always been U.S. practice to defend vigorously any challenge in the WTO to allegations that U.S. measures are inconsistent with our WTO obligations. There is no question that we would do the same for any FCC decision to deny or condition a license to access an ISO or a future privatized affiliate, subsidiary or other form of spin-off from the ISO. For your information, section 102(c) of the Uruguay Round Agreements Act, specifically denies a private right of action in U.S. courts on the basis of a WTO agreement. Therefore, a FCC decision is not subject to judicial review in U.S. courts based upon a WTO agreement, such as the General Agreement on Trade in Services.

The United States is confident that it would win if a U.S. decision went to WTO dispute settlement. If the United States did not prevail, however, we would not allow trade retaliation measures to deter us from protecting the integrity of U.S. competition policy.

I appreciate the support your firms' representatives have expressed for our objectives in the WTO negotiations.

Sincerely,

CHARLENE BARSHEFSKY,
U.S. Trade Representative-Designate.

Mr. BLILEY. Mr. Speaker, I reserve the balance of my time.

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

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

Mr. DINGELL. Mr. Speaker, I rise in support of the conference report.

This bill would mandate privatization of two international treaty organizations, INTELSAT and Inmarsat, according to a specific timetable and criteria. Privatization of these organizations has been a goal for us in the Congress for a number of years.

It is interesting to note that these treaty groups themselves have been working diligently towards privatization. They have demonstrated their commitment to this goal, because to do so is in their own interest. In fact, Inmarsat has already privatized and INTELSAT is well on its way to accomplishing this end.

Any opposition I had to the House-passed bill was based on my belief that the privatization criteria carried in the legislation were too dictatorial and had little chance of being accomplished in their original form. I am happy to report that some of the more onerous provisions in the House bill have been removed in conference. I believe the conference report is now worthy of support.

Specifically, I am pleased that the provisions were added in conference that protect national security and public safety agencies from losing the INTELSAT services they need to perform their missions. I am also satisfied that U.S. companies who rely on INTELSAT will be given a voice in the FCC licensing process before INTELSAT services may be curtailed. The bill was also improved by removing an unconstitutional provision that would have nullified existing legal contracts.

Finally, Mr. Speaker, I would like to mention another important change in this legislation that persuaded me to sign the conference report. It involves the treatment of spin-off companies, or so-called ''separated entities,'' from INTELSAT. The original House-passed bill inappropriately singled out a specific company that was already spun off from INTELSAT, has since been incorporated, and is known as New Skies Satellites.

The earlier version contained provisions that would have been punitive towards that company, apparently because the drafters believed the company might not be a true competitor for INTELSAT. This is, of course, not so. In recognition of that impending IPO, and New Skies' clear demonstration to the marketplace of its independence, the majority of the conferees of the House, including myself, insisted on changes to remove any doubt that New Skies meets the licensing criteria contained in the bill.

I would like to thank my good friends, the gentleman from Virginia (Mr. BLILEY), and Chairman BURNS, from the other body, for working with me to include these important changes and making it one we can all support. I am happy to have assisted in making the legislative history of this particular provision.

Mr. Speaker, I reserve the balance of my time.

Mr. BLILEY. Mr. Speaker, I yield such time as he may consume to the gentleman from Louisiana (Mr. TAUZIN), the chairman of the Subcommittee on Telecommunications, Trade, and Consumer Protection of the Committee on Commerce.

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

Mr. TAUZIN. Mr. Speaker, I simply want to join my colleagues, the chairman of our committee, the gentleman from Virginia (Mr. BLILEY), who has made a very important announcement this week about his own retirement, in the success of this work and so many works that he has carried through our Committee on Commerce over the years of his stewardship. All of us owe a debt of gratitude to him for his leadership on our committee, and on this bill in particular.

As the gentleman said, it has been a bill that he has worked on throughout his stewardship as chairman of our committee; and he has brought it to a compromise position now where Members on both sides of the aisle, antagonists for many years over this bill, have come to common agreement.

I want to thank him in particular for working out the concerns that I have had over the years with the provisions called ''fresh look,'' which I believe would have abrogated contracts.

2200

I will be very careful in watching the implementation of this legislation to ensure that the FCC does in fact respect the sanctity of contracts as this legislation is implemented.

But, most importantly, I want to thank the gentleman from Virginia (Chairman BLILEY) and the gentleman from Michigan (Mr. DINGELL), the ranking minority member, for the extraordinary way in which the final conference indeed answered the concerns

of many of us with regard to the implementation of this legislation and has arrived at a point where we can all agree that this does in fact accomplish the goals of privatization and of open market competition and, more importantly, add new elements, new companies and new competition and choices for Americans in satellite service.

This has been a long fight for the gentleman from Virginia (Chairman BLILEY). Tonight represents a very big victory for him in his efforts toward achieving open markets and satellite competition and for choice for consumers. I think we all owe him, as I said, a debt of gratitude and compliment him on his good work.

Mr. Speaker, I rise in strong support of this compromise agreement and conference report and urge all the Members of our body to adopt it and send it on to the President.

I would like to commend my colleagues on both sides of the aisle and on both sides of the Capitol for their work on the compromise satellite privatization legislation crafted by this conference. The effort to create a new policy framework that more accurately reflects the emerging global satellite marketplace than does current satellite communications law, has been a bi-partisan one. I am pleased that we have finally reached this point where we have before us prudent and reasonable compromise legislation that will privatize INTELSAT and Inmarsat in a competitive manner, and will also ensure that the United States continues to enjoy its position as a world leader in global satellite communications technology and service. Moreover, this compromise legislation will enable the completion of Lockheed Martin's proposed $2.7 billion dollar acquisition of COMSAT, which will further enhance market competition.

I am pleased that the legislation repeals unconditionally upon enactment the current ownership restrictions on COMSAT that have prevented Lockheed Martin from purchasing 100% COMSAT. COMSAT has carried out its job as the U.S. signatory to INTELSAT quite successfully. However, COMSAT's business performance acutely demonstrates that COMSAT must reinvent itself if it is to better react to the ever-evolving marketplace. Because of its inability to swiftly take advantage of new market opportunities, COMSAT, over the years, has experienced a steady decline in market share. This compromise legislation unshackles COMSAT from the antiquated regulatory burdens that have to date hampered its success. This legislation enables Lockheed Martin to complete its acquisition of COMSAT. By fortifying COMSAT, through an infusion of financial and human capital, Lockheed Martin will transform COMSAT into a vibrant commercial company, thereby introducing a new American company in the satellite services marketplace. Consumers will be the beneficiaries of this increasingly vibrant satellite marketplace as competition brings about lower prices, superior technology and greater choices.

As a fervent protector of property rights, I am pleased to note that this compromise satellite privatization legislation recognizes the property rights of the industry participants. Specifically, the legislation does not contain any "fresh look" provisions. To include "fresh look" would allow the Federal Government to permit COMSAT's corporate customers to abrogate their current contracts with COMSAT. The "fresh look" provisions were rejected by both chambers because they amounted to an unconstitutional takings of COMSAT's property and violated the 5th Amendment's Takings Clause which prohibits the government from taking private property without just compensation. No one can doubt that COMSAT has a property interest in its existing contracts. Indeed, this asset represented a significant portion of the $2.7 billion dollar purchase price of COMSAT offered by Lockheed Martin. This constitutional violation would have subjected the U.S. Government—and the taxpayers—to substantial claims for damages. In that same vein, this conference agreement wisely rejects Level IV direct access—a provision like "fresh look" that would have forced COMSAT to divest its investment in INTELSAT at fire sale prices before INTELSAT's privatization. I will watch the Commission closely as it implements this legislation to ensure that it does not force the abrogation of contracts or other such agreements.

In fact, one of the primary marketplace successes that will grow out of this conference agreement will be the benefit to customers and consumers from unshackling a new competitor in the satellite industry from the restrictions placed upon it last summer by the FCC. Although at an earlier point in this process some Members viewed INTELSAT's spinoff of New Skies Satellites with suspicion, New Skies has proven itself to be a persistent and independent competitor—even in the face of limitations imposed by the FCC on its access to the U.S. market. By the time the conferees arrived at the negotiating table, New Skies was well on its way to an initial public offering of stock. If conducted within the broad time frame established by the conferees, the IPO will entitle New Skies to full and nondiscriminatory U.S. market access under the bill. I want to express my appreciation to Chairman BLILEY and ranking Member MARKEY, as well as to Chairman BURNS, for responding affirmatively to the concerns of other House conferees that the New Skies issue be addressed. Once the New skies IPO is done and its stock is trading publicly, the underlying purposes of this legislation will have been met. Thus, I am confident that the FCC will respond by removing the discriminatory conditions it previously placed on New Skies' ability to extend the full benefits of vigorous market competition to American customers.

Again, I commend my colleagues for their hard work in developing the proper framework to inject genuine competition in the international satellite marketplace by privatizing INTELSAT and Inmarsat in a meaningful way and for allowing the transformation of COMSAT, a company that has served this country well.

Mr. DINGELL. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Speaker, I thank the gentleman very much for yielding me the time.

Mr. Speaker, this is a very, very historic evening. Tonight, as we pass this legislation, we break down the final governmentally-sanctioned monopoly that had been granted over the last decades to private telecommunications companies.

We did the bulk of the work in the 1992 Cable Act and in the 1996 Telecommunications Act, but this was the last refuge of the last monopoly; and, as of tonight, it too has ended.

I want to congratulate the chairman, the gentleman from Virginia (Mr. BLILEY), for his excellent work on this bill. I have worked very closely with him over the last counsel of terms on this legislation. Although, I have to admit that I did introduce the first bill back in 1983. Although, most of my last couple of decades was notable for its lack of success in legislating in this area. But I think the inexorable momentum of the move toward the privatization of telecommunications companies has in fact finally swept down this final barrier, as well.

I want to congratulate the gentleman from Louisiana (Mr. TAUZIN) and the gentleman from Michigan (Mr. DINGELL). Working together with them, we have been able to craft I believe a compromise that works for everyone. The gentleman from Ohio (Mr. OXLEY) has been there all the way. This is, without question, compromise at its best. Over in the Senate, Senator BURNS, without question, was leading the way.

Back in 1962 when COMSAT was formed, it would have been inconceivable that a private company would be able to launch satellites. So, as a result, the Government had to grant monopolies. But since the beginning of the 1990s, and really back in the 1980s, when Rene Anselmo of PanAmSat came on the scene, it was clear now we had reached the point where private sector companies could compete. And, in fact, the United States is far in the lead in these areas. And, so, this legislation really does help to make it possible to open up that competition even further.

I want to congratulate the staffers, Ed Hearst and Mike O'Rielly, Cliff Riccio, Monica Azare, Andy Levin, and David Schuler, along with Collin Proel on my staff who has been working on this bill for 4 years. This has been a long, long effort; and I know, just through Collin's work, how much time and how much negotiation has gone into it.

This is a good bill. And as we finish tonight, hopefully enacting it unanimously, we will open up a brand new era of competition in the skies of this world and that will be a good thing.

I congratulate again the chairman, along with the gentleman from Louisiana (Mr. TAUZIN) and the gentleman from Michigan (Mr. DINGELL) and the gentleman from Ohio (Mr. OXLEY). This is a good bill.

Mr. BLILEY. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. OXLEY).

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

Mr. OXLEY. Mr. Speaker, let me begin by thanking the gentleman from

Virginia (Mr. BLILEY), the chairman of the full committee, who has shown immense leadership in this issue and one that we have dealt with for a number of years.

I did not realize it was 1983 when the gentleman from Massachusetts (Mr. MARKEY) first introduced his legislation. But in the true spirit of the Committee on Commerce, we were able to craft a compromise that will truly change the satellite industry for the better based on competition, new technologies, and breaking up the last monopoly, as my friend from Massachusetts (Mr. MARKEY) said.

So my hat is off to the chairman on his efforts in this very important piece of legislation, along with the gentleman from Michigan (Mr. DINGELL) and the gentleman from Massachusetts (Mr. MARKEY) and the gentleman from Louisiana (Mr. TAUZIN) and Senator BURNS and others on the Senate side for bringing us to where we are tonight.

There were times when I did not think we were going to be successful in our efforts. Too many times this bill reached a Sisyphus proportions where we were perhaps doomed to roll that rock up the proverbial mountain and have it rolled back, as my friend from Massachusetts (Mr. MARKEY) reminds us so many times on some of these pieces of legislation.

But I guess if it was easy, we would have done it long ago. And so our hats are off to the chairman; and as he is a retiring Member, this will be perceived as one of his greatest triumphs for our committee and for the entire country and for this he is to be congratulated.

So I thank everyone involved with this.

Mr. DINGELL. Mr. Speaker, I have no more requests for time, and I yield back the balance of my time.

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

Mr. Speaker, I just want to thank again the gentleman from Michigan (Mr. DINGELL) for his cooperation and particularly thank the gentleman from Massachusetts (Mr. MARKEY) who labored on this long before I got really into the picture and has been invaluable in his help in moving us to this time.

Mr. PALLONE. Mr. Speaker, I rise to commend the efforts of Chairman BLILEY, Mr. DINGELL, Mr. MARKEY, Mr. TAUZIN, Mr. OXLEY and our friends in the other body for reaching a consensus on legislation to promote more competition in the satellite communication industry. The conference agreement on S. 376 is landmark legislation that will finally update our nation's satellite communication laws for the 21st century.

I am pleased that the conference agreement is a bipartisan bill that will encourage the privatization of INTELSAT without imposing unreasonable restrictions or penalties that will hurt consumers. Of course, if INTELSAT thumbs its nose at the standards set forth in this bill for a pro-competitive privatization, its ability to offer services in the United States could be hindered dramatically. However, this leverage is necessary to ensure that INTELSAT truly privatizes, and to ensure that we finally have a level playing field in the satellite services market.

I am also pleased that the conferees made several necessary changes to the conference agreement to ensure that the Department of Defense and other agencies that protect our national security would not be harmed by any limitations imposed upon INTELSAT if it were to fail to privatize in a timely manner. This bill is explicit in its protection of our national security interests, and I especially want to thank Mr. DINGELL, the Ranking Member of the Commerce Committee, for including this language in the bill.

It is also important to note that this bill eliminates several antiquated statutes that have hindered the growth and expansion of satellite communications companies. In particular, this bill will enable Lockheed Martin to complete its acquisition of COMSAT Corporation. I am confident that this merger will enhance competition in the satellite services market, and I urge the FCC to act on this merger as soon as possible. American companies like Lockheed Martin and COMSAT deserve the right to compete in the global satellite market now without any further delay.

I want to thank all of the members and staff who worked so hard on this important legislation. I urge its immediate adoption.

Mr. SHAYS. Mr. Speaker, I rise in support of S. 376, the Communications Satellite Competition and Privatization Act, and commend House Commerce Chairman TOM BLILEY and Congressman EDWARD MARKEY for their work in crafting this important legislation. This bill is yet another feather in their cap—another important step in Congress's ongoing efforts to deregulate the telecommunications industry.

S. 376 will enhance competition and open foreign markets for U.S. companies by promoting the privatization of the intergovernmental satellite organizations—called Intelsat and Inmarsat—that dominate international commercial satellite communications. These organizations operate as a cartel-like structure comprised of the national telephone monopolies and dominant companies of its member organizations.

The provisions contained in S. 376—which will update policies dating back to 1062—are long overdue. I don't think anyone in this Congress needs to be told the extent to which communications technology has changed in the past 40 years.

Back in 1962, it was widely believed that only governments could finance and manage a global satellite system. Today, however, two companies in my own district—GE Americom and PanAmSat—are among the private companies that offer high-quality international services. These companies have launched private sector ventures that must compete with Intelsat, an intergovernmental behemoth.

Yet, we still have the same structure for international satellite communications that was designed before Neil Armstrong walked on the moon. The result is a distorted marketplace, stifled competition and innovation, and increased prices for consumers.

Mr. Speaker, the promotion of a competitive satellite communications marketplace is a goal we should all support and I urge my colleagues to support this pro-trade, pro-consumer bill.

Mr. BLILEY. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

ANNUAL REPORT ON FEDERAL ADVISORY COMMITTEES—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Government Reform:

To the Congress of the United States:

As provided by the Federal Advisory Committee Act (FACA), as amended (Public Law 92–463; 5 U.S.C., App. 2, 6(c)), I hereby submit the Twenty-seventh Annual Report on Federal Advisory Committees, covering fiscal year 1998.

In keeping with my commitment to create a more responsive government, the executive branch continues to implement my policy of maintaining the number of advisory committees within the ceiling of 534 required by Executive Order 12838 of February 10, 1993. Accordingly, the number of discretionary advisory committees (established under general congressional authorizations) was again held to substantially below that number. During fiscal year 1998, 460 discretionary committees advised executive branch officials. The number of discretionary committees supported represents a 43 percent reduction in the 801 in existence at the beginning of my Administration.

Through the planning process required by Executive Order 12838, the total number of advisory committees specifically mandated by statute also continues to decline. The 388 such groups supported at the end of fiscal year 1998 represents a modest decrease from the 391 in existence at the end of fiscal year 1997. However, compared to the 439 advisory committees mandated by statute at the beginning of my Administration, the net total for fiscal year 1998 reflects nearly a 12 percent decrease since 1993.

