

PROVIDING FOR THE CONSIDERATION OF H.R. 2488, THE
FINANCIAL FREEDOM ACT OF 1999

JULY 21 (legislative day, July 20, 1999.—Referred to the House Calendar and
ordered to be printed

Ms. PRYCE of Ohio, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 256]

The Committee on Rules, having had under consideration House Resolution 256 by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF RESOLUTION

The resolution provides for the consideration of H.R. 2488, the “Financial Freedom Act of 1999,” under a structured rule. The rule provides two hours of debate in the House divided equally between the chairman and ranking minority member of the Committee on Ways and Means. The rule waives all points of order against consideration of the bill.

The rule makes in order the amendment recommended by the Committee on Ways and Means, as modified by the amendments printed in Part A of this report. The rule further provides for consideration of an amendment in the nature of a substitute offered by Representative Rangel or his designee printed in Part B of this report which shall be considered as read and shall be debatable for one hour equally divided and controlled by the proponent and an opponent. The rule also waives all points of order against the amendment printed in Part B of this report.

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

The waiver of all points of order against consideration of the bill includes a waiver of clause 3(c)(2) of rule XIII (requiring the inclusion in the report of a statement on certain budget matters if the measures includes new budget, entitlement or credit authority or an increase or decrease in revenue), clause 3(c)(3) of rule XIII (re-

quiring the inclusion in the report of a CBO cost estimate), clause 3(e)(1)(B) of rule XIII (requiring the inclusion in the report of a comparative print showing the changes in existing law as called for under the reported bill) and section 311(a) of the Congressional Budget Act of 1974 (prohibiting consideration of legislation or an amendment that would cause the total level of new budget authority or outlays in the most recent budget resolution to be exceeded or would cause revenues to be less).

The waivers of clauses 3(c)(2) and (3) of rule XIII are necessary because the report of the Committee on Ways and Means (H. Rept. 106-238) did not include a cost estimate as required by section 308 of the Congressional Budget Act or a CBO cost estimate as it was not available. However, the CBO cost estimate is included in this report. The report also did not include a Ramseyer print, necessitating the waiver of clause 3(e)(1)(B) of rule XIII. Finally, the bill as reported by the Ways and Means Committee causes a breach in the revenue floor allocated to the committee over the next five fiscal years.

The waivers of all points of order against the amendment printed in Part B of this report includes a waiver of clause 7 of rule XVI (prohibiting nongermane amendments) as the provisions of the amendment in nature of a substitute relating to school construction are not germane to the bill as modified by the amendments printed in Part A of this report.

The following is the CBO cost estimate on H.R. 2488 provided for the Committee on Ways and Means on July 20, 1999.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 20, 1999.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2488, the Financial Freedom Act of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Hester Grippando.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director.)

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 2488—Financial Freedom Act of 1999

Summary: H.R. 2488 would provide for a variety of phased-in tax reductions, including a 10 percent across-the-board cut in income tax rates and a repeal of the alternative minimum tax, an increase in the standard deduction for married couples, an exclusion for some interest and dividend income, a new deduction for some health insurance expenses, a reduction in the capital gains rate, and a repeal of estate taxes. The Congressional Budget Office and the Joint Committee on Taxation (JCT) estimate that H.R. 2488

would decrease government receipts by \$4.5 billion in fiscal year 2000, by about \$200 billion over the 2000–2004 period, and by about \$860 billion over the 2000–2009 period. In addition, the legislation would increase direct spending by \$25 million over the 2000–2004 period and by \$73 million over the 2000–2009 period. Because the bill would affect receipts and their spending, pay-as-you-go procedures would apply.

H.R. 2488 contains two new intergovernmental mandates, the costs of which would not exceed the threshold for intergovernmental mandates (\$50 million in fiscal year 1996, adjusted annually for inflation) established in the Unfunded Mandates Reform (UMRA). The bill also contains 11 new private-sector mandates. The costs of those mandates would exceed the threshold established by UMRA for private-sector mandates (\$100 million in fiscal year 1996, adjusted annually for inflation) in fiscal years 2000 through 2004.