The executive branch has worked jointly with the Congress to establish a partnership whereby all advisory committees that are required by statute are regularly reviewed through the legislative reauthorization process and that any such new committees proposed through legislation are closely linked to compelling national interests. Furthermore, my Administration will continue to direct the estimated costs to fund required statutory groups in fiscal year 1999, or $45.8 million, toward supporting initiatives that reflect the highest priority public involvement efforts.

Combined savings achieved through actions taken during fiscal year 1998 to eliminate all advisory committees that

are no longer needed, or that have completed their missions, totaled $7.6 million. This reflects the termination of 47 committees, originally established under both congressional authorities or implemented by executive agency decisions. Agencies will continue to review and eliminate advisory committees that are obsolete, duplicative, or of a lesser priority than those that would serve a well-defined national interest. New committees will be established only when they are essential to the conduct of necessary business, are clearly in the public's best interests, and when they serve to enhance Federal decisionmaking through an open and collaborative process with the American people.

I urge the Congress to work closely with the General Services Administration and each department and agency to examine additional opportunities for strengthening the contributions made by Federal advisory committees.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *March 9, 2000.*

RECESS OR ADJOURNMENT OF SENATE FROM MARCH 9, 2000 OR MARCH 10, 2000 UNTIL MARCH 20, 2000

The SPEAKER pro tempore laid before the House the following privileged Senate concurrent resolution (S. Con. Res. 94) providing for recess or adjournment of the Senate from March 9, 2000, or March 10, 2000, until March 20, 2000, or second day after Members are notified.

The Clerk read the Senate concurrent resolution, as follows:

S. CON. RES. 94

Resolved by the Senate (the House of Representatives concurring), That when the Senate recesses or adjourns at the close of business on Thursday, March 9, 2000, or Friday, March 10, 2000, on a motion offered pursuant to this concurrent resolution by its Majority Leader or his designee, it stand recessed or adjourned until noon on Monday, March 20, 2000, or until such time on that day as may be specified by its Majority Leader or his designee in the motion to recess or adjourn, or until noon on the second day after Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first.

SEC. 2. The Majority Leader of the Senate, after consultation with the Minority Leader of the Senate, shall notify the Members of the Senate to reassemble whenever, in their opinion, the public interest shall warrant it.

The SPEAKER pro tempore. Without objection, the Senate concurrent resolution is concurred in.

There was no objection.

A motion to reconsider was laid on the table.

ADJOURNMENT TO MONDAY, MARCH 13, 2000

Mr. HANSEN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 2 p.m. on Monday next.

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

There was no objection.

HOUR OF MEETING ON TUESDAY, MARCH 14, 2000

Mr. HANSEN. Mr. Speaker, I ask unanimous consent that when the House adjourns on Monday, March 13, 2000, it adjourn to meet at 12:30 p.m. on Tuesday, March 14 for morning-hour debates.

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

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. HANSEN. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

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

There was no objection.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Virginia (Mr. WOLF) is recognized for 5 minutes.

(Mr. WOLF addressed the House. His remarks will appear hereafter in the Extension of Remarks.)

PROPOSED SALE OF ATTACK HELICOPTERS TO TURKEY WOULD DESTABILIZE REGION, THREATEN HUMAN RIGHTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. PALLONE) is recognized for 5 minutes.

Mr. PALLONE. Mr. Speaker, the Clinton administration is currently considering a $4 billion sale of attack helicopters to the Republic of Turkey. I am here tonight, Mr. Speaker, to express my strong opposition to this proposal.

Providing these helicopters to Turkey will only serve to increase tensions and instability in a region of the world that is vital to U.S. interests and which is already plagued by conflicts and human rights violations.

Put very simply, Mr. Speaker, I am concerned that the Turkish Armed Forces will use this advanced American military technology to threaten its neighbors and abuse its own citizens.

Mr. Speaker, several organizations have called upon the Clinton administration to refuse an export license for the attack helicopters to the Turkish Army because Turkey has failed to make progress on human rights benchmarks set by the administration in 1998 as a condition for approval of the export license.

Among those organizations working to block the export license is Amnesty International. Dr. William F. Schulz, Executive Director of Amnesty International USA, stated that, ''Based on the State Department's own annual human rights report, Turkey fails to meet the human rights benchmarks.''

Indeed, Mr. Speaker, the section on Turkey in the State Department's annual human rights report issued just a few weeks ago states that, ''The security forces continue to torture, beat, and otherwise abuse persons regularly. Torture, beatings, and other abuses by security forces remained widespread, at times resulting in deaths. Security forces at times beat journalists.''

Mr. Speaker, in a particularly relevant issue with regard to the helicopters, both the State Department and Amnesty International have reported the use of helicopters to attack Kurdish villages in Turkey and to transport troops to regions where they have tortured and killed civilians.

Do we really want to see American advanced technology used by Turkey to accomplish these operations against the Kurdish people with even more ruthless efficiency?

Mr. Speaker, this helicopter deal is also a danger to regional stability in the Eastern Mediterranean and the Caucasus.

Recently there has been a thawing in Greek-Turkish relations, a trend which we all welcome. The sale of these helicopters to Turkey has the potential to upset this recent progress in the relations between these neighbors. It could well be seen by Greece as a destabilizing step at a time when we are seeking renewed efforts to resolve the Cyprus conflict, an issue that the administration considers a major priority.

In terms of Turkey's legitimate defense needs, it was hard to see any justification for these advanced attack helicopters. Indeed, Mr. Speaker, it is apparent that Turkey is already overarmed.

The neighboring country that has suffered the most from the Turkish Government's aggressive militaristic and nationalistic posture is Armenia. In the years between 1915 and 1923, Turkey perpetrated genocide against the Armenian people resulting in 1.5 million innocent Armenian civilians being murdered.

In the year 2000, Turkey continues to maintain an illegal blockade of its border with Armenia, which has prevented the delivery of vitally needed supplies to Armenia. Even Turkish business people would like to see the opening of corridors of trade and transport with Armenia. Turkey has also backed Azerbaijan in the conflict over Nagorno Karabagh. Given this pattern of hostility, the people of Armenia have every reason to fear the acquisition of these helicopters by Turkey.

Mr. Speaker, the Government of Turkey knows how the game is played here in Washington. They have recently signed a $1.8 million year contract for the lobbying services of several former Members of this Congress to push for the helicopter deal.

I urge the administration to resist this type of pressure, and I call on my colleagues in Congress to join me in using our position as elected officials to prevent this helicopter deal. Providing these helicopters to Turkey does nothing to promote American interests or values, does nothing to promote stability, and does nothing to advance the cause of human rights.

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MICROBICIDES DEVELOPMENT ACT OF 2000

The SPEAKER pro tempore (Mr. HAYES). Under a previous order of the House, the gentlewoman from Maryland (Mrs. MORELLA) is recognized for 5 minutes.

Mrs. MORELLA. Mr. Speaker, today I am joined by the gentlewoman from California (Ms. PELOSI) in introducing the Microbicides Development Act of 2000, legislation to promote the development of a new technology for preventing sexually transmitted diseases, including HIV.

Across this country and around the world, AIDS is rapidly becoming a women's epidemic. In the United States, women constitute the fastest growing group of those newly infected with HIV. Worldwide almost half of the 14,000 adults infected daily with HIV in 1998 were women, of whom nine out of 10 live in developing countries. In Africa, teenage girls have infection rates five to six times that of teenage boys, both because they are more biologically vulnerable to infection and because older men often take advantage of young women's social and economic powerlessness.

Equally alarming, the United States has the highest incidence of sexually transmitted diseases, STDs, in the industrialized world. 15.4 million Americans acquired a new STD in 1999 alone. Sexually transmitted diseases, including HIV/AIDS, represent a women's health emergency. Biologically and socially, women are more vulnerable to STDs than men. Many STDs, again I say that is sexually transmitted diseases, are transmitted more easily from a man to a woman and are more likely to remain undetected in women, resulting in delayed diagnosis and treatment and more severe complications. Not only are women at greater risk of acquiring STDs than men; but in most cases the consequences of contracting STDs, including infertility, ectopic pregnancy, cancer, and infant mortality, are more serious and permanent for women.

Yet 20 years into the AIDS crisis, and at a time when the incidence of STDs is reaching epidemic proportions, the only public health advice to women about preventing HIV and other STDs is to be monogamous or to use condoms. Experience has shown, however, that for many women, neither message is realistic or effective. A woman cannot protect herself by being faithful if her sexual partner is not, nor can every woman always insist on condom use. In Africa, for example, where women account for 55 percent of the continent's HIV infections, women typically have little say over condom use and too often the consequences in terms of lost trust, abandonment, or abuse are perceived as more threatening than the risk of contracting a disease. Women clearly need an alternative.

This legislation has the potential to save billions in health care costs. The total cost to the U.S. economy of STDs, excluding HIV infection, was approximately $10 billion in 1999 alone. When the cost of sexually transmitted HIV infection is included, that total rises to $17 billion.

Federal funding is key. Currently, less than 1 percent of the budget for HIV/AIDS-related research at the National Institutes of Health is being spent on microbicide research, and best estimates show that less than half this amount is dedicated directly to product development. Clearly, this is not nearly enough to keep pace with the growing STD and HIV epidemics. For 2001, our legislation will ensure that Federal investment in this critical research be doubled from the current level of less than $25 million.

There is an urgent need for HIV and STD prevention methods within women's personal control. Since the early 1990s, topical microbicides have attracted scientific attention as a possible new technology for preventing STDs, including HIV.

Not only do microbicides make good sense from a public health perspective but recent studies demonstrate that women want and need prevention alternatives. A recent survey by the Alan Guttmacher Institute estimated that 21 million American women are interested in a microbicidal product. Microbicide acceptability studies in 13 countries worldwide, six in Africa, two in Latin America, three in Asia plus France and Poland, have documented high interest and willingness to use microbicides.

Five of the top 10 most frequently reported infectious diseases, that is 87 percent of all cases, are sexually transmitted. Over one in three adults age 15 to 65 are now living with an incurable viral STD. Dr. Anthony Fauci, director of the National Institute of AIDS and Infectious Diseases, has stated that he considers microbicide research a priority in the fight against AIDS and STDs.

Dr. Peter Piot, Executive Director of UNAIDS, the United Nations agency that coordinates a global response to the HIV epidemic, has said,

> There is an urgent need for more methods to prevent HIV infection, especially those that put women in control. The search for an effective and safe vaginal microbicide has been progressing too slowly—we need more researchers from the public and private sectors acting with appropriate urgency to develop a microbicide.

A number of obstacles currently impede the development and introduction of microbicides. For major pharmaceutical companies, there is skepticism about whether such products would be profitable after the costs of research and marketing are met because such products would have to be inexpensive. Concern has also been raised over liability, since microbicides would promise to offer some protection against life-threatening illness, even though levels of product efficacy would be stipulated in labeling.

Absent leadership by major pharmaceutical companies, small biopharmaceutical firms, academic and nonprofit institutes have taken the lead on microbicide research and development. However, many small companies and nonprofit entities lack the resources to take a potential product through the rigorous clinical trials required to evaluate products for FDA approval.

Researchers estimate that it costs up to $50 million to complete research on an existing compound (and at least twice that to start from scratch with a new compound)—far more than many of these small companies and nonprofit entities have the capacity to invest.

Public funds are necessary to fill in the gaps in the research and development process and to create incentives for greater investment by private industry. Without federal leadership and funding, a microbicide is not likely to be available anytime soon.

Despite scientific promise and public health need, investment in microbicide research has been woefully inadequate. Through the work of the National Institutes of Health, non-profit research institutions, and small private companies, a number of microbicide products are poised for successful development. Some 24 products are currently in or ready for clinical (human) trials and 36 promising compounds exist that could be investigated further. But this ''pipeline'' will only be unblocked if the federal government helps support the necessary safety and efficacy testing necessary to move the best candidates to the marketplace.

Public health officials and members of Congress need to take notice. Given the growing number of promising microbicides in development, we have everything we need to bring a microbicide to market within five years—except the money. That's why Representative NANCY PELOSI and I are introducing legislation today that increases the federal investment in this potentially life-saving technology. Specifically, our bill, the ''STD Microbicide Development Act of 2000,'' does the following:

Instructs the Director of the National Institutes of Health to establish a program to support research to develop microbicides, including expanding and intensifying basic research on the initial mechanisms of STD infection, identifying appropriate models for evaluating safety and efficacy of microbicidal products, enhancing clinical trials, and expanding behavioral research on use, acceptability and compliance with microbicides.

Instructs the NIH Director, in consultation with all relevant NIH institutes and federal agencies, to develop a 5-year implementation plan regarding the microbicides research program.

Authorizes $50 million in FY 2001, $75 million in FY 2002, and $100 million in FY 2003 for federal microbicide research and development.

Mr. Speaker, thanks to the leadership of Leslie Wolfe and the Center for Women Policy Studies who first brought the need for microbicides research to my attention, I introduced Women and HIV/AIDS research and prevention legislation back in 1990. Congress has confirmed the importance of microbicides research by including report language I submitted during the appropriations process calling for greater NIH attention to this research. Now that the reality of a microbicide is much closer, more resources and greater coordination of federal research is urgently needed. With vigorous attention and sustained investment, a microbicide could be available within five years.

Microbicides represent another potential weapon in the arsenal against HIV/AIDS and Stds. Microbicides would be an important complement to potential HIV vaccines since they are likely to be available sooner, will be easier and cheaper to distribute, and will be effective against a range of sexually transmitted infections. They are particularly important for women, whose risk of infection is high and whose direct control over existing prevention options is low.

Microbicides will give women all over the world one more way of protecting themselves against the ravage of HIV/AIDS and other Stds. I urge all of my colleagues to support the important legislation we are introducing today, and give women and their families a fighting chance against the HIV and STD epidemics. Women in this country and around the world, as well as their partners and children, desperately need and deserve more options to stop the spread of deadly infections.

GULF WAR ILLNESSES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. METCALF) is recognized for 5 minutes.

Mr. METCALF. Mr. Speaker, America has been built by the bravery and sacrifice of patriots. Exactly 135 years ago this week, Abraham Lincoln stood on the east steps of this grand Capitol building and delivered his second inaugural address. Thousands stood in silent attention as he delivered his concluding paragraph:

> With malice toward none; with charity for all; with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in; to bind up the Nation's wounds; to care for him who shall have borne the battle, and for his widow and his orphan, to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations.

Mr. Speaker, there is nothing more important our country can do than bind up the wounds of those who fight for the freedom of all Americans. We must fulfill the promises we have made to our sons and daughters who have put on the uniform of this country.

In 1991, American troops began coming down with an alarming spectrum of maladies which soon became known as Gulf War illnesses. These valiant soldiers offered their lives in service to America. They deserve every effort by their government to answer questions about what might have made them sick. They deserve every effort by their government to try to find treatment for their illnesses.

But what is really happening? Unfortunately, some in government have given the appearance that they will do everything in their power to block the answers to the questions and to block the search for treatments. A recent scientific, peer-reviewed study showed an overwhelmingly large number of tested veterans suffering from Gulf War illnesses are testing positive for antibodies to squalene. This study, ''Antibodies to Squalene in Gulf War Syndrome,'' was recently published in the February 2000 issue of Experimental and Molecular Pathology. On January 31, I and nine of my House colleagues sent a letter requesting that the Department of Defense do an objective analysis of this study. We had great hope for that test, that this study might prove to be a breakthrough that would lead to better treatments for suffering Gulf War era veterans.

While waiting for a response to our request, I discovered that the Department of Defense was misrepresenting and attacking the article on its own Anthrax Vaccination Inoculation Program Web site, AVIP. In one section, AVIP even claimed that the conclusions derived from the test results in the study had no scientific basis. The results of a peer-reviewed study published in a scientific journal have no scientific basis? This is an outrageous statement. Our DOD is obviously stonewalling this issue. Therefore, I sent a letter to Secretary Cohen requesting that the inaccurate AVIP statements be removed. DOD needs to do this immediately.

Last week, DOD delivered the response requested by myself and nine colleagues. I had hoped that DOD would seize this opportunity to conduct a legitimate, thorough inquiry of the scientific, peer-reviewed study. Instead, we were provided irrelevant material and an anonymous half-page analysis. It is difficult to imagine that DOD would expect Congress to accept a half-page anonymously written analysis as an appropriate response to our request. The main point of our letter was completely ignored.

Mr. Speaker, we need answers and action from DOD, not a maze of smoke and mirrors. The people's representatives are asking for answers from Secretary Cohen, and all we are getting is stonewalling and bureaucratic delay tactics. How can DOD expect to regain the seriously eroded trust of its military personnel if misrepresentations posted on the official Web site are allowed to go unchallenged and congressional requests for legitimate information are stonewalled?

Mr. Speaker, Secretary Cohen must intervene to halt the misinformation campaign being waged by DOD officials concerning issues surrounding antibodies to squalene research. He must provide Members of Congress and those suffering from Gulf War illnesses the real answer. The Department of Defense must stop this deadly game of delay and distraction.

ISSUES AFFECTING THE WEST

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from Colorado (Mr. MCINNIS) is recognized for half the time until midnight as the designee of the majority leader.

Mr. MCINNIS. Mr. Speaker, I appreciate the time that I have been given this evening. The gentleman from Utah (Mr. HANSEN) who is a longtime friend of mine and I intend to spend the next little while with Members talking about issues that are important to the West. As many Members know, my district is the Third Congressional District of the State of Colorado. That district geographically is larger than the State of Florida. I adjoin the fine State of Utah.

As Members know, many of the issues that we share in Utah are very similar to the issues in the State of Colorado. In fact, as we look at the map that I have here to my left, many issues of the West, whether we are talking about Wyoming, Montana, Idaho, Nevada, Arizona, New Mexico, we have many similar issues in the West.

Tonight, to begin our remarks, I thought I would talk a little about what the concept of multiple use really means. What is multiple use? Why is it critical to the West? What is the history of multiple use? We really need to turn our clocks back in time and look at the beginning of this country, when most of the populations, again referring to the map to my left, were on the East Coast.

Back then, possession really was nine-tenths of the law. In other words, you really had to go out and occupy the land. You could not just have a deed. We kind of take that for granted today. If we have a deed for property, we go down and register it at the county courthouse and we do not have to worry about going out and standing on the land in order to continue possession or sometimes even able to initiate possession.

In the frontier days, you had to do that. What our forefathers, the problem they ran into is people really did not want to leave the East. Our new country had just made some purchases. We got land like through the Louisiana Purchase, and we needed to get people out there. Just the fact that we bought the land from other countries as a young country did not mean we really were going to be able to hold on to the land. What we had to do is move people onto the land. We had to give people incentive to move from the East to go to the West.

And so to give that kind of incentive to our citizens of this young country,

our government decided to offer incentives to them. The incentive that they thought would be the most attractive is to say to the young frontiers people, if you go west and we all remember the saying, ''Go west, young man, go west,'' if you go west, you can secure a piece of property; and if you work that land for a long enough period of time, you get to own the land. It is yours.

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All you have to do is possess it. Just go to it, work it and possess it for a period of time and we will give you 160 acres or we will give you 320 acres, and it is through what we all know as the Homestead Act.

Well, that worked fine for many of the States out here where you had rich soils, you did not have the severe kind of weather, where on 160 acres a family, a frontier family, could raise some cows, they could farm that land and feed a family. What happened over a period of time is that as the people begin to get into the deep West, like the Rocky Mountains of Colorado or into the Rocky Mountains in Wyoming or down into New Mexico, the leaders in Washington, D.C. discovered these people were not really staying there; that you could not even feed a cow off of 160 acres in many of these areas in the deep West.

So the people were not staying there, and they were concerned about what do we do on possession. We have to give people incentive to stay in these areas.

First of all, let me say what they decided not to do. They said we cannot possibly give them an equivalent amount of acreage, in other words the same amount of acreage in the mountains that would give you the same kind of living that you would have in, for example, the State of Nebraska or Ohio. Out there you can do it on 160 acres, and the equivalent in these mountains would be about 3,000 acres. They said politically we cannot give away 3,000 acres to these frontiers people, and somebody came up with an idea. We do not have to give away the land. In fact, unlike the East, unlike the East, where we give the land away and where we have a large amount of private ownership, let us as the Federal Government go ahead and keep ownership of the land in the West. The government will continue to own the land but we will allow the people to use the land. We will have multiple use.

We will allow the people to farm on the land. We will allow the people to raise cattle on the land. We will allow the people to extract natural resources on the land. This was many, many years ago.

Throughout time, the uses of multiple use have evolved dramatically. In fact, in my district, almost every road in my district goes across government lands. Every drop of water in my district, if it is not out of a well, either comes across, is stored upon or originates on Federal lands; all of our power lines, all of our radio towers, all of our cellular telephone towers. We are totally dependent on the West on this concept of multiple use.

What does this map to my left show? I think it is very important. This map that I have tonight, for all here in the chambers, is to demonstrate very clearly where the Federal Government owns land. It is very important to take a look, as we go from the north, the Canadian border, follow my pen, we go down through here, we go right through Colorado, we go right through New Mexico, we come right down here to Texas, go around and we hit Mexico down there.

Look at the amount of Federal land on this side. Very little. In fact, we have some in the Appalachians here; we have some down in the Everglades. We have some areas up here. New York has some but a lot of that is owned by the counties, not by the Federal Government.

Compare this, which could be identified with pencil points on this map, with what has happened in the West. This is the amount of government ownership of land in the West.

Let me give an example of what happens as a consequence of that. First, let me give a statistic. Outside of Alaska, which is 99 percent owned by the government, that is Alaska right there, now that is half the size of its actual proportion for this map, that is 99 percent but if you exclude Alaska, 88 percent of the Federal land in the lower 48 States, 88 percent of the land owned by the Federal Government lies in these 11 western States.

What does that mean for practical, every day living, for the ordinary people out there? Well, in the East, when you have planning and zoning, which is very important, your local communities, your city councils or your local governmental entities, they decide planning and zoning.

If someone wants to build a bike path, if someone wants to have a water project, if they want to do some kind of construction, if they want to do a road, the people in the East, their local municipalities have control of planning and zoning.

You would be deeply offended, you would have strong objections if the Federal Government came into your community in Connecticut or came into your community in Tennessee or Ohio and said, hey, we want to take over planning and zoning of your local community, you would say, bug out. Well, planning and zoning is a local matter, it is a local issue. If it is not the city council that does your planning and zoning, it may be your local county or it is a combination of the two, but it is not the Federal Government. The Federal Government does not do the planning and zoning out here in the East.

Guess what happens in the West. In the West, just by the fact, just under de facto that the West has such massive amounts of Federal land, they in effect do our planning and zoning.

We have so much Federal land in my district alone, 22 million acres; 22 million acres of Federal land in my district alone. When you want to build a road, when you want to deal with water, you have to deal with the Federal planning and zoning commission, which is the government in Washington, D.C.

One of our problems at the very beginning, at the very beginning, is that in the East it rains a little differently than it rains in the West. In fact, in the fine State of Colorado, we are the only State in the Union where all of our water runs out of the State. We have no water that comes into Colorado for our use. It all runs out of the State, the only State in the Union.

We are very dependent on our water resources that are on those Federal lands. We are entirely dependent on the concept of multiple use.

Well, the problem with having planning and zoning at a Federal level is that in Washington, D.C. they seem to think one shoe fits all, one size fits all. So they start applying policies that may work okay for the Appalachians or may work okay for the State parks or Federal parks in New York State, they start putting those applications on the massive Federal land holdings in the West. There is not a lot of recognition to my colleagues here in the East, with due respect, there is not a lot of recognition on their part of our difficulties that we have in the West.

So when we have people out of the administration or the bureaucracy in Washington, D.C. starting to make decisions based on their life experience in the East, when they start making decisions that have impact on the West they need to realize what kind of impact it has and what kind of unintended consequences there are.

For example, in the East your problem back here is getting rid of water. In the West, in the West, our problem is storing water, is keeping the water. In this region right here of which Colorado has the highest elevation, my district, in fact, the Third District of Colorado has the highest elevation of any district in the nation. We do not have much rain. We get some rain but we are an arid state. The West is an arid area, a lot different than the East.

We depend very heavily on our snowfall and then we have to depend on a period of time we get about 60 to 110 days of runoff, the spring runoff. It is going to start here in about another month, maybe another 6 weeks, we have the spring runoff for about 60 to 110 days. After that 110th day, if we do not have the capability to store the water we have real problems. During that 60 days to 110 days, if we do not have the capability to control flooding we have real problems.

Take a look at what some people in the East have done. The bureaucracy, for example, of the national Sierra Club, now the national Sierra Club has done some reasonable things but one of the things, their number one goal, as

dictated by the bureaucracy, their bureaucracy in the East because they have very little understanding of our water issues in the West, their number one goal is to go out here and to drain Lake Powell.

That lake, which is a huge storage facility for water in the West, for power, for flood control, and frankly for a lot of recreation, a lot of family activities on that lake, in fact on that lake, to give you an idea of the size, there is more shoreline on Lake Powell than there is on the entire Pacific West Coast. What is the response for the planning and zoning commission of one of the more active environmental groups in the East? Their number one goal, take down the dam and drain Lake Powell.

Well, this extends into these issues of people in the East dictating the planning and zoning by the fact that the government has these large land holdings in the West. These policies have ramifications. They have ramifications on our national parks. They have ramifications on our national monuments. They have ramifications on our business community, meaning the small ranchers and the small businesses. They have ramifications not only on our water storage but our water accessibility, the ability to transport water.

Every highway we have, it has consequences there. It has consequences on the environment. There are a lot of things that I urge my colleagues here today, if they live east of this red border that I have just shown here, I am urging to take some time and study why the issues in the West are different. In the West, when the frontier people went out there, remember what happened. The government made a deal with them: We are going to keep ownership of the land. In the East we gave the fellow citizens the land. We arranged for private property, which every family in America dreams of owning their own piece of property and in the East we followed that. We followed that dictation, but in the West we gave you a little guarantee. We will let you use the land but because we cannot give away that massive amount of land we are going to keep ownership. That is what they said in Washington, D.C.

So as we progress through a number of different issues dealing with the West, I urge my colleagues, please sit down, take a look at the history; understand that in the West it does not rain like it does in the East. Understand that in the West that concept of multiple use is a way of life. In the West, life is written in water, not in blood. These are very important.

Now as we continue through our special orders this evening, I would like to turn the podium over to my colleague, the gentleman from Utah (Mr. HANSEN), who will take us to the next step. This gave us a little basic history. We now have an idea of where the Federal land ownership is in this country. We have an idea of the concept of multiple use and what it means. We have an idea that in the West water is something we have to store to use.

In the East, of course, we have always known this but it is something for a large part that has to be gotten rid of. I think it is a good way to kind of transition into the next area of what we want to talk about tonight in the West, and for that I would turn it over to my colleague, the gentleman from Utah (Mr. HANSEN).

We both have generations of family in our respective States. We have deep, deep roots. Beyond that, both the gentleman from Utah (Mr. HANSEN) and myself are very, very dedicated and very loyal to our States. We care about the citizens we represent and we care about the heritage of the West. The West to us is paramount. Oh, we are Americans, do not get that wrong, but it is paramount that we be able to represent the West out here in the East.

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

Mr. MCINNIS. I yield to the gentleman from Utah.

Mr. HANSEN. Mr. Speaker, I appreciate my friend, the gentleman from Colorado (Mr. MCINNIS), for the excellent explanation he has given regarding the difference between the East and the West.

It is very common, as chairman of the Subcommittee on National Parks and Public Lands, to get all kinds of letters from folks in the East talking about how some day I want to go out and see that, and I own it as much as you do. I find that very interesting because some of them will never come. Basically, if you want to go back 200 years where did they get their ground? At one time, all of that map was owned by the Federal Government but they got it given to them and now they want to control what we do in the West.

We have no problem with that if they are reasonable but we also feel that the people who occupy the ground, who play on the ground, who make a living on the ground, who are raised on that ground, ought to have some say in it and I do not see why people think it is so totally irresponsible when somebody from the West, who has lived there all their life, gets just a tiny bit upset when someone who has never been there wants to tell them how they can drive their car, how he they can plow their fields, where they can put their cows, where they can have recreation. I think that is really kind of reasonable.

Mr. Speaker, when I read the Constitution, the words that jump out at me are the first words and they say, ''we, the people.'' I have been in this business quite awhile. I have been an elected official for the last 40 years. I started out as a city councilman in a little town in Utah called Farmington. I still remember about that little town that if I ever wanted to do something as a city councilman or mayor pro temp as I served for a year and a half, I would have to advertise it. Even something as small as putting a bid out to put a piece of water in for the culinary water system or something for the sewer, we had to advertise it.

Later on in the State legislature, when I was speaker of the House, we found the same thing. We had what we call sunshine laws and most of our people have those laws; most of our legislative bodies have those. So we had to do it so the people were there, the people could see it. We did not do things behind closed doors.

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Why do we sit there and have C–SPAN on? So that the people can see their government in action. Most of our committees, when there are very important people testifying, C–SPAN comes in and films it and we open the doors and the public come in. The exception would be the Select Committee on Intelligence where I sat for a number of years, or the Committee on Armed Services which I am a member of, and occasionally things of high security, of course we do not want to have the public look at them. But the vast, vast majority of things, the public should look at.

Therefore, if it is truly we, the people, and we are not going to do things in a closet; I often wonder about this current administration that back in September of 1996, the President stood on the south rim of the Grand Canyon where the Colorado River goes through and proclaimed on his proclamation 1.7 million acres in southern Utah as a national monument. Now, of course he has a right to do that under that bill, but people have to realize that in 1906, Teddy Roosevelt, the great conservationist, found himself in the position of saying, how do we ever protect these Indian ruins and all of these beautiful dwellings that we are finding? People were going in and desecrating those. So they passed this law, and if one wants to look it up, it is only about a paragraph long and it talks about what one can do to protect them.

It says that the President can go in and he can sign a proclamation and his proclamation has to say, what is the historic nature of this issue? An historic national park, a good example would be where the two trains met in Promontory, Utah, and we joined the Nation from California to the East with the railroad, a great understanding of what a national historic area would be. If we look at archeological areas, it also says they can do that. And then in this law it says they will proclaim that as the smallest acreage available to protect that site.

We found in this particular instance that we did not know anything about it. If I may define the word ''we,'' it would be the members of the Utah delegation, the Utah legislature, the Utah governor. So we were hearing about it and hearing rumor; we did not know where this rumor was coming from. So we would call down to places like the White House and they would say we are hearing the same rumor. We do not know anything about it.

In fact, my administrative assistant called up Kathleen McGinty. She was head counsel of environmental quality in the White House working for the Clinton-Gore administration. We said we keep hearing this rumor and she said we hear the same, and the next day they are out proclaiming this.

To find out what really happened, we went to the trouble of subpoenaing all of the papers from the White House and the Department of the Interior. We made a compilation of those and I have it in my hand, and we wrote a book called Behind Closed Doors. Remember, Mr. Speaker, this is a government of we, the people. The people are the ones who are supposed to have an understanding of this. In this we found some very interesting things.

When we expressed our concern to the Clinton administration, of course they denied this. As late as September 11, the Secretary of Interior Bruce Babbitt wrote to Utah Senator BENNETT and pretty much told him that. Then, in a letter written to Professor Wilkenson asking him to draw up the proclamation, the solicitor of the Department of the Interior, John Leshy wrote, I cannot emphasize confidentiality too much. If word leaks out, it probably will not happen.

Then, on August 5, 1996, Katie McGinty wrote a memo to Marcia Hale telling her to call some key Democrats to get their reaction. However, conspicuously absent on their list was a Democrat from Utah. In the memo Mrs. McGinty emphasized that this should be kept secret, saying any public release of this information would probably foreclose the President's option to proceed.

Now, we may ask ourselves, why did they want to keep it a secret? Why did they not let the world see it, let people have the scrutiny of a microscope looking at this. Well, let us face it. It was a political election stunt and the type of thing that had to be perfectly planned and perfectly timed to be done just before the presidential election.

Now we may ask ourselves, why did we do this? In another memo we found from Kathleen McGinty she said quote, ''I do not think there is a danger of the abuse of the withdrawal of the Antiquities authority, especially, especially because these lands are not really in endangered.'' There we have it, in their own words. The administration did not think there was any real danger. Okay. Let us ask ourselves, what does this proclamation do? Does it stop coal mining? No. Does it stop mineral development? No. Does it stop petroleum? No, CONOCO is still drilling. Does it stop people from visiting the grounds? No. Does it stop roads from being built? No. In fact, more roads are being built because more people want to see it. I was down there a number of times, standing there and people from New Jersey drove up and they said I see a car, two cars here, one was State and one was Federal, where is the Grand Staircase Escalante? And at this point we said, you are standing in it. They said, well, what is there to see? We said, look around. If you like sagebrush you will love this area, because that is basically all there was.

Why did the administration not come to us in Congress? And let me make this point. Congress, according to the United States Constitution, is the only entity that has control of the public grounds, period. Anyway, they did not come to us because it was an election stunt and we could all see this.

So I kind of say well, why did he pick a national monument? Why did he not just sit there in his armchair and say to the people, I am going to withdraw this pursuant to 43 U.S.C. 170–1204? Because it would not sell that way. It has to be on the south rim of the Grand Canyon with that beautiful panorama behind you, with the wind blowing through the hair of the President and all of these people standing there cheering. Then they finally found out, well, what did we really get out of it. I noticed even the Southern Utah Wilderness Alliance and the Salt Lake Tribune said that they are really just election-year environmentalists, and that is what we find.

Now, Mr. Speaker, we found ourselves in a situation well, what happens now? Again we see this abuse coming about. This antiquities law. Not a lot of people say these things should be protected. I hope the American public realizes that when that passed, that is all there was, was the 1906 antiquities law. There was not the 1915 park bill that created Yellowstone, and now we are up to 379 units of the park system. There was not the NEPA Act of 1969 that gave us environmental protection. There was not the FLPMA Act of 1976. There was not the 1964 Wilderness bill. There was not the 1973 Endangered Species Act, there was not the Trails Act, there was not the Scenic Rivers Act. There was none of that stuff. So that is all we had.