Estimated cost to the Federal Government: The estimated budgetary impact of the bill in the following table.

	By fiscal year in millions of dollars—					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated revenues						
On-Budget	0	–4,543	–25,515	–46,728	–57,713	–65,259
Off-Budget	0	0	–31	–46	–49	–52
Total change in Revenues	0	–4,543	–25,546	–46,774	–57,762	–65,311
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	2	0	2	2	6
Estimated Outlays	0	2	2	6	5	9

Note.—Implementing the bill would also increase spending subject to appropriation, but CBO estimated that such costs would not be significant.

Sourced: Congressional Budget Office and Joint Committee on Taxation.

Basis of estimate: All estimates, with the exception of the following provisions, were prepared by JCT.

Revenues

Accelerate the Repeal of the FUTA Surtax.—The Federal Unemployment Tax Act (FUTA) imposes on employers an effective tax of 0.8 percent on this first \$7,000 in wages paid annually to each employee. This 0.8 percent includes a 0.2 percent surtax scheduled to expire on December 31, 2007. The bill would accelerate the expiration date to December 31, 2004.

Revenues from the FUTA tax are deposited into federal unemployment trust funds, which are statutorily capped. Under current law, CBO projects that the amounts in the federal trust funds will exceed the caps beginning in 2003. Amounts above the caps are transferred to state unemployment compensation trust funds. Since the state funds are included in the unified federal budget, this transfer will have no net budgetary effect. However, CBO expects that states would respond to this transfer by lowering their unemployment taxes so that their trust fund balances would remain constant.

The bill would lower the amount of revenues deposited into the federal trust funds and thus would reduce the amounts flowing to

the state funds. CBO assumes that in the year following each lowered transfer, states would respond by not lowering their unemployment taxes as much as they would have, thus increasing revenues relative to current law. CBO estimates that the measure would reduce governmental receipts by \$1,029 million in fiscal year 2005 and by lesser amounts in 2006 and 2007. CBO estimates increases of receipts in fiscal years 2008 and 2009. Over the 2005–2009 period, CBO estimates that the measure would have no net impact on governmental receipts.

IRS Users Fees.—The bill would adjust and extend the authority of the Internal Revenue Service (IRS) to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The bill would eliminate the fee the IRS currently charges on determination letter requests regarding small business pension plans beginning on December 31, 2000. The bill also would extend for six years beyond its current expiration date of September 30, 2003, the authority of the IRS to charge taxpayers fees for certain rulings. CBO estimates that the adjustment and extension of IRS fees would increase governmental receipts by \$5 million over fiscal years 2001 through 2004 and by \$244 million during the 2001–2009 period, net of income and payroll tax offsets. CBO based its estimates on recent collections data and on information from the IRS.

Federal spending

IRS User Fees.—H.R. 2488 would adjust and extend the authority of the IRS to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The IRS has the authority to retain and spend a small portion of these fees without further appropriation. CBO estimates that the adjustment and extension of fees would decrease direct spending by \$1 million over the 2001–2004 period but would increase direct spending by \$9 million over the 2001–2009 period.

Sport Fish Restoration.—Repealing the excise tax on fishing tackle boxes would reduce budget authority of the Sport Fish Restoration account. CBO estimates that this provision would reduce mandatory federal outlays by \$1 million in fiscal year 2001, by \$2 million in fiscal year 2002, and by \$3 million annually beginning in fiscal year 2003.

National Vaccine Injury Compensation Fund and Medicaid.—The bill would add conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays by \$4 million over the 2000–2004 period. This provision would also increase federal Medicaid outlays by \$21 million over the 2000–2004 period because Medicaid would be required to pay the excise tax on purchases of vaccines against streptococcus pneumoniae. The federal government purchases about one-half of all vaccines through its Vaccines for Children program.