Now, at this point we have all kinds of laws. So why with all of that protection did we see in January of this year again the President of the United States goes to the south rim of the Grand Canyon and proclaims another national monument on what we call the Arizona strip. While he is standing there he also declares one in Phoenix, he also declares one on the California coast, and now rumor, and before I used to say, oh, that is just rumor, do not pay any attention to it. Now rumor has it that my friend standing in the well might get one, the gentleman from Montana (Mr. HILL) may get one; rumor has it that people down in the district of the gentlewoman from California (Ms. BONO) may get one, and for what reason? Could somebody give us a reason why this is going on?

What do the American people get out of this? It is an election-year stunt; and actually, as many courts have said, someone should push this up across the street to those nine folks that wear black robes and see if the 1906 antiquity law is even constitutional. Because if you have to go up against the idea, it says in the Constitution of the United States of America that the only people who have use of the public ground is this body and the body over on the other side, and they are the ones to take care of it.

Mr. Speaker, I hope people realize, and little by little I am so impressed with the public, because it is starting to dawn on them just what the gentleman from Colorado is talking about: Who uses that ground? Now, the dentist from New York who writes me on a regular basis, the attorney from Florida who writes me on a regular basis and says, Mr. Chairman, we have as much use on that ground as you do, and they keep talking about the people who graze. On March 1, right across the street in the Supreme Court there is a battle raging now: Is that a right that they have, and the court will decide that. That was filed in 1995, and unfortunately it was just heard on the 1st of March.

Other people are filing suits. Grazing was one, timber was one, and mining was one. The big three. Put the big three aside. They do not mean much anymore. The public of the United States wants access to that ground on that west side of that map. That is what they want, and they want it for a lot of reasons.

The gentleman from Colorado (Mr. MCINNIS) talked about Lake Powell, one of the most beautiful areas on earth. Go down there. Mr. Speaker, 400,000 people launched boats on Lake Powell last summer. 400,000. It has far surpassed many of the other areas because it is such a gorgeous area, let alone the power that it provides, let alone the water that it provides, and let alone the whole southwest part of America is there because of the Colorado River drainage. Those people want access.

Talk to the guy who has a four wheel drive outfit, talk to the guy who rides one of these little four wheel ATV things, talk to the people in Utah, and now we are on the map because of something we call trail bikes. Talk to the person who has a wave runner and where he wants to go. The backpacker. Talk to the guy that likes to shoot a deer or an elk or a moose in that area. They want access to that ground. They do not want it tied up like the Sierra Club wants it tied up. They want access. Should it be done in an environmentally-sensitive way? Of course it should be.

On the other side of the coin, it really bothers some of our folks, and they are justified in this when they get hammered and taken out of the use of this ground which is theirs to use. To that dentist from New York, that lawyer from Florida, come on back and use the ground. We would love to have you there, but spend a few bucks while you are there, because we have another problem. It is called payment in lieu of taxes. The gentleman from Colorado

(Mr. MCINNIS) pointed out all of that ground that is owned by the Federal Government and all of our buddies from the East that are saying that is just as much our ground as it is your ground. Well, then pay your share. It is called payment in lieu of taxes. They want to play on it, they want to tell us how to use it, they want to take us off the ground, but when it comes to paying their share, they do not do it. That bothers an awful lot of us.

The little county of Garfield, 93 percent owned by the Federal Government. It has the beautiful Bryce Canyon in it. These people come in and what do they do? They go up and play in that area and they start a fire. Who fights the fire? Garfield County. And they have a minuscule budget. They go up there and they break a leg because they are not accustomed to that area, who goes out and picks them up in an ambulance? Garfield County. They go out and throw their trash all over the place, and who pays for it? Garfield County pays for it. But when we say pay your share, if you want to tell us how to do it, pay your share; and they are not doing it.

Mr. Speaker, if I may say so, this House is responsible, that House is responsible, but no one seems to care. I still remember a man in leadership when I first got here and he said oh, it is just those western guys, who care. Take the money away from them anyway. All of us rednecks out there, I guess. Frankly, we resent it. If you are going to tell us how to run it, do it. I see bill after bill coming out of our colleagues from New York and all of these other areas, but they have never even been out there, but they want to tell us how to do it. My next comment to them, if you are going to tell us how, you pay. If you are going to come out and play, you pay. I think these people should take a stronger attitude.

When I was Speaker of the Utah House, we passed something called the Sagebrush Rebellion Resolution. I remember coming back here as a freshman and going down to the White House, and there was a man by the name of Ronald Reagan. He made this statement to the Secretary of Interior, John Blot, the Secretary of the Interior, Jim Watt. He said, we are now good neighbors, and that is what we wanted to be. Now, we are again finding ourselves with an administration that is running rampant and roughshod over every one of us; and we feel that we should again have good neighbors with the Forest Service and with the BLM and with the Park Service.

With that said, Mr. Speaker, I yield back to the gentleman from Colorado.

Mr. MCINNIS. Mr. Speaker, I appreciate the time from the gentleman from the State of Utah.

Now let us go to the next step of our conversation tonight on our night-side chat with my colleagues about the issues of the West. Remember at the beginning of the comments, I say to my colleagues, that we talked about the fact of the massive differences between the western United States and the eastern United States. My colleagues will remember that I qualified my remarks. We are the United States of America. We are one country, a country I am very proud of, the superpower of the world. We have a lot to be proud of as Americans.

In fact, today, I say to the gentleman from Utah, I had a number of young people who come back on their visits to the Nation's capital. I am so proud of that generation. It was interesting when I talked to these youngsters. We had Jessica, we had Amber, we had Ben, and we had Mary. Those particular students, one was from Aspen, one was from Steam Boat Springs, Colorado, one was from La Junta, Colorado, and I believe the other one was from Alamosa, Colorado.

But the issues they talked about are issues of the West. We have grown up in the West, and we like our lifestyle in the west. And just as we are proud to be Americans with this country and the attributes of this country, we have a lot of things in the West that we are proud of, and we have a lot of things in the West that we share with everyone. We have a lot of monuments.

The gentleman talked about Bryce Canyon. I was in the gentleman's fine State last week. My parents have a winter home out there in Saint George, Utah.

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It is a beautiful State. The gentleman has done a darned good job in Utah, the rest stops, the way they protected and preserved that land. The gentleman's State has done a good job.

I am proud to say that the State of Colorado, my former colleagues in the State House, my colleagues who serve as County Commissioners, our Governor of the State of Colorado, Governor Bill Owens, these people have done a good job in Colorado of preserving our lands.

We care about those lands. Those are our lands. That is where our heritage is. That is where our roots are. If Members have ever skied in Colorado, they have skied in the Third Congressional District. My congressional district has all of the ski areas in the State of Colorado.

The next time Members go and ski in Colorado, and for many, they have skied in Colorado, the next time Members go, take a look to see if they see a sign of all of the terrible abuse that some of the more radical environmental organizations in this country like Earth First or Ancient Forests or some of these people, take a look and see if Members think those ski areas are that bad.

While they are looking at those ski areas, take a look at how many children are on those ski areas, how many families, what kind of family entertainment. They are not out running the streets, out causing trouble, but they as a family unit are enjoying, under the concept of multiple use, these lands.

We do not just have to go in the wintertime to see how important these lands are for family, for multiple use, for our economy out there. Go in the summertime. Go on the Mesa Verde, down in the Four Corners where we share our borders. Go up here to Dinosaur, the national monument there. Go to the Black Canyon National Monument, which is now a national park, thanks to my colleague, Senator CAMPBELL, and the bill that I sponsored here in the House.

Go down to the National Sand Dunes, which we hope to make a national park. Go to the Rocky Mountain National Park. Go to the Air Force Academy, the district of the gentleman from Colorado (Mr. HEFLEY), over in Colorado Springs.

There are a lot of things in Colorado and Utah and in the West. We could go to Wyoming to Jackson Hole. Go to the museum up in Cody, Wyoming, probably the most fantastic museum representing the West in the entire West. Members can go to any area. There are lots of areas of the West that we have preserved. There are lots that we have protected.

But remember what Teddy Roosevelt's concept was. Teddy Roosevelt never wanted to lock people off the land, but Teddy Roosevelt, on the other hand, did not want people to abuse the land. It is the same concept the gentleman from Utah (Mr. HANSEN) and I agree with. We have a right to use that land, but nobody has a right to abuse that land. No one has a right to abuse that land, contrary to some of the more radical organizations that we see especially here in the east.

These environmental groups, I have yet to meet one person, and I do not think there is a person in this Chamber, that will tell me they are out to destroy land. I do not have anybody that is against wilderness, wilderness as a concept, not under the definition of wilderness that we have seen labeled or put around our collar.

People love the outdoors. I do not know anybody, actually, who is against the small ranches and small businesses throughout all of these areas. There are a lot of good people out there in those mountains. There are a lot of good people in the West.

But for my colleagues here in the East, get a good understanding of what is fundamental to their lifestyle, what is fundamental to their survival before we pass regulations here in Washington, D.C., before they impose back here in the East.

Look at the point, clear out here. And as we come out, it is like this, and it starts right there. At this distance, before Members do that, come out here and look at the issues. Come out here and see why water is so important to us. Next to our people in Colorado, and I am sure it is the same for my colleagues in the State of Utah, I cannot think of anything more important than the water.

There are a lot of people that want this water out of Colorado because, as I said earlier, Colorado is the only State where all of our water goes out. We have to have multiple use on Federal land to preserve some of that water for the people of the State of Colorado, to preserve some of that water for people throughout the West. The Colorado River basin, as the gentleman from Utah mentioned, is absolutely critical for life in the West.

Our whole purpose, Mr. Speaker, in talking this evening, it is not to lecture my colleagues, it is to tell them that things in the West are different geologically, the water situation is different, the lay of the land is different, and the ownership of the land is different.

Mr. Speaker, my colleagues here in the East do not know what it is like to have massive ownership by the government. Most of the Members sitting in this Chamber, most of the Members from the East, outside of highways that are obviously owned by the government, maybe the local Post Office, they have never experienced massive ownership by the government of the lands that will completely surround one. They have never had to rely on access agreements with the government to drive into their town, to turn on their radio, to get electrical power into their community, to protect areas of the environment that they think are important.

Yet here in the West, we are, unfortunately, very subject to the whims of the people in this little city called Washington, D.C. in the East.

What the gentleman from Utah (Mr. HANSEN) and I are asking tonight is that as we consider individually each of these issues in the West, look at it on a customized basis. We need to customize it. We need to figure out what the ramifications are.

I will give an idea. It is very easy for people in the East to condemn grazing on land in the West. We have a particular area that is absolutely beautiful, and in fact, it is one of the areas under the monument. We have the Colorado National Monument, and we are trying to put it into a preservation area and work with the Secretary. We are trying our darnedest.

But up there we have several ranches, four or five big ranches up on the Colorado Monument; it is beautiful, Grand Junction, Colorado. But these ranches, these are true working ranches like the King Ranch, like my friend Doug King and his ranch up there; the Gores, the Gore ranch, they are dependent on the grazing permits. The grazing permits are on Federal lands.

Do Members know what happens if we follow the wishes of some of the more radical groups back here in Washington, D.C. and we eliminate those grazing rights? Do Members know what happens to those ranches? They cannot operate as a ranch anymore. So what is the logical thing for them to do? The logical thing for them to do is take these beautiful, wide open spaces and to break them into 35-acre ranchettes.

What does that result in? That results in bumper to bumper traffic up to the top of the Colorado National Monument. Instead of being able to look, and in my district, throughout my district we can look for a long, long ways and never see another person. But we have been discovering, we have a lot of growth. I do not think that is necessarily good. In some regards, slow, steady growth is good, but the kind of growth we have had, we have had a sudden surge. We have a lot of people who would like to get their hands on the ranches and divide them. We have a lot of people who would like to make a profit off of them.

Some of the Members here who are supporting doing away with grazing in the West on Federal lands, they should take a look at the unintended consequence. The unintended consequence is we are going to take that land and divide it into ranchettes. Is that really what the Members want to do? Is that what they think is going to help protect those open spaces?

By the way, let us go back to ranching. Ranching families like David and Sue Ann Smith from Meeker, Colorado, they have been on that ranch since the 1870s or the 1880s. They love that land. They do not make much money on that ranch, but they have raised generation after generation after generation.

Before we take action back here that wipes out those generations of hard work, of having their hands in the soil, before we do that, consider what the consequences are. Understand again, and I continually come back to water, because water is absolutely critical, the fact that we have to store water.

We have lots of organizations here that say we should not have any more water storage projects in the country. They do not understand the West. If they do understand the West, they are trying to mislead us here in the East that in the West we do not need water storage projects.

Again, as I said earlier, take a look at our ski areas. Some groups have said, burn them down. Take a look at what happened in Vail, Colorado, last year, arson. Some people actually stand proud and say, Veil, Colorado, that ski area, they had it coming. They should have burnt them down. Come on, Mr. Speaker, that is not how we operate in this country.

Take a look, I think we have done a very professional job. I want to note that Colorado was the first State with minimum stream flow. In our State, those of us who have lived there very long and many people who have just moved there, they appreciate the fact that open space, parks, and protection of our environment are as critical to us as the water.

But along and in the same bracket and in the same category, the concept of multiple use and the concept of having local input, and the concept of taking into consideration local needs is important, too.

Go back to my original comments. Remember back here, take a look at some of these States. Do Members think the Federal government has anything to do with land control in some of these States like that? Take a look at the State of Kansas, the State of Nebraska. Members can see on the map here, do they think the government has much to do with those States? No. So it is very easy for people back in some of these States that do not have a lot of Federal Government land to dictate out here to the States that do have Federal Government land what they ought to be doing, because it does not bother them.

If the people from a State like Ohio or a State like Kansas or some other State dictate what is going on, it does not impact them. From New York State, it does not impact them if they go out to the West and eliminate grazing, or tell us we cannot have multiple use, because they do not feel the impact.

2310

We feel the impact. We live the impact. We have to survive the impact. Just think how much control is exercised in this area by a city far, far away on the eastern coast.

As the gentleman from Utah (Mr. HANSEN) knows, we in the West are very, very proud of what we have. It is American soil. We are citizens of the United States. But we also, all of us, have been raised with consideration of our fellow citizens.

I urge my colleagues in here, those of you who live east of the Colorado border, for example, who really have not given much thought to the consequences of your actions here on Federal lands, slow it down a little, and give it some consideration.

Mr. Speaker, in consideration of the time and the fact that I have taken the majority of it, I yield to the gentleman from Utah (Mr. HANSEN), and I appreciate very much his participation this evening.

But I think it is important, Mr. Speaker, that we continue to have these kinds of nightside chats. I guess it is one of our responsibilities to try and come to our colleagues here and talk to them about these issues and try and bring the awareness level up so that multiple use is not looked upon as the devil of the west, it is looked upon as the survival of the west.

Mr. HANSEN. Mr. Speaker, I would hope that more Americans would realize this concept of multiple use. It has worked very well for us for a long time and out in the West. What does one do in multiple use when one only has one use like so many of our eastern States that do not even have to consider the issue.

The gentleman from Colorado (Mr. MCINNIS) brought up the idea of grazing. Grazing is basically a tool. Should it be used judiciously? Absolutely. We

should not denude the ground. We should be very careful with the ground.

But yet, on the other hand, those of us who have been in that business and understand it, as some of my relatives have been, and I have worked on ranches myself, one finds oneself in a situation where grazing on the public ground keeps down those grasses.

In Canada, as I understand, at one time, they did away with it; now they are asking people from Montana, North Dakota, and Idaho to bring those cows and sheep over there to keep those grasses down so they do not have the fires.

Also, grazing is used in areas to open up trails. Grazing is used for various things. It should not be a thing where we hurt the ground, but that is part of multiple use.

What about timber? When I was chairman of the Subcommittee on Forests and Forest Health, we went all through the West and had all kinds of hearings. I flew over it. I walked it. I was in jeeps on it. I went with Weyerhauser. I went with other people. The best forest, the most wholesome, vibrant forest there is in America is private forest. But they are managed. They cut trees.

Contrary to what a lot of our friends back East do not understand, timber is a renewable resource. That is why it is under the Committee on Agriculture, because it is like a crop. We can take it out. We do not have anything against our eastern friends. This is one big Nation. We are all good Americans. We hope and we work to do things right, and we invite our eastern friends to come out whenever they would like to, and we appreciate it. We want them to take care of the ground as we have for hundreds of years.

Mr. Speaker, I think the very one thing that the Constitution tells us that we are supposed to do is defend this Nation. I guess I am one of the old guys on the Committee on Armed Services, and it really kind of bothers me as we see a deterioration of this.

I want to tie this into the ground thing. Because just recently, about a month ago, some of our environmental friends filed a lawsuit right here in Washington, D.C. That lawsuit is that all military aircraft have to be 2,000 feet above public grounds; i.e., forest, BLM, parks, things such as that.

Well, I am not the kind of pilot that the Speaker is or others, but I have spent quite a few hours in the cockpit of an airplane. Let me just tell my colleagues this, I think, after 20 years on the Committee on Armed Services, I have some understanding of how we train people. I tell my colleagues, these guys who fly those F–16s, those F–15s, and others, they have got to learn how to fly those things in the worst conditions, because they may be called to go back to Saudi Arabia and fly over to Iran. They may be called to Germany. They may be called to be on the Pacific Rim.

We want these young men and women to be the very, very best. How we do that? It is one word. It is training. We give them good equipment and we train, train, train, train. A lot of them, I hope that is all they have to do in their military career.

Now, tell me how we are going to do surface-to-air work? How we are going to do those things? As these young, great, macho pilots say, we have got to drag our wheels through the grass. Do we have a lot of these areas in the West and the East? We have them all over. They are called training ranges.

What a terrible thing it would be if the courts uphold this, and we stop the training of our helicopter pilots, our fighter pilots. Right in my home State of Utah, we have the Utah Test and Training Range, an area that is not multiple use, but does have some wilderness study areas in it. They have pilots from Hill Air Force Base, Mountain Home Air Force Base, Nellis Air Force Base, Navy Base in Nevada.

They train in that area hundreds and hundreds of sorties. They come over those mountains, and they are right down on the deck, and they are going about 600 nauts. They are moving along. They are darn good. They know how to fly.

Yet, if we have to get to the point that our environmental communities in the East are saying to us, no, we will not let you graze, we will not let you cut timber, we will not let you mine, and we will not let you train your pilots. We will not let you use the cruise missiles. We will not let you put Abrams tanks on it like we used in the Persian Gulf, and you saw that Abrams M1–A1 tank wipe out those military tanks that Saddam Hussein had purchased from the Soviet Union. It was literally a turkey shoot. Why is it? Because they trained on those grounds out there.

That to me is one of the most important things that the American public can do. If anything, we have to come back to the idea of multiple use. We have to come back to the idea of moderation. We have to realize that other people's point of view means something.

Can my colleagues blame the folks who live in those 11 western States when they get just a tad irritated, say doggone it, Mr. Congressman, I have lived here all of my life. I am a fifth generation rancher. Now I am told by this BLM guy or this Forest Service guy who was trained in New York, and for some reason, New Yorkers are always looked at as the enemy, and I say that tongue in cheek, that they always look back at that area and say, why can he come out and tell me what to do on my ground?

So I go back to what I said earlier. I think Ronald Reagan said it right to the Secretary of Agriculture, John Bach and the Secretary of Interior, Mr. Watt when he said we are going to be good neighbors. We are going to come let us reason together. We are going to sit down and do that.

I am sure people will find that the hand of fellowship and cooperation will be extended to anybody who wants to sit down and work things out. But the thing that bothers us is sometimes the high-handed attitude that we get when somebody comes in the dark of the night, ignores the wishes of the people on the ground, and puts in a big monument, or comes up with regulations that are way beyond the purview and the latitude and the scope of authority that is given to this Congress. That is where the resentment comes up.

So I agree with the gentleman from Colorado (Mr. MCINNIS). It is an education thing. These chats should be brought out. We welcome what we hear. Every time we do one of these, we get a number of letters, some of them a little tough. But we appreciate people writing in.

Mr. MCINNIS. Mr. Speaker, I ask to incorporate into the RECORD the written documents that I have here.

If the gentleman from Utah (Mr. HANSEN) does not have any further comments at this point in time, Mr. Speaker, I would conclude by saying this, we are good neighbors. In the West, we feel very strongly about the good neighbor attitude. But give us an opportunity to be good neighbors. Give us an opportunity to work with you and let you be aware of how important multiple use is, of what the differences between water in the East and water in the West is.

2319

We are here not in a confrontational mood. We are here in an attempt to build a coalition to let us continue to have the kind of life-styles that others enjoy, and that is a life-style that has come through hundreds of years of living here in the east, and in the west in the time we have out there. We want to be a good neighbor. We want the right to continue to use the land. We do not want anybody to abuse the land.

Mr. Speaker, I conclude tonight's night-side chat by expressing my appreciation to the gentleman from the State of Utah (Mr. HANSEN) for his participation, and submitting for the RECORD, as I mentioned earlier, the research data done by the Center for the New West:

GROWTH, OPEN SPACE AND WILDERNESS

COLORADO OPINION RESEARCH SHOWS SUPPORT FOR WILDERNESS DECLINES AS PUBLIC LEARNS MORE ABOUT RESTRICTIONS

(By Philip M. Burgess and Kara Steele)

Summary. An opinion survey of Colorado voters, conducted by Strategies West for Center for the New West, shows that public support for designation of additional wilderness areas is not unconditional and very much depends on the specific circumstances. Wilderness proposals that are the product of broad public input and that seek to balance preservation with multiple use of natural resources would seem to enjoy the strongest support. It is clear that using polling data that shows general support for wilderness areas to ''demonstrate'' support for any specific proposal is highly misleading and must not go unchallenged.

Background. The federal government owns 47% of the land in the 11 ''public lands

states''—all located in the Western U.S.* In four states, the federal government owns more than half the land—Idaho, Nevada, Oregon and Utah. In Colorado, more than one-third of the land is owned by the Federal government.

Most of these federal land holdings in the West are managed by the U.S. Bureau of Land Management (BLM) and the U.S. Forest Service, making the BLM and the Forest service the de factor planning and zoning board for much of the rural West. Result: Issues that anywhere else in the nation would be state of local issues—like locating a road or bike path or building a water system or camping facilities—are federal issues in the West. Examples: BLM or Forest Service managers decide how many cows will graze, where they will graze and at what time of year—or where a pipeline or road must go.

Over the past decade Center-sponsored studies and forums, Congressional hearings and media reports have documented increasing dissatisfaction with ''one-size fits-all'' federal policies that guide the management of federal lands and the highly-intrusive administrative practices of federal land managers. A major concern is that land use decisions by federal authorities can have a strong bearing on jobs and economic opportunity in the small towns and rural areas adjacent to federal lands. Increasingly, Westerners and, to be fair, some federal land managers, have called for major reforms in federal land management policies—and especially for policies and practices that would allow greater decentralization of decision-making within the federal system and more local participation and administrative flexibility in this system of federal control.

The bottom line: Both Westerners and many outside the West are dissatisfied with the way the federal government managers its land holdings in the West—including national parks, wilderness and other federal lands—and the concern is highest among those most affected. These include tourists and other visitors to the West, farmers, ranchers and small business people who live and work in the rural West, and economic development professionals who struggle to make things work in the transition to America's New Economy.

In addition, there is growing concern in Congress about how President Clinton uses executive power—and especially the willingness of this executive branch to usurp and Constitution authority of Congress (violating the separation of powers among co-equal branches of government) and the states (violating the principles of federalism). The concern came to a head in October when Western members of Congress initiated a resolution to block the Clinton administration from designating 570,000 acres near the Grand Canyon as a national monument and to restrict the administration's ability to lock up other land holdings without subjecting its proposals to legislative review.

These are initial moves of an increasingly assertive Western Congressional delegation determined to restrict the power of the president to withdraw millions of acres of public land from multiple use without public participation or comment by bikers, climbers, builders of camp sites and explorers for oil and gas and other natural resources, These are among the most effected individuals and groups whose access to the land is often restricted or prohibited.

These concerns, and the timing of these moves by Western members of Congress, reflect a backlash from President Clinton's 1996 election year designation of 1.7 million acres in Utah as the Escalante/Grand Staircase National Monument, a stealth decision without Congressional review and without broad consultation with state and local elected leaders or the public.

By contrast, when the process of restricting public use of the land includes broad intergovernmental consultation and public participation, good things happen. Example: October's designation of the Black Canyon National Park in Western Colorado. This designation of America's newest national park was supported by Sen. Ben Nighthorse Campbell, Rep. Scott McInnis and other members of Colorado's Congressional delegation and by most state and local elected leaders and the public in Colorado.

*The 11 public lands states, located in the lower 48, are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

OMISSION FROM THE CONGRESSIONAL RECORD OF WEDNESDAY, MARCH 8, 2000

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. PASCRELL (at the request of Mr. GEPHARDT) on account of official business in the district.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Ms. EDDIE BERNICE JOHNSON of Texas (at the request of Mr. GEPHARDT) for today after 4:00 p.m. on account of official business.

Mr. SCHAFFER (at the request of Mr. ARMEY) for today on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Ms. JACKSON-LEE of Texas) to revise and extend their remarks and include extraneous material:)

Mr. PALLONE, for 5 minutes, today.

Mr. LEVIN, for 5 minutes, today.

Mrs. MINK of Hawaii, for 5 minutes, today.

(The following Members (at the request of Mr. HANSEN) to revise and extend their remarks and include extraneous material:)

Mr. METCALF, for 5 minutes, today.

Mrs. EMERSON, for 5 minutes, March 14.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 935. An act to authorize research to promote the conversion of biomass into biobased industrial products, and for other purposes; to the Committee on Agriculture; in addition to the Committee on Science for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

ADJOURNMENT

Mr. MCINNIS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 11 o'clock and 20 minutes p.m.), under its previous order, the House adjourned until Monday, March 13, 2000, at 2 p.m.

NOTICE OF PROPOSED RULEMAKING

U.S. CONGRESS,
OFFICE OF COMPLIANCE,
Washington, DC, February 16, 2000.

Hon. J. DENNIS HASTERT,
Speaker of the House, House of Representatives, Washington, DC.

DEAR MR. SPEAKER: Pursuant to section 4(c)(4) of the Veterans Employment Opportunities Act of 1998 (''VEO'') (2 U.S.C. §1316a(4)) and section 304(b) of the Congressional Accountability Act of 1995 (2 U.S.C. §1384(b)), I am submitting on behalf of the Office of Compliance, U.S. Congress, this advance notice of proposed rulemaking for publication in the Congressional Record. This advance notice seeks comment on a number of regulatory issues arising under section 4(c) of VEO, which affords to covered employees of the legislative branch the rights and protections of selected provisions of veterans' preference law.

Very truly yours,

GLEN D. NAGER,
Chair of the Board.

OFFICE OF COMPLIANCE

The Veterans Employment Opportunities Act of 1998: Extension of Rights and Protections Relating to Veterans' Preference Under Title 5, United States Code, to Covered Employees of the Legislative Branch

ADVANCE NOTICE OF PROPOSED RULEMAKING

Summary: The Board of Directors of the Office of Compliance (''Board'') invites comments from employing office, covered employees, and other interested persons on matters arising from the issuance of regulations under section 4(c)(4) of the Veterans Employment Opportunities Act of 1998 (''VEO''), Pub. L. 105–339, 112 Stat. 3186, codified at 2 USC §1316a.

The provisions of section 4(c) will become effective on the effective date of the Board regulations authorized under section 4(c)(4). VEO §4(c)(6). Section 4(c)(4) of the VEO directs the Board to issue regulations to implement section 4. Section 304 of the Congressional Accountability Act of 1995 (''CAA''), Pub. L. 104–1, 109 Stat. 3, prescribes the procedure applicable to the issuance of substantive regulations by the Board. Upon initial review, the Board has concerns that a plain reading of VEO may yield regulations that are the same as the regulations of the executive branch yet provide veterans' preference rights and protections to no currently ''covered employee'' of the legislative branch. If that is the case, questions arise over the nature and scope of the Board's authority to modify the regulations in order to achieve a more effective implementation of veterans' preference rights and protections to ''covered employees.''

The Board issues this Advance Notice of Proposed Rulemaking (''ANPR'') to solicit comments from interested individuals and groups in order to encourage and obtain participation and information in the development of regulations.

Dates: Interested parties may submit comments within 30 days after the date of publication of this Advance Notice in the Congressional Record.

Addresses: Submit written comments (an original and 10 copies) to the Chair of the Board of Directors, Office of Compliance, Room LA 200, John Adams Building, 110 Second Street, S.E., Washington, DC 20540–1999. Those wishing to receive notification of receipt of comments are requested to include a self-addressed, stamped post card. Comments may also be transmitted by facsimile machine to (202) 426–1913. This is not a toll-free call. Copies of comments submitted by the public will be available for review at the Law Library Reading Room, Room LM–201, Law Library of Congress, James Madison Memorial Building, Washington, DC, Monday through Friday, between the hours of 9:30 a.m. and 4:00 p.m. For further information contact: Executive Director, Office of Compliance at (202) 724–9250. This notice is also available in the following formats: large print, Braille, audio tape, and electronic file on computer disk. Requests for this notice in an alternative format should be made to Mr. Rick Edwards, Director, Central Operations Department, Office of the Senate Sergeant at Arms, (202) 224–2705.

Background

The Veterans Employment Opportunity Act of 1998[1] strengthen[s] and broadens''[2] the rights and remedies available to military veterans who are entitled, under the Veterans' Preference Act of 1944[3] (and its amendments), to preferred consideration in appointment to the federal civil service of the executive branch and in retention during reductions in force (''RIFs''). In addition, and most relevant to this ANPR, VEO affords to ''covered employees'' of the legislative branch (as defined by section 101 of the CAA (2 USC §1301)) the rights and protections of selected provisions of veterans' preference law. VEO §4(c)(2). The selected statutory sections made applicable to such legislative branch employees by VEO may be summarized as follows.

A definitional section prescribes the categories of military veterans who are entitled to preference (''preference eligible''). 5 USC §2108. Generally, a veteran must be disabled or have served on active duty in the Armed Forces during certain specified time periods or in specified military campaigns to be entitled to preference. In addition, certain family members (mainly spouses, widow[er]s, and mothers) of preference eligible veterans are entitled to the same rights and protections.

In the appointment process, a preference eligible individual who is tested or otherwise numerically evaluated for a position in the competitive service is entitled to have either 5 or 10 points added to his/her score, depending on his or her military service, or disabling condition. 5 USC §3309. Where experience is a qualifying element for the job, a preference eligible individual is entitled to credit for having relevant experience in the military or in various civic activities. 5 USC §3311. Where physical requirements (age, height, weight) are a qualifying element, preference eligible individuals (including those who are disabled) may obtain a waiver of such requirements in certain circumstances. 5 USC §3312. For certain positions in the competitive service (guards, elevator operators, messengers, custodians), only preference eligible individuals can be considered for hiring, unless no one else is available. 5 USC §3310.

Finally, in prescribing retention rights during RIFs, the sections in subchapter I of chapter 35 of Title 5, USC, with a slightly modified definition of ''preference eligible,'' require that employing agencies give ''due effect'' to the following factors; (a) employment tenure (i.e., type of appointment); (b) veterans' preference; (c) length of service, and, (d) performance ratings. 5 USC §§3501, 3502. Such considerations also apply where RIFs occur in connection with a transfer of agency functions from one agency to another. 5 USC §3503. In addition, where physical requirements (age, height, weight) are a qualifying element for retention, preference eligible individuals (including those who are disabled) may obtain a waiver of such requirements in certain circumstances. 5 USC §3504.

Section 4(c)(4)(A) of the VEO authorizes the Board of Directors of the Office of Compliance established under the CAA to issue regulations to implement section 4(c) of the VEO pursuant to the rulemaking procedures of section 304 of the CAA, 2 USC §1384. Pursuant to that authority, the Board invites comments before promulgating proposed rules under section 4 of the VEO.

Section 4(c)(4)(B) of the VEO specifies that these regulations ''shall be the same as substantive regulations (applicable with respect to the executive branch) promulgated to implement . . . [the referenced statutory provisions] . . . except to the extent that the Board may determine, for good cause shown and stated together with the regulation, that a modification of such regulations would be more effective for the implementation of the rights and protections under this section.'' Section 4(c)(4)(C) further states that the ''regulations issued under subparagraph (A) shall be consistent with section 225 of the Congressional Accountability Act of 1995 (2 USC §1361).''

Interpretative issues

The Board has identified and reviewed the regulations issued by the Office of Personnel Management (OPM) to implement the relevant provisions of the veterans' preference laws. These regulations are integrated into the body of personnel regulations in Title 5 of the Code of Federal Regulations (CFR) issued by OPM under its authority to oversee and regulate civilian employment in the executive branch. See 5 USC §§1103, 1104, 1301, 1302. The Board's review has raised a number of interpretative issues concerning the identity of legislative branch employees affected by the statute and regulations; potential legal and factual bases, if any, for modification of the regulations; and the scope of the Board's statutory authority to promulgate certain of the regulations in place in the executive branch. Before discussing those issues, the Board summarizes below the pertinent executive branch regulations which implement the statutory sections of veterans' preference law made applicable to covered legislative branch employees by VEO.

5 CFR Part 211 implements the definitional section, 5 USC §2108, declaring the requirements that a military veteran or his family member must meet to be considered ''preference eligible.''

5 USC §332.401 and §337.101 implement 5 USC §3309 which, in the appointment process, requires that a preference eligible individual who is tested or otherwise numerically evaluated for a position in the competitive service is entitled to have either 5 or 10 points added in his/her score.

5 CFR §337.101 also implements 5 USC §3311, which provides that, where experience is a qualifying element for the job, a preference eligible individual is entitled to credit for having relevant experience in the military or in various civic activities.