Also, by adding conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines, the bill would increase

the cost of vaccines purchased under section 317 of the Public Health Service Act. Section 317 authorizes grants to states for the purchase of vaccines under federal contracts with vaccine manufacturers. Any increase in spending under this section would be subject to the annual appropriation process; CBO estimates that the additional costs would not be significant.

Reduced PBGC Premiums for New Plans.—Under current law, single-employer defined benefit pension plans pay two types of annual premiums to the Pension Benefit Guaranty Corporation (PBGC). All covered plans are subject to a flat-rate premium of \$19 per participant. In addition, underfunded plans must also pay a variable premium that depends on the amount by which the plan's liabilities exceed its assets.

H.R. 2488 would reduce the flat-rate premium from \$19 to \$5 per participant for plans established by employers with 100 or fewer participants during the first five years of the plan's operation. According to information obtained from the PBGC, approximately 3,000 plans would qualify for this reduction. Those plans contain an average of about 10 participants each. CBO estimates that the premium change would reduce PBGC's premium income, which is classified as an offsetting collection, by about \$0.4 million annually beginning in 2002 or by about \$1.3 million over the 200–2004 period.

Reduction of Additional PBGC Premium for New and Small Plans.—H.R. 2488 would make two changes affecting the variable-rate premium paid by underfunded plans. First, for all new plans that are underfunded, the bill would phase in the variable-rate premium the plans must pay. In the first year, they would pay nothing. In the succeeding four years, they would pay 20 percent, 40 percent, 60 percent, and 80 percent, respectively, of the full amount. In the sixth and later years, they would pay the full variable-rate premium determined by their funding status. On the basis of information on premium payments to the PBGC in 1996–1997, CBO estimates that this change would affect the premiums of approximately 400 plans each year. It would reduce PBGC's total premium receipts by about \$4.2 million over the 2000–2004 period.

The bill would also reduce the variable-rate premium paid by all underfunded plans (not just new plans) established by employers with 25 or fewer employees. Under the bill, the variable-rate premium per participant paid by those plans would not exceed \$5 multiplied by the number of participants in the plan. CBO estimates that approximately 8,300 plans would have their premium payments to PBGC reduced by this provision in 2000. Premium receipts by the PBGC would decline by \$1.5 million in 2002 and by about \$4.6 million over the 2000–2004 period.

Missing Plan Participants.—The legislation would expand the missing participant program. The Retirement Protection Act of 1994 established a missing participant program at PBGC for terminating defined benefit plans. The bill would expand the program to include terminating multiemployer plans, defined benefit plans not covered by PBGC, and defined contribution plans.

The budgetary impact of this provision would be less than \$0.5 million annually. PBGC does not expect a high volume of missing participants as a result of this proposal, and the administrative

costs of expanding the program would not be high. The net budgetary effect of increased benefit payments would also be small. Amounts paid by a pension plan to PBGC for missing participants are held in PBGC's trust fund, which is off-budget. Amounts paid out by PBGC to participants at the time they are located are funded in the same manner as benefit payments to participants in plans for which PBGC is the trustee—partially by the trust fund and partially by on-budget revolving funds.

Rules for Substantial Owner Benefits in Terminated Plans.—The legislation would simplify the guarantee and asset allocation rules as they relate to terminated plans involving a substantial owner (ownership interest of at least 10 percent). All owners other than majority owners (those with an ownership interest of 50 percent or more) would be treated the same as other participants, thus receiving a more generous guarantee than under current law. Majority owners would be subject to simplified special rules. The guarantee for majority owners would be phased in at the rate of 1/10 for each year that the plan has been in effect, which is faster than the current-law phase-in, but the nonguaranteed benefits of majority owners would be given a lower priority in the allocation of assets. Only about one-third of the plans taken over by PBGC involve substantial owners, and the change in benefits paid out by PBGC to owner-employees under this provision would be less than \$0.5 million in each year.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts and outlays that are subject to pay-as-you-go procedures are shown in the following table. Only changes affecting on-budget outlays and receipts affect the pay-as-you-go scorecard. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By fiscal year, in millions of dollars—					
	1999	2000	2001	2002	2003	2004
Changes in receipts	0	-4,543	-25,515	-46,728	-57,713	-65,259
Changes in outlays	0	2	2	6	5	9