Subpart D of Part 330, 5 CFR, implements 5 USC §3310, which restricts to preference eligible individuals the positions of guards, elevator operators, messengers, and custodians in the competitive service.

5 CFR §339.204 and §339.306 implement 5 USC §3312, which provides that, where physical requirements (age, height, weight) are a qualifying element for an examination or appointment in the competitive service, preference eligible individuals (including those who are disabled) may obtain a waiver of such requirements in certain circumstances.

Finally, Part 351 of 5 CFR implements those provisions of subchapter I of chapter 35 of 5 USC, which prescribed retention rights during RIFs, including those instances where an agency function is transferred to another agency.

First. The statutory rights and protections that are applicable under VEO envision that veterans' preference is to be accorded in appointments to the ''competitive service.'' This presents an interpretative issue for the Board in proposing regulations that ''are the same'' as those in the executive branch because there is a substantial question whether any covered employee, as defined by VEO §4(c)(1), encumbers a position in the ''competitive service.'' The ''competitive service,'' as the term is used in the relevant statutes, is not a generic term descriptive of any personnel system in which applicants vie for appointment. Rather, the competitive service is an integral, specifically defined component of the federal civil service system, in which, for over a century, appointment to employment (mainly in the executive branch) has been determined through competitive examinations.

In the competitive service, Congress has prescribed that the ''selection and advancement shall be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition.'' 5 USC §2301(b)(1). Toward this end, Congress gave the President the authority to prescribe rules ''which shall provide, as nearly as conditions of good administration warrant,for * * * open, competitive examinations for testing applicants for appointment in the *competitive service.* * * *'' 5 USC §3304(a)(1) (emphasis supplied). In addition, OPM has been granted authority, ''subject to rules prescribed by the President under this title for the administration of the competitive service, [to] prescribe rules for, control, supervise, and preserve the records of, examinations for the competitive service.'' 5 USC §1302(a).

In this setting, the ''competitive service'' has a specific meaning. Congress has enacted a three-fold definition: First, the competitive service consists of ''all civil service positions in the *executive branch,*'' with exceptions for (a) positions specifically excepted from the competitive service by statute (known as the excepted service[4]); (b) positions requiring Senate confirmation, and (c) positions in the Senior Executive Service.[5] 5

[1] Pub. L. 105–339 (Oct. 31, 1998).

[2] Sen. Rept. 105–340, 105 Cong., 2d Sess. at 19 (Sept. 21, 1998).

[3] Act of June 27, 1944, ch. 287, 58 Stat. 387, amended and codified in various provisions of Title 5, USC.

[4] Generally, these are positions that are excepted by law, by executive order, or by the action of OPM placing a position or group of positions in what are known as excepted service Schedules A, B, or C. For example, certain entire agencies such as the Postal Service, the Federal Bureau of Investigation, and the Central Intelligence Agency are excepted by law. In other cases, certain jobs or classes of jobs in an agency are excepted by OPM. 5 CFR Part 213. This includes attorneys, chaplains, student trainees, and others.

[5] These generally are high-level, managerial positions in the executive department whose appointment does not require Senate confirmation. See 5 USC §3123(a)(2), which defines the term ''Senior Executive Service position.''

USC §2102(a)(1)(A)–(C) (emphasis added). Second, the competitive service includes ''civil positions not in the executive branch which are specifically included in the competitive service by statute.'' 5 USC §2102(a)(2). Third, the competitive service encompasses those ''positions in the government of the District of Columbia which are specifically included in the competitive service by statute.'' 5 USC §2102(a)(3).

Arguably, the Board should take these statutory definitions into account in promulgating regulations. Under VEO, the regulations issued by the Board must be consistent with section 225 of the CAA (2 USC §1361), which in part requires as a rule of construction that, except where inconsistent with definitions and exemptions provided in the CAA, the definitions and exemptions in the laws made applicable by the CAA shall also apply. Applying this rule of construction to the foregoing definitions arguably yields the following conclusions. The first definition may not be relevant because legislative branch employees are not part of the executive branch. Similarly, the third definition may not be relevant because it pertains to employees of the government of the District of Columbia. In contrast, the second definition is arguably relevant because it includes ''civil positions not in the executive branch,'' within which category falls the legislative branch (and the judicial branch). However, upon an initial review of those legislative offices in which ''covered employees'' as defined by VEO can be employed,[6] it may be that no ''covered employee'' in the legislative branch satisfies the qualification in the second definition that the job position be ''specifically included in the competitive service by statute.'' Accordingly, insofar as the state authorizes the board to propose substantive regulations that are the same as the regulations of the executive branch, the Board could end up proposing regulations that apply to no one.

On the other hand, VEO mirrors the rulemaking provisions of the CAA in directing the Board upon good cause shown to modify executive branch regulations if it would be more ''effective for the implementation of rights and protections'' made applicable to covered employees.[7] Under this approach, the statute may authorize proposing modifications of the executive branch regulations to take account of the void in competitive service positions for covered employees. In other words, if the regulations are essentially ineffective because in practice they afford rights and protections to no one, should the Board authorize modifications that make them effective by applying the rights and protections of veterans' preference laws to some arguably analogous employees? If so, as a factual and legal matter, what modifications to the regulations does the statute authorize?

Second. While the applicable statutory appointment provisions (5 USC §§3309–3312) are directed with particularity to the competitive service, the applicable statutory retention provisions (5 USC chapter 35, subchapter I) with one exception are not. Section 3501(b) states that subchapter I ''applies to each employee in or under an Executive agency'' without singling out the competitive service for specific coverage. Only §3504, which provides for waiver of physical requirements (including age, height, weight) for job retention purposes, is directed specifically to competitive service positions. Nonetheless, OPM has written major portions of the implementing regulations (found principally in 5 CFR Part 351) in terms of the competitive service and the excepted service. See, e.g., 5 CFR §351.501 (order of retention for competitive service), §351.502 (order of retention for excepted service). Were the Board simply to propose regulations that are the same as the executive branch's without modifications, there may not be any covered employees in the legislative branch who are in the competitive service or the excepted service, as defined by statute and regulation. Therefore, once again the issue of whether the statute authorizes a modification of these regulations arises.

Third. A survey of the regulations indicates that some of the rules promulgated by OPM[8] derive not from the statutory sections concerning veterans' preference that have been made applicable to the legislative branch through VEO but from OPM's overarching statutory authority to regulate and supervise civilian employment policies and practices in the executive branch pursuant to 5 USC §§1302–04. This latter supervisory authority arguably has not been bestowed upon the Board with respect to personnel management in the legislative branch. Therefore, a question is presented whether the Board's authority over veterans' preference is coextensive with OPM's authority to regulate personnel management in the executive branch. The Board must identify what parts of the veterans' preference regulations are an exercise of OPM's supervisory authority that arguably has not been bestowed upon the Board with respect to personnel management in the legislative branch, or determine that the statute authorizes the Board to exercise authority coextensive with OPM's authority to promulgate regulations governing the statutory sections made applicable through VEO.

Fourth. There is some indication that the Senate Committee on Veterans' Affairs was aware of the problem of applying the rights and protections of veterans' preference, including the regulations, to the legislative branch. The Senate Committee Report that accompanied the VEO bill included the following comment: ''The Committee notes that the requirement that veterans' preference principles be extended to the legislative and judicial branches does *not* mandate the creation of civil service-type evaluation or scoring systems by these hiring entities. *It does require, however, that they create systems that are consistent with the underlying principles of veterans' preference laws.*''[9]

But in enacting the legislation Congress took no further steps to codify this precatory statement nor did it (or the Committee) provide any explanation of the intent of this highly general comment.[10] Therefore, the question is presented whether the statute requires the creation of ''systems that are consistent with the underlying principles of veterans' preference laws''? If so, how is this to be effectuated? If not, what effect if any does this Committee comment have?

Fifth. By virtue of the selectivity with which Congress made veterans' preference laws applicable, there are regulations relating to veterans' preferences in Title 5 CFR that are not being considered because they are linked to statutory provisions not made applicable by VEO. Examples include regulations in Part 302 pertaining to the excepted service,[11] which were promulgated to implement 5 USC §3320; those regulations in Part 332 that implement 5 USC §3314 and §3315, which afford rights to preference eligible individuals who either have resigned or have been separated or furloughed without delinquency or misconduct; and those regulations in Subpart D of Part 315 that implement 5 USC §3316, which addresses the reinstatement rights of preference eligible individuals. The task of promulgating regulations that are the ''same'' as those of the executive branch will entail in part identifying and excluding those whose statutory underpinning has not been made applicable by VEO to the legislative branch.

Request for comment

In order to promulgate regulations that properly fulfill the directions and intent of these statutory provisions, especially in light of the foregoing analysis, the Board needs comprehensive information and comment on a variety of topics. The Board has determined that, before publishing proposed regulations for notice and comment, it will provide all interested parties and persons with this opportunity to submit comments, with supporting data, authorities and argument, as to the content of and bases for any proposed regulations. The Board wishes to emphasize, as it did in the development of the regulations issued to implement sections 202, 203, 204, 205, and 220 of the CAA, that commentors who propose a modification of the regulations promulgated by OPM for the executive branch, based upon an assertion of ''good cause,'' should provide specific and detailed information and the rationale necessary to meet the statutory requirements for good cause to depart from the executive branch's regulations. It is not enough for commentors simply to propose a revision to the executive branch's regulations or to request guidance on an issue; rather, if commentors desire a change in the executive branch's regulations, they must explain the legal and factual basis for the suggested change. The Board must have these explanations and information if it is to be able to evaluate proposed regulations and make proposed regulatory changes. Failure to provide such information and authorities will greatly impede, if not prevent, adoption of proposals suggested by commentors.

So that it may make more fully informed decisions regarding the promulgation and issuance of regulations, in addition to inviting and encouraging comments on all relevant matters, the Board specifically requests comments on the following issues:

(1) What positions, if any, of the legislative branch encumbered by ''covered employees''

[6] The definition of ''covered employee'' under section VEO §4(c)(1) has the same meaning as the term under section 101 of the CAA, 2 USC §1302, which includes any employee of the House of Representatives, the Senate, the Capitol Guide Service, the Capitol Police, the Congressional Budget Office, the Office of the Architect of the Capitol, the Office of the Attending Physician, the Office of Compliance, or the Office of Technology Assessment. Under VEO §4(c)(5), the following employees are excluded from the term ''covered employee'': (A) presidential appointees confirmed by the Senate, (B) employees appointed by a Member of Congress or by a committee or subcommittee of either House of Congress, and (C) employees holding positions the duties of which are equivalent to those in Senior Executive Service.

[7] Compare VEO §4(c)(3)(B) with CAA §§202(d)(2), 203(c)(2), 204(c)(2), 205(c)(2), 206(c)(2), 210(e)(2), 215(d)(2), 220(d)(2)(A).

[8] See, e.g. 5 CFR §351.205 (''The Office of Personnel Management may establish further guidance and instructions for planning preparation, conduct and review of reduction in force through the Federal Personnel Manual System. OPM may examine an agency's preparations for reduction in force at any stage.'').

[9] Sen. Rept. 105–340, 105 Cong., 2d Sess. at 17 (Sept. 21, 1998).

[10] Compare Administrative Office of the United States Courts Personnel Act of 1990, Pub. L. 101–474, 104 Stat. 1097, §3. Individuals in this office of the judicial branch are afforded the right to veterans' preference ''in a manner and to an extent consistent with preference accorded to preference eligibles in the executive branch.'' §3(a)(11). However, the Congress also empowered the Director of the Administrative Office to establish by regulation a personnel management system that parallels many of the features of the executive branch's personnel system regulated by OPM. VEO contains no comparable provisions giving similar powers to the Board or any other legislative branch entity.

[11] For a description of the ''excepted service,'' see note 4 infra.

(as defined by §4(c)(1) of VEO) fall within the meaning of the ''competitive service'' as the latter term is used in 5 USC §§3309–3312?

(2) In the absence of any such ''competitive service'' positions in the legislative branch, what, if any, positions held by ''covered employees'' are subject to a merit-based system of appointment (which may include examinations, testing, evaluation, scoring and such other elements that are common to the ''competitive service'' of the executive branch)?

(3) Does VEO authorize the Board to extend the rights and protections of veterans' preference for purposes of appointment to those positions identified in (2) above notwithstanding they are not technically ''competitive service'' positions?

(4) In order to provide for effective implementation of veterans' preference rights, could the Board, under the ''good cause'' provision of §4(c)(4)(B) and VEO, modify the most relevant substantive regulations of the executive branch pertaining to veterans' preference in the appointment of ''covered employees'' so as to make them applicable to the legislative branch without reference to the ''competitive service''?

(5) How would the rights and protections of subchapter I of chapter 35, Title 5 USC (pertaining to retention during RIFs), be applied to ''covered employees'' (as defined by §4(c)(1) of VEO)?

(6) Does VEO authorize the Board to extend the rights and protections of veterans' preference for purposes of retention during reductions in force to ''covered employees'' holding positions that are not technically within the ''competitive service'' or the ''excepted service''?

(7) In order to provide for effective implementation of veterans' preference rights, could the Board, under the ''good cause'' provision of §4(c)(4)(B) of VEO, modify the most relevant substantive regulations of the executive branch pertaining to veterans' preference in the retention of ''covered employees'' during reductions in force so as to make them applicable to the legislative branch without reference to the ''competitive service'' or the ''excepted service''?

(8) In view of the fact that VEO does not explicitly grant the Board the authority exercised by OPM under 5 USC §§1103, 1104, 1301 and 1302 to execute, administer, and enforce the federal civil service system, does the Board have the authority to propose regulations that would vest the Board with responsibilities similar to OPM's over employment practices involving covered employees in the legislative branch?

(9) Is the Board empowered by the statute to give effect to the comment in the legislative history that employing offices of the legislative branch should ''create systems that are consistent with the underlying principles of veterans' preference laws,'' as discussed by the Senate Report accompanying the bill enacted as VEO (Sen. Rept. 105–340, 105th Cong., 2d Sess., at 17 (Sept. 21, 1998)? If so, how should such effect be given?

(10) Under VEO, what steps, if any, must employing offices of the legislative branch take to ''create systems that are consistent with the underlying principles of veterans' preference laws,'' as discussed by the Senate Report accompanying the bill enacted as VEO (Sen. Rept. 105–340 (105th Cong., 2d Sess. Sept. 21, 1998), at 17)?

(11) With respect to positions restricted to preference eligible individuals under 5 USC §3310, namely guards, elevator operators, messengers, and custodians, the Board seeks information and comment on the following issues and questions:

(a) The identity, in the legislative branch, of guard, elevator operator, messenger, and custodian positions within the meaning of these terms under 5 USC §3310.

(b) The identity of covered employing offices responsible for personnel decisions affecting employees who fill positions of guard, elevator operator, messenger, and custodian within the meaning of 5 USC §3310 and the implementing regulations.

(c) Would police officers and other employees of the United States Capitol Police be considered ''guards'' under the application of the rights and protections of this section to covered employees under VEO?

(d) Whether the current methods of hiring include an entrance examination within the meaning of 5 CFR §330.401 and, if not, whether the affected employing offices believe that the statute mandates the creation of such an examination and/or allows such an examination to be required of the employing offices?

(e) What changes, if any, in the regulations are required to effectuate the rights and protections of 5 USC §3310 as applied by VEO?

(12) Which executive branch regulations, if any, should not be adopted because they are promulgated to implement inapplicable statutory provisions of veterans' preference law or are otherwise inapplicable to the legislative branch?

(13) What modification, if any, of the executive branch regulations would make them more effective for the implementation of the rights and protections made applicable under VEO as provided by VEO §4(c)(4)(B)?

Signed at Washington, DC, on this 16th day of February, 2000.

GLEN D. NAGER,
Chair of the Board,
Office of Compliance.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

6520. A letter from the Under Secretary, Research Education, and Economics, Department of Agriculture, transmitting the Department's final rule —Stakeholder Input Requirements for Recipients of Agricultural Research, Education, and Extension Formula Funds (RIN: 0584–AA23) received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

6521. A letter from the Under Secretary, Acquisition and Technology, Department of Defense, transmitting the annual report detailing test and evaluation activities of the Foreign Comparative Testing Program during FY 1999, pursuant to 10 U.S.C. 2350a(g); to the Committee on Armed Services.

6522. A letter from the Assistant Secretary of Defense, Health Affairs, Department of Defense, transmitting Final Report Chiropractic Health Care Demonstration Program; to the Committee on Armed Services.

6523. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting the 2000 ''International Narcotics Control Strategy Report,'' pursuant to 22 U.S.C. 2291(b)(2); to the Committee on International Relations.

6524. A letter from the Acting Deputy Associate Administrator for Acquisition Policy, Office of Governmentwide Policy, GSA, Department of Defense, transmitting the Department's final rule—Federal Acquisition Regulation; Foreign Acquisition (Part 25 Rewrite) [FAC 97–15; FAR Case 97–024; Item II] (RIN: 9000–AH30) received January 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

6525. A letter from the Director, Executive Office of the President, Office of Administration, transmitting the Integrity Act reports for each of the Executive Offices of the President, as required by the Federal Managers' Financial Integrity Act; to the Committee on Government Reform.

6526. A letter from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Northeastern United States; Atlantic Surf Clam and Ocean Quahog Fishery; Suspension of Minimum Surf Clam Size for 2000 [I.D. 122299B] received January 21, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

6527. A letter from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Pacific Yellow Tuna Fisheries; Closure of U.S. Purse Seine Fishery for Yellowfin Tuna in the Eastern Pacific Ocean [Docket No. 991207319–9319–01; I.D. 120899A] received January 21, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

6528. A letter from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Closures of Specified Groundfish Fisheries in the Gulf of Alaska [Docket No. 991223348–9348–01; I.D. 122399A] received January 21, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

6529. A letter from the Chief Justice, Supreme Court of the United States, transmitting a copy of the Report of the Proceedings of the Judicial Conference of the United States, held in Washington D.C., on September 15, 1999, pursuant to 28 U.S.C. 331; to the Committee on the Judiciary.

6530. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Establishment of Class E Airspace; Garrison, ND [Airspace Docket No. 99–AGL–51] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6531. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Burlington, VT [Airspace Docket No. 99–ANE–93] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6532. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Burlington, VT [Airspace Docket No. 99–ANE–94] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6533. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; O'Neill, NE [Airspace Docket No. 99–ACE–55] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6534. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Grand Island, NE [Airspace Docket No. 99–ACE–56] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6535. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Ord, NE [Airspace Docket No. 00–ACE–2] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the

Committee on Transportation and Infrastructure.

6536. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Remove Class D and Class E Airspace; Kansas City, Richards-Gebaur Airport, MO [Airspace Docket No. 00–ACE–4] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6537. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Creston, IA [Airspace Docket No. 00–ACE–1] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6538. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Monticello, IA [Airspace Docket No. 00–ACE–5] received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6539. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Boeing Model 767 Series Airplanes [Docket No. 97–NM–186–AD; Amendment 39–11468; AD 99–26–09] (RIN: 2120–AA64) received February 11, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6540. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; McDonnell Douglas Model MD–11 Series Airplanes [Docket No. 99–NM–262–AD; Amendment 39–11463; AD 99–26–03] (RIN: 2120–AA64) received February 11, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6541. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Boeing Model 737–100, -200, and -200C Series Airplanes [Docket No. 98–NM–189–AD; Amendment 39–11466; AD 99-26–07] (RIN: 2120–AA64) received February 11, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6542. A letter from the Deputy Executive Secretary, Department of Health and Human Services, transmitting the Department's final rule—Tribal Temporary Assistance for Needy Families Program (Tribal TANF) and Native Employment Works (NEW) Program (RIN: 0970–AB78) received February 24, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

6543. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Comments on Items for Year 2000 Published Guidance Priority List [Notice 2000–10] received January 21, 2000, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

REPORTED BILL SEQUENTIALLY REFERRED

Pursuant to clause 5 of rule X the following action was taken by the Speaker:

H.R. 3244. Referred to the Committee on Ways and Means for a period ending not later than March 24, 2000, for consideration of such provisions of the bill and amendment recommended by the Committee on International Relations as fall within the jurisdiction of that committee pursuant to clause 1(s), rule X.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. FRANKS of New Jersey:

H.R. 3871. A bill to establish a Federal Internet Crimes Against Children computer training facility; to the Committee on the Judiciary.

By Mrs. JOHNSON of Connecticut (for herself, Mrs. THURMAN, and Mr. SHAYS):

H.R. 3872. A bill to amend the Internal Revenue Code of 1986 to allow individuals a deduction for qualified long-term care insurance premiums, use of such insurance under cafeteria plans and flexible spending arrangements, and a credit for individuals with long-term care needs; to the Committee on Ways and Means.

By Mr. KILDEE (for himself, Mr. SCOTT, and Mrs. MCCARTHY of New York):

H.R. 3873. A bill to assist local educational agencies in financing and establishing alternative education systems, and for other purposes; to the Committee on Education and the Workforce.

By Mr. RANGEL (for himself, Mr. GEPHARDT, Mr. BONIOR, Mr. MATSUI, Mr. COYNE, Mr. NEAL of Massachusetts, Mr. OBEY, Mr. LAFALCE, Mrs. MINK of Hawaii, Mr. SKELTON, Mr. STENHOLM, Mr. ACKERMAN, Mr. SPRATT, Mr. EVANS, Mr. WISE, Mr. SAWYER, Mr. SERRANO, Mr. ABERCROMBIE, Mr. ENGEL, Ms. DELAURO, Mr. NADLER, Mr. HINCHEY, Mr. BROWN of Ohio, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. STUPAK, Mr. WYNN, Mr. FORBES, Mr. KIND, Mr. STRICKLAND, Mr. MCGOVERN, Mr. TURNER, Mr. BOSWELL, Mr. HINOJOSA, Ms. SANCHEZ, Mr. SANDLIN, Mr. WU, Mr. HOLT, Mrs. CAPPS, Mr. MEEKS of New York, Mr. LARSON, Ms. BERKLEY, Mrs. NAPOLITANO, Mr. PHELPS, Mr. GONZALEZ, Mr. INSLEE, and Mr. UDALL of Colorado):

H.R. 3874. A bill to amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes; to the Committee on Ways and Means.

By Mr. COLLINS (for himself, Mr. TANNER, Mr. HAYWORTH, Mr. LEWIS of Georgia, Mrs. JOHNSON of Connecticut, and Mrs. THURMAN):

H.R. 3875. A bill to suspend temporarily the duty on certain steam or other vapor generating boilers used in nuclear facilities; to the Committee on Ways and Means.

By Mr. COYNE:

H.R. 3876. A bill to suspend temporarily the duty on Baytron P; to the Committee on Ways and Means.

By Mr. COYNE:

H.R. 3877. A bill to suspend temporarily the duty on dimethyl dicarbonate; to the Committee on Ways and Means.

By Mr. GEJDENSON:

H.R. 3878. A bill to authorize the Secretary of the Army to convey land to the town of Thompson, Connecticut, for fire fighting and emergency services purposes; to the Committee on Transportation and Infrastructure.

By Mr. GEJDENSON (for himself, Mr. MEEKS of New York, Mr. TOWNS, Mr. MCDERMOTT, Mr. SNYDER, Ms. LEE, Ms. MILLENDER-MCDONALD, and Mr. WEXLER):

H.R. 3879. A bill to support the Government of the Republic of Sierra Leone in its peacebuilding efforts, and for other purposes; to the Committee on International Relations, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. GRAHAM (for himself, Mr. GEORGE MILLER of California, and Mr. KILDEE):

H.R. 3880. A bill to increase the amount of student loans that may be forgiven for service as a teacher in a school with a high concentration of low-income students; to the Committee on Education and the Workforce.

By Mr. GRAHAM:

H.R. 3881. A bill to amend the Internal Revenue Code of 1986 to repeal the 1993 4.3-cent increases in motor fuel taxes; to the Committee on Ways and Means.

By Mr. INSLEE (for himself, Mr. DICKS, Mr. METCALF, Mr. SMITH of Washington, Mr. BAIRD, and Mr. MCDERMOTT):

H.R. 3882. A bill to require the Secretary of the Army to conduct studies and to carry out ecosystem restoration and other protective measures within Puget Sound, Washington, and adjacent waters, and for other purposes; to the Committee on Transportation and Infrastructure, and in addition to the Committee on Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. KUCINICH (for himself, Mr. METCALF, Mr. HINCHEY, Mr. CONYERS, Mr. SANDERS, Ms. WOOLSEY, and Ms. LEE):

H.R. 3883. A bill to amend the Federal Food, Drug, and Cosmetic Act with respect to the safety of genetically engineered foods; to the Committee on Commerce.

By Mr. LAFALCE (for himself, Mr. KANJORSKI, Mr. MALONEY of Connecticut, Ms. HOOLEY of Oregon, Mr. WEYGAND, Ms. LEE, Mr. FORBES, Mr. GUTIERREZ, Mr. SANDLIN, Mr. ROMERO-BARCELO, and Mrs. CHRISTENSEN):

H.R. 3884. A bill to amend section 203 of the National Housing Act to provide for 1 percent downpayments for FHA mortgage loans for teachers and public safety officers to buy homes within the jurisdictions of their employing agencies; to the Committee on Banking and Financial Services.

By Mr. LAHOOD (for himself and Mr. RUSH):

H.R. 3885. A bill to amend the Public Health Service Act to revise and extend the programs relating to organ procurement and transplantation; to the Committee on Commerce.

By Mr. LEACH (for himself, Mr. LAFALCE, Mrs. ROUKEMA, and Mr. VENTO):

H.R. 3886. A bill to combat international money laudering, and for other purposes; to the Committee on Banking and Financial Services.

By Mr. LEVIN (for himself, Mr. FOLEY, Mr. PALLONE, Mr. LEACH, Mr. MORAN of Virginia, Mr. BONIOR, and Ms. BERKLEY):

H.R. 3887. A bill to promote primary and secondary health promotion and disease prevention services and activities among the elderly, to amend title XVIII of the Social Security Act to add preventive benefits, and for other purposes; to the Committee on Commerce, and in addition to the Committees on Ways and Means, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mrs. MALONEY of New York:

H.R. 3888. A bill to amend the Federal Election Campaign Act of 1971 to require the disclosure of certain information by persons

conducting phone banks during campaigns for election for Federal office, and for other purposes; to the Committee on House Administration.

By Mrs. MCCARTHY of New York (for herself and Mr. GILMAN):

H.R. 3889. A bill to provide for the construction and renovation of child care facilities, and for other purposes; to the Committee on Banking and Financial Services.

By Mrs. MINK of Hawaii:

H.R. 3890. A bill to amend title II of the Social Security Act to provide that a monthly insurance benefit thereunder shall be paid for the month in which the recipient dies if the recipient dies after the first 15 days of such month, and for other purposes; to the Committee on Ways and Means.

By Mrs. MORELLA (for herself, Ms. PELOSI, Mrs. KELLY, Mrs. MALONEY of New York, Mr. BOEHLERT, and Mr. GREENWOOD):

H.R. 3891. A bill to amend the Public Health Service Act with respect to facilitating the development of microbicides to prevent the transmission of sexually transmitted diseases; to the Committee on Commerce.

By Mr. PALLONE:

H.R. 3892. A bill to amend the Marine Protection, Research, and Sanctuaries Act of 1972 to transfer to a Commission on Dredge Material Policy the authority to issue permits for transportation of dredged material for the purpose of dumping it into ocean waters; to the Committee on Transportation and Infrastructure.

By Mr. PALLONE:

H.R. 3893. A bill to amend the Marine Protection, Research, and Sanctuaries Act of 1972 to restrict ocean dumping at the site off the coast of New Jersey known as the ''Historic Area Remediation Site'', to dumping of dredged material having levels of contaminants that do not exceed background ambient contamination levels; to the Committee on Transportation and Infrastructure.

By Mr. PALLONE:

H.R. 3894. A bill to amend the Marine Protection, Research, and Sanctuaries Act of 1972 to restrict ocean dumping at the site off the coast of New Jersey known as the ''Historic Area Remediation Site'', to dumping of dredged material from States that have developed and made commercially available alternative uses for dredged material, and for other purposes; to the Committee on Transportation and Infrastructure.

By Mr. PASCRELL (for himself, Mrs. ROUKEMA, Mr. HOLT, Mr. ANDREWS, Mr. FRANKS of New Jersey, Mr. KENNEDY of Rhode Island, Mr. FRELINGHUYSEN, Mrs. MCCARTHY of New York, Mr. PALLONE, Mr. WYNN, and Mr. ROTHMAN):

H.R. 3895. A bill to provide for disclosure of fire safety standards and measures with respect to campus buildings, and for other purposes; to the Committee on Education and the Workforce.

By Mr. RAMSTAD (for himself, Mr. DAVIS of Virginia, Mr. EHRLICH, Mr. MORAN of Virginia, Mr. ROTHMAN, Ms. SANCHEZ, Mr. SHERMAN, Mr. STRICKLAND, and Mr. TERRY):

H.R. 3896. A bill to amend title I of the Omnibus Crime Control and Safe Streets Act of 1968 to provide standards and procedures to guide both State and local law enforcement agencies and law enforcement officers during internal investigations, interrogation of law enforcement officers, and administrative disciplinary hearings, to ensure accountability of law enforcement officers, to guarantee the due process rights of law enforcement officers, and to require States to enact law enforcement discipline, accountability, and due process laws; to the Committee on the Judiciary.

By Mr. REYES (for himself, Mr. CUMMINGS, Mr. HINOJOSA, Ms. ROYBAL-ALLARD, Mr. WYNN, Mrs. NAPOLITANO, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. RODRIGUEZ, Mr. GUTIERREZ, Mr. MARTINEZ, Mr. ROMERO-BARCELO, Mr. BECERRA, Mr. SERRANO, Mr. GONZALEZ, Mr. CROWLEY, and Ms. WATERS):

H.R. 3897. A bill to provide for digital empowerment, and for other purposes; to the Committee on Education and the Workforce, and in addition to the Committees on Commerce, Banking and Financial Services, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. ROHRABACHER (for himself, Mr. SENSENBRENNER, Mr. HALL of Texas, Mr. GORDON, Mr. WELDON of Florida, Mr. CALVERT, Mr. BARTLETT of Maryland, Mr. LUCAS of Oklahoma, Mr. COOK, and Ms. JACKSON-LEE of Texas):

H.R. 3898. A bill to amend the Internal Revenue Code of 1986 to exclude from Federal taxation certain income derived from the manufacture of products and provision of services in outer space; to the Committee on Ways and Means.

By Mrs. ROUKEMA (for herself, Mr. DREIER, Mr. ROYCE, Mr. METCALF, Mr. LAFALCE, Mr. VENTO, Mr. BENTSEN, and Mr. KANJORSKI):

H.R. 3899. A bill to merge the deposit insurance funds at the Federal Deposit Insurance Corporation; to the Committee on Banking and Financial Services.

By Mrs. ROUKEMA (for herself, Mr. LEACH, Mr. MCCOLLUM, Mr. BEREUTER, Mr. BAKER, Mr. BACHUS, Mr. CASTLE, Mr. KING, Mrs. KELLY, Mr. PAUL, Mr. METCALF, Mr. LUCAS of Oklahoma, Mr. ENGLISH, Mr. SWEENEY, Mr. HILL of Montana, Mr. JONES of North Carolina, Mr. SESSIONS, Mr. TERRY, and Mr. MANZULLO):

H.R. 3900. A bill to repeal the authority of the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System to impose examination fees on State depository institutions; to the Committee on Banking and Financial Services.

By Ms. SCHAKOWSKY:

H.R. 3901. A bill to amend the Truth in Lending Act, the Revised Statutes of the United States, the Home Mortgage Disclosure Act of 1975, the Home Ownership and Equity Protection Act of 1994 to protect consumers from predatory lending practices, and for other purposes; to the Committee on Banking and Financial Services.

By Mr. TRAFICANT:

H.R. 3902. A bill to impose a civil penalty on any energy-producing company that implements an unreasonable price increase for crude oil, residual fuel oil, or refined petroleum products; to the Committee on Commerce.

By Mr. DEUTSCH (for himself, Mr. ACKERMAN, Mr. ANDREWS, Mr. BAKER, Mr. BERMAN, Mrs. BONO, Mr. BROWN of Ohio, Mr. CANNON, Mr. CHABOT, Mr. DIAZ-BALART, Mr. DOOLITTLE, Mr. FORBES, Mr. GONZALEZ, Mr. HINCHEY, Mr. HOEFFEL, Mr. JEFFERSON, Mr. KING, Mrs. LOWEY, Mr. MCINTOSH, Mr. MCNULTY, Mr. MARTINEZ, Mr. PAYNE, Mr. ROGAN, Mr. ROHRABACHER, Mr. ROYCE, Mr. SANDLIN, Mr. SCHAFFER, Mr. STARK, Mr. TANCREDO, Mr. WEXLER, and Mr. WYNN):

H. Con. Res. 272. Concurrent resolution commending the people of Taiwan for reaffirming, in their upcoming presidential elections, their dedication to democratic ideals, and for other purposes; to the Committee on International Relations.

By Mr. GEJDENSON (for himself, Mr. GILMAN, Mr. SANDERS, Mr. LARSON, Mr. HINOJOSA, Mr. CLEMENT, Mr. GILCHREST, Mr. MINGE, Ms. DANNER, Mr. BARCIA, Mr. BURR of North Carolina, and Mr. WALSH):

H. Con. Res. 273. Concurrent resolution expressing the sense of Congress concerning drawdowns of the Strategic Petroleum Reserve; to the Committee on Commerce.

By Mr. KLINK (for himself, Mr. BALDACCI, Mr. MURTHA, Mr. HOLDEN, Mr. COYNE, Mr. BRADY of Pennsylvania, Mr. GEJDENSON, Mr. WYNN, Mr. OLVER, Mr. SANDERS, Mr. WEYGAND, and Mr. MALONEY of Connecticut):

H. Con. Res. 274. Concurrent resolution expressing the sense of the Congress concerning drawdowns of the Strategic Petroleum Reserve; to the Committee on Commerce.