	By fiscal year, in millions of dollars—				
	2005	2006	2007	2008	2009
Changes in receipts	-89,787	-104,672	-114,128	-151,827	-203,233
Changes in Outlays	10	10	10	10	10

Estimated impact on State, local, and tribal governments: JCT has determined that the provisions that would add streptococcus pneumoniae to the list of taxable vaccines and would impose a 1.5 percent surtax on state and local entities that deal in distilled spirits are intergovernmental mandates. JCT estimates that the cost of these mandates would not exceed the threshold specified in UMRA (\$50 million in fiscal year 1996, adjusted for inflation). Other sections of the bill reviewed by CBO (sections 803, 1205, 1206, 1208) contain no intergovernmental mandates as defined in UMRA. Section 803 would move the expiration date of the federal unemploy-

ment surtax back three years and would have implications for state unemployment compensation programs as noted above.

Estimated impact on the private sector: JCT has determined that 11 provisions in H.R. 2488 contain private-sector mandates. The bill would:

Add certain vaccines against streptococcus pneumoniae to the list of taxable vaccines;

Impose a 10 percent vote of value test;

Change the treatment of income and services provided by taxable subsidiaries of real estate investment trusts (REITs);

Impose a 1.5 percent surtax on wholesale dealers of distilled spirits;

Require reporting of information regarding cancellation of indebtedness by nonbank financial institutions;

Impose a limitation on prefunding of certain employee benefits;

Modify the treatment of certain closely held REITs;

Prevent the conversion of ordinary income or short-term capital gains into income eligible for long-term capital gains rates;

Repeal the installment method for most taxpayers using the accrual basis;

Limit the use of the nonaccrual experience method of accounting; and

Exclude like-kind exchange property from nonrecognition treatment on the sale of a personal residence.

JCT estimates that the cost of the private-sector mandates would exceed the threshold established in UMRA (\$100 million in fiscal year 1996, adjusted annually for inflation) in each fiscal year of the 2000–2004 period.

ESTIMATED COST OF PRIVATE-SECTOR MANDATES

	By fiscal year, in millions of dollars—					
	1999	2000	2001	2002	2003	2004
Cost to the private sector	22	671	1,011	828	575	337

Source: Joint Committee on Taxation.

Estimate prepared by: Federal Revenues: Hester Grippando (for IRS fees) and Noah Meyerson (for FUTA); Federal spending: Tami Ohler (for pensions), Jeanne De Sa (for National Vaccine Injury Compensation Fund and Medicaid), Deb Reis (for Sport Fish Restoration), and John Righter (for IRS fees).

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis; G. Thomas Woodward, Assistant Director for Tax Analysis.

PART A: SUMMARY OF AMENDMENT MODIFYING THE AMENDMENT RECOMMENDED BY THE COMMITTEE ON WAYS AND MEANS

Section 101 (10 percent reduction in individual income tax rates) would be modified to phase in the 10-percent across-the-board rate reduction as follows: 1.0 percent for 2001 through 2003, 2.5 percent for 2004, 5.0 percent for 2005 through 2007, 7.5 percent for 2008, and 10 percent for 2009 and thereafter.

Section 121 (repeal of individual alternative minimum tax on individuals) would be modified so that, during the period when the individual alternative minimum tax (“AMT”) is being phased out, taxpayers would pay the following percentages of individual AMT liability: 80 percent in 2005, 70 percent in 2006, 60 percent in 2007, 50 percent in 2008, and 0 percent in 2009 and thereafter.

Section 201 (exemption of certain interest and dividend income from tax) would be modified to provide the following exclusion from income: \$50 (\$100 in the case of a married couple filing a joint return) for 2001 through 2002, \$100 (\$200 in the case of a married couple filing a joint return) for 2003 through 2004, and \$200 (\$400 in the case of a married couple filing a joint return) for 2005 and thereafter.

Section 301 (reduction in corporate capital gain tax rate) would be modified to reduce the tax on capital gains of corporations to 30 percent in 2005 and thereafter.

Section 302(a) (repeal of alternative minimum tax on corporations) would be modified to allow AMT credit carryovers to offset the current year’s minimum tax liability as follows: 20 percent in 2005, 30 percent in 2006, 40 percent in 2007, 50 percent in 2008, and 100 percent in 2009 and thereafter.

Section 601 (repeal of estate, gift, and generation-skipping taxes) and section 611 (additional reductions of estate and gift tax rates) would be modified to phase in the repeal of the estate, gift, and generation-skipping taxes as follows: in 2001, repeal rates in excess of 53 percent; in 2002, repeal rates in excess of 50 percent; in 2003 through 2006, reduce all rates by 1 percentage point per year, in 2007, reduce all rates by 1.5 percentage point; and in 2008, reduce all rates by 2 percentage points.

Section 1205 (reduced PBGC premium for new plans of small employers), section 1206 (reduction of additional PBGC premium for new and small plans), 1243 (missing participants), and section 1254 (substantial owner benefits in terminated plans) would be deleted.

A new provision would be added to Title XII—Provisions Relating to Pensions—to provide that the 100 percent of compensation limitation does not apply to multiemployer defined benefit pension plans. The modification would be effective with respect to years beginning after December 31, 2000.

A new Title XVII—Commitment to Debt Reduction would be added. This title contains a provision regarding the commitment of the Congress to debt reduction. The provision would reflect the sense of the Congress that: (1) the national debt of the United States held by the public is \$3.619 trillion as of fiscal year 1999; (2) the Federal budget is projected to produce a surplus each year in the next 10 fiscal years; (3) refunding taxes and reducing the national debt held by the public will assure continued economic growth and financial freedom for future generations; and (4) the national debt held by the public shall be reduced from \$3.619 trillion to a level below \$1.61 trillion by fiscal year 2009.

A new Title XVIII—Budgetary Treatment would be added. This title contains a provision that would provide that, upon enactment of the Act, the Director of the Office of Management and Budget shall not make any estimate of the changes in direct spending out-

lays and receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of the Act.

PART B: SUMMARY OF REP. RANGEL'S AMENDMENT IN THE NATURE OF A SUBSTITUTE MADE IN ORDER UNDER THE RULE

The amendment in the nature of a substitute contains the following provisions:

Marriage penalty relief provided by adjusting the standard deduction and by addressing the marriage penalty in the earned income tax credit.

Modifications to the minimum tax in order to ensure that middle income families receive the full benefit of the per-child family credit, the education credit, dependent care credit and other nonrefundable credits.

Tax relief for families with children under age 5 for purposes of assisting these families in meeting costs of child care, health care, and other expenses. The relief would be provided through a \$250 increase in the per-child family credit.

Tax relief to families residing in States that use retail sales taxes rather than income taxes to fund their State government.

A school construction and modernization initiative that would provide \$25 billion in free-or-interest-cost funds for public school construction and modernization costs.

Permanent extension of the expiring provisions including the research credit, the Work Opportunity Tax Credit, the Welfare to Work Credit, subpart F exclusion for active financing, and the exclusion for employer-provided educational assistance. In addition, the exclusion, for employer-provided education assistance would be expanded to include graduate study.

Assistance to families in meeting the cost of long-term care by providing an annual income tax credit of \$1,000 for each individual with long-term care needs. This provision contrasts with the Committee bill under which 77 percent of American families would be entitled to tax relief of \$400 or less.

Important community development initiatives such as an increase in the low-income housing tax credit program and the new markets tax credit proposed by the President to revitalize depressed areas.

Acceleration of the \$1 million estate tax exclusion and 100 percent deductibility for the health insurance costs of the self-employed, as well as an increase in the costs which small businesses can expense rather than capitalize.

PART A: TEXT OF AMENDMENTS MODIFYING THE AMENDMENT RECOMMENDED BY THE COMMITTEE ON WAYS AND MEANS

Page 10, strike the table after line 18 and insert the following:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001 through 2003	1.0
2004	2.5
2005 through 2007	5.0

2008	7.5
2009 and thereafter	10.0.

In the case of taxable years beginning in calendar year 2001, the rounding referred to in the preceding sentence shall be to the next highest tenth."

Page 16, line 24, strike "2007" and insert "2008".

Page 17, line 7, strike "2002" and insert "2004".

Page 17, line 8, strike "2008" and insert "2009".

Page 17, strike the table after line 13 and insert the following new table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2005	80
2006	70
2007	60
2008	50."

Page 18, lines 18 and 19, strike "2007" and insert "2008".

Page 20, strike lines 1 through 6 and insert the following:

"(A) in the case of any taxable year beginning in 2001 or 2002, \$50 (\$100 in the case of a joint return),

"(B) in the case of any taxable year beginning in 2003 or 2004, \$100 (\$200 in the case of a joint return), and

"(C) in the case of any taxable year beginning after 2004, \$200 (\$400 in the case of a joint return).

Page 38, strike line 24 and all that follows through page 40, line 17, and insert the following:

"(2) a tax of 30 percent of the net capital gain (or, if less, taxable income).

"(b) CROSS REFERENCES.—For computation of the alternative tax—

"(1) in the case of life insurance companies, see section 801(a)(2),

"(2) in the case of regulated investment companies and their shareholders, see section 852(b)(3)(A) and (D), and

"(3) in the case of real estate investment trusts, see section 857(b)(3)(A)."

(b) TECHNICAL AMENDMENTS.—

(1) Paragraphs (1) and (2) of section 1445(e) are each amended by striking "35 percent" and inserting "30 percent".

(2)(A) The second sentence of section 7518(g)(6)(A) is amended by striking "34 percent" and inserting "30 percent".

(B) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936, is amended by striking "34 percent" and inserting "30 percent".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2004.

(2) WITHHOLDING.—The amendment made by subsection (b)(1) shall apply to amounts paid after December 31, 2004.

Page 41, strike line 16 and all that follows through the end of the page and insert the following:

"(2) CORPORATIONS FOR TAXABLE YEARS BEGINNING AFTER 2004.—In the case of a corporation for any taxable year begin-

ning after 2004 and before 2009, the limitation under paragraph (1) shall be increased by the applicable percentage (determined in accordance with the following table) of the tentative minimum tax for the taxable year.

“For taxable years beginning in calendar year—	The applicable percentage is—
2005	20
2006	30
2007	40
2008	50.

Page 42, line 17, strike “2002” and insert “2004”.
 Page 42, line 24, strike “2007” and insert “2008”.
 Page 85, strike line 20 and all that follows through page 88, line 7, and insert the following new section:

SEC. 611. ADDITIONAL 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 2 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 2004 and before 2009—

“(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
2005	3.0

2006	4.0
2007	5.5
2008	7.5.

“(C) COORDINATION WITH INCOME TAX RATES.—The reductions under subparagraph (A)—

“(i) shall not reduce any rate under paragraph (1) below the lowest rate in section 1(c), and

“(ii) shall not reduce the highest rate under paragraph (1) below the highest rate in section 1(c).

“(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, 2004.

Page 278, strike line 1 and all that follows through page 282, line 6.

Page 334, strike line 6 and all that follows through page 336, line 13.

Page 345, strike line 10 and all that follows through page 349, line 15.

Page 358, after line 2, insert the following new section:

SEC. 1264. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) IN GENERAL.—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.

At the end of the bill insert the following new titles:

TITLE XVII—COMMITMENT TO DEBT REDUCTION

SEC. 1701. COMMITMENT TO DEBT REDUCTION.

It is the sense of the Congress that—

(1) the national debt of the United States held by the public is \$3.619 trillion as of fiscal year 1999,

(2) the Federal budget is projected