By Mr. WEXLER (for himself, Mr. PRICE of North Carolina, Mr. ROHRABACHER, Mr. KUCINICH, and Mr. MEEKS of New York):

H. Con. Res. 275. Concurrent resolution expressing the sense of the Congress with regard to Iraq's failure to release prisoners of war from Kuwait and nine other nations in violation of international agreements; to the Committee on International Relations.

By Mr. GEKAS (for himself, Mr. BENTSEN, Mr. CALLAHAN, Mrs. MORELLA, Mr. NETHERCUTT, Ms. PELOSI, and Mr. PORTER):

H. Res. 437. A resolution to express the sense of the House of Representatives that the Federal investment in biomedical research should be increased by $2,700,000,000 in fiscal year 2001; to the Committee on Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 3 of rule XII,

Mr. YOUNG of Alaska introduced a bill (H.R. 3903) to deem the vessel M/V Mist Cove to be less than 100 gross tons, as measured under chapter 145 of title 46, United States Code; which was referred to the Committee on Transportation and Infrastructure.

ADDITIONAL SPONSORS

Under clause 7 of rule XII, sponsors were added to public bills and resolutions as follows:

H.R. 3: Mrs. CHENOWETH-HAGE.
H.R. 27: Mr. MANZULLO.
H.R. 40: Mr. TRAFICANT.
H.R. 72: Mr. MICA.
H.R. 82: Mr. SAXTON and Mr. BARTLETT of Maryland.
H.R. 86: Mr. BUYER.
H.R. 90: Mr. GEJDENSON.
H.R. 107: Mr. VITTER.
H.R. 303: Mr. DOYLE, Mr. DOOLEY of California, Mr. SHAYS, Mr. ISAKSON, and Mr. HINOJOSA.
H.R. 363: Mr. FOLEY, Mr. PASTOR, Mr. STRICKLAND, and Ms. ESHOO.
H.R. 373: Mr. SESSIONS.
H.R. 488: Mr. FORD and Ms. CARSON.
H.R. 515: Ms. RIVERS.
H.R. 519: Mr. WHITFIELD.
H.R. 618: Mr. BACHUS.
H.R. 623: Mr. SHADEGG.
H.R. 664: Mr. MOAKLEY.
H.R. 701: Mr. SYNDER and Mr. GOODLING.
H.R. 780: Mr. MCHUGH, Ms. CARSON, and Mr. BISHOP.

H.R. 802: Mr. BOSWELL, Mr. BAIRD, Mr. YOUNG of Florida, Mr. FLETCHER, Mr. REYES, Mr. WYNN, Ms. BERKLEY, and Mrs. MINK of Hawaii.
H.R. 809: Mr. FORBES.
H.R. 816: Mr. ROTHMAN and Mrs. MALONEY of New York.
H.R. 827: Mr. BAIRD.
H.R. 829: Ms. WOOLSEY.
H.R. 852: Mr. MINGE.
H.R. 864: Mr. DEAL of Georgia, Mr. BARR of Georgia, Mr. SMITH of Texas, and Ms. GRANGER.
H.R. 865: Mr. ABERCROMBIE.
H.R. 870: Mr. HILLEARY.
H.R. 896: Mr. NUSSLE and Mr. SESSIONS.
H.R. 937: Mr. GOODLING.
H.R. 979: Mrs. JONES of Ohio, Mr. BOSWELL, Mr. DEFAZIO, and Mr. SMITH of Washington.
H.R. 997: Mr. SESSIONS.
H.R. 1016: Mr. HERGER, Mr. COBURN, Mr. TANCREDO, Mr. PAUL, Mr. TOOMEY, Mr. PITTS, Mr. TERRY, and Mr. BARTLETT of Maryland.
H.R. 1020: Mr. ANDREWS and Mr. SISISKY.
H.R. 1021: Mr. CONYERS.
H.R. 1041: Mr. ROGAN.
H.R. 1046: Ms. DELAURO.
H.R. 1071: Mr. UDALL of New Mexico.
H.R. 1093: Mr. RYAN of Wisconsin.
H.R. 1102: Mr. TERRY and Mr. FORD.
H.R. 1194: Mr. FROST.
H.R. 1221: Mr. LAHOOD.
H.R. 1315: Mr. KUYKENDALL.
H.R. 1349: Mr. DEFAZIO.
H.R. 1352: Mr. HOLT.
H.R. 1367: Mr. BOSWELL.
H.R. 1413: Mr. SAM JOHNSON of Texas.
H.R. 1422: Ms. STABENOW and Mr. OBERSTAR.
H.R. 1505: Mr. GREENWOOD and Mr. HOLDEN.
H.R. 1509: Mr. NORWOOD, Mrs. FOWLER, Ms. MCKINNEY, Mr. LEWIS or Georgia, Mr. TAYLOR of Mississippi, Mr. LEACH, and Ms. LOFGREN.
H.R. 1621: Mr. REYES and Mr. TAYLOR of Mississippi.
H.R. 1650: Ms. BERKLEY.
H.R. 1728: Mr. ANDREWS.
H.R. 1795: Mr. CUMMINGS and Mr. LEACH.
H.R. 1870: Mr. MCNULTY, Mr. KENNEDY of Rhode Island, Mrs. MYRICK, and Ms. GRANGER.
H.R. 1926: Mr. TRAFICANT.
H.R. 2000: Mr. PICKETT, Mr. JENKINS, Mr. WHITFIELD, and Mr. DOOLITTLE.
H.R. 2059: Mr. FILNER.
H.R. 2088: Mr. ISAKSON.
H.R. 2100: Mr. FRANK of Massachusetts and Mr. PRICE of North Carolina.
H.R. 2101: Mr. UPTON.
H.R. 2121: Mr. CANNON.
H.R. 2129: Mr. ROGAN, Mr. BISHOP, Mr. SHOWS, Mr. OXLEY, Mr. HILLEARY, Ms. MCKINNEY, and Mr. OSE.
H.R. 2267: Mr. OBEY and Mr. PETRI.
H.R. 2362: Mr. OXLEY.
H.R. 2372: Mr. RADANOVICH.
H.R. 2409: Mr. OBERSTAR.
H.R. 2459: Mr. REYES, Ms. MILLENDER-MCDONALD, and Mr. MCGOVERN.
H.R. 2550: Mr. OSE.
H.R. 2594: Mr. ROTHMAN.
H.R. 2631: Mr. CLYBURN, Mrs. THURMAN, Mr. DEFAZIO, and Mr. UDALL of Colorado.
H.R. 2660: Mr. HASTINGS of Florida.
H.R. 2697: Mr. ROMERO-BARCELO.
H.R. 2738: Mr. BLUMENAUER.
H.R. 2765: Ms. LOFGREN, Mr. FORBES, Mr. HOEFFEL, Mr. WEXLER, and Mrs. MORELLA.
H.R. 2812: Mr. HILLIARD, Mr. EVANS, Mrs. MEEK of Florida, Ms. SLAUGHTER, Mr. OBERSTAR, Mrs. JONES of Ohio, Mr. OWENS, Mr. RANGEL, Mr. STRICKLAND, Mr. JACKSON of Illinois, Mr. STUPAK, and Ms. CARSON.
H.R. 2817: Mr. PRICE of North Carolina and Mr. LUCAS of Kentucky.
H.R. 2836: Mr. BAKER.
H.R. 2867: Mr. TANCREDO and Mr. SOUDER.
H.R. 2870: Mr. RAHALL.
H.R. 2892: Ms. DELAURO.
H.R. 2894: Mr. UPTON.
H.R. 2915: Mr. EVANS and Mr. GORDON.
H.R. 2919: Mr. SOUDER.
H.R. 2934: Mr. KUCINICH, Mr. CONYERS, Mr. JEFFERSON, Mr. CLEMENT, Ms. MILLENDER-MCDONALD, Mrs. CLAYTON, Mrs. THURMAN, Mrs. TAUSCHER, Ms. LEE, Ms. LOFGREN, Mr. STARK, Mr. PAYNE, Mr. BOUCHER, and Mr. HINCHEY.
H.R. 2965: Mr. DIXON.
H.R. 2966: Mr. HINOJOSA.
H.R. 2973: Mr. MCHUGH.
H.R. 2991: Mr. HAYWORTH and Mr. JENKINS.
H.R. 3008: Mr. HINCHEY, Ms. MCKINNEY, and Ms. DELAURO.
H.R. 3054: Mr. BLUMENAUER, Mr. MORAN of Virginia, Mr. BONIOR, and Mr. MCGOVERN.
H.R. 3071: Mrs. CLAYTON.
H.R. 3083: Mr. MALONEY of Connecticut and Mr. ROMERO-BARCELO.
H.R. 3091: Mr. CONYERS.
H.R. 3174: Mr. BARR of Georgia, Mr. KOLBE, and Mr. WAMP.
H.R. 3193: Mr. LATHAM.
H.R. 3195: Mr. FILNER, Mr. GILCHREST, Mr. DIXON, and Mr. CLEMENT.
H.R. 3202: Mr. SMITH of New Jersey.
H.R. 3210: Ms. MCKINNEY.
H.R. 3249: Mr. FILNER and Mr. WAXMAN.
H.R. 3273: Ms. LOFGREN, Mr. FROST, Mr. ABERCROMBIE, and Mr. MCGOVERN.
H.R. 3294: Mr. RILEY.
H.R. 3301: Mr. QUINN, Ms. MCKINNEY, and Mrs. ROUKEMA.
H.R. 3320: Mr. GOODLING.
H.R. 3328: Mr. GEJDENSON.
H.R. 3375: Mr. LAMPSON, Mr. ETHERIDGE, Mr. BARRETT of Nebraska, Ms. STABENOW, and Ms. JACKSON-LEE of Texas.
H.R. 3396: Mr. KUYKENDALL, Mr. ROGAN, Mr. BERMAN, Mr. DOOLITTLE, Mr. DREIER, and Mrs. BONO.
H.R. 3460: Mr. BURTON of Indiana.
H.R. 3508: Ms. HOOLEY of Oregon, and Mr. PAYNE.
H.R. 3514: Ms. PRYCE of Ohio, Mr. DIAZ-BALART, Mr. KENNEDY of Rhode Island, Mr. BROWN of Ohio, Ms. CARSON, and Mr. TIERNEY.
H.R. 3519: Ms. CARSON.
H.R. 3543: Ms. CARSON, Mr. ETHERIDGE, and Ms. STABENOW.
H.r. 3456: Mr. FRANK of Massachusetts, Mr. HOEFFEL, Mr. MEEKS of New York. Mr. TIERNEY, Mr. CUMMINGS, Mr. DELAHUNT, Ms. LEE, Ms. HOOLEY of Oregon, Mrs. MORELLA, Mr. MARKEY, Ms. LOFGREN, Mr. KUCINICH, Mr. INSLEE, Mr. EVANS, Mr. LIPINSKI, Ms. DEGETTE, Mr. GILMAN, Mr. GOODLING, Mr. RANGEL, Ms. MILLENDER-MCDONALD, Ms. MCKINNEY, Mr. HINCHEY, and Mr. KUYKENDALL.
H.R. 3573: Mr. THUNE, Mr. HINOJOSA, Mr. MCNULTY, Mr. COLLINS, Mr. HYDE, Mr. BAIRD, and Mr. KILDEE.
H.R. 3575: Mr. GORDON, Mr. MCGOVERN, Mr. SMITH of Washington, Mr. BARRETT of Wisconsin, and Mr. DUNCAN.
H.R. 3582: Mr. GOODLING.
H.R. 3593: Mr. EWING, Mr. CONDIT, Mr. BARRETT of Nebraska, and Mr. THOMPSON of California.
H.R. 3594: Mrs. EMERSON, Mr. INSLEE, Mrs. TAUSCHER, Mr. MCCOLLUM, Mr. FRELINGHUYSEN, Mr. BOEHNER, Mr. SIMPSON, Ms. CARSON, Mr. CONDIT, Mr. MINGE, Mr. SPRATT, and Mr. KIND.
H.R. 3613: Mr. BALDACCI, Mr. GONZALEZ, and Mr. GUTIERREZ.
H.R. 3626: Mr. HAYWORTH.
H.R. 3629: Mr. THUNE.
H.R. 3634: Mr. CAPUANO, Ms. DEGETTE, Ms. CARSON, and Mrs. MEEK of Florida.
H.R. 3639: Ms. JACKSON-LEE of Texas, Mr. ABERCROMBIE, Mr. SISISKY, Mr. KANJORSKI, and Mr. GEJDENSON.
H.R. 3644: Mr. MALONEY of Connecticut and Mr. MCGOVERN.
H.R. 3655: Ms. CARSON, Ms. LOFGREN, Mr. STENHOLM, and Mr. PAYNE.
H.R. 3660: Mr. BATEMAN, Mr. SMITH of Michigan, Mr. LUCAS of Kentucky, Mr. HAYWORTH, and Mr. LATHAM.
H.R. 3692: Mr. CALVERT.
H.R. 3694: Mr. MCNULTY.
H.R. 3695: Mr. NUSSLE, Mr. HOEKSTRA, Mr. SESSIONS, and Mr. SALMON.
H.R. 3698: Mr. WAXMAN, Mr. SCOTT, Ms. DEGETTE, Mr. LEWIS of Kentucky, Mr. HILLEARY, and Mr. RAHALL.
H.R. 3700: Mr. MCHUGH, Mr. HINCHEY, and Mr. LIPINSKI.
H.R. 3702: Ms. EDDIE BERNICE JOHNSON of Texas.
H.R. 3709: Mr. COOK, Mr. DEFAZIO and Ms. MILLENDER-MCDONALD.
H.R. 3710: Mr. BONIOR, Mr. MARKEY, Mr. REYES, Mr. MURTHA, Mr. DELAHUNT, Mr. HOEFFEL, and Mr. WHITFIELD.
H.R. 3732: Ms. BALDWIN and Mr. FRANK of Massachusetts.
H.R. 3767: Mr. GALLEGLY.
H.R. 3807: Ms. PELOSI and Mr. WEINER.
H.R. 3809: Mr. BALDACCI.
H.R. 3825: Mr. LEACH.
H.R. 3842: Mr. BALDACCI, Mr. CARDIN, and Mr. FATTAH.
H.R. 3844: Mr. COLLINS, Mr. DREIER, Mr. HERGER, Mr. BILBRAY, Mr. ROHRABACHER, Mrs. CHENOWETH-HAGE, Mr. MCKEON, Mr. BARTLETT of Maryland, Mrs. BONO, Mr. MCHUGH, and Mr. CALVERT.
H.J. Res. 90: Mr. NORWOOD.
H. Con. Res. 115: Mr. BENTSEN and Mr. HOYER.
H. Con. Res. 119: Mr. BILIRAKIS.
H. Con. Res. 225: Mr. FROST, Mr. NEAL of Massachusetts, Mr. FRANK of Massachusetts, Ms. LOFGREN, Mr. ROMERO-BARCELO, Mr. ANDREWS, Mr. GUTIERREZ, Mr. ROTHMAN, Mr. RAHALL, Mr. ROHRABACHER, and Mr. BAIRD.
H. Con. Res. 250: Mr. RANGEL and Mr. WATT of North Carolina.
H. Con. Res. 253: Mr. WELDON of Florida, Mr. CHABOT, Mr. PAUL, Mrs. CHENOWETH-HAGE, Mr. TOOMEY, Mr. SANFORD, Mr. SHADEGG, Mr. DICKEY, Mr. SMITH of Michigan, Mr. SAM JOHNSON of Texas, Mr. SUNUNU, Mr. LARGENT, Mr. COBURN, Mr. BURTON of Indiana, and Mr. SOUDER.
H. Con. Res. 254: Mr. GIBBONS, Mr. CANNON, Mr. WALDEN of Oregon, Mr. STUMP, Mr. THUNE, and Mr. HAYWORTH.
H. Con. Res. 261: Ms. EDDIE BERNICE JOHNSON of Texas.
H. Con. Res. 265: Mr. GILMAN.
H. Con. Res. 267: Mr. NADLER.
H. Res. 107: Mr. ACKERMAN, Mr. MCDERMOTT, and Mr. HILLIARD.
H. Res. 187: Mr. FORBES.
H. Res. 213: Mr. BUYER, Ms. DELAURO, and Mrs. THURMAN.
H. Res. 397: Ms. CARSON and Mr. DOOLEY of California.
H. Res. 429: Mr. BONIOR, Mr. ROMERO-BARCELO, Mr. ROGAN, Mr. BILBRAY, Mr. FALEOMAVAEGA, Ms. LEE, and Mr. WYNN.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 7 of rule XII, sponsors were deleted from public bills and resolutions as follows:

H.R. 3575: Mr. FRANK of Massachusetts.
H.J. Res. 89: Mr. ROHRABACHER.
H.J. Res. 90: Mr. ROHRABACHER.
H. Res. 396: Mr. BERMAN.

DISCHARGE PETITIONS—ADDITIONS OR DELETIONS

The following Members added their names to the following discharge petitions:

Petition 8, by Mr. STARK on House Resolution 372: Ronnie Shows, Shelley Berkley, and Frank Mascara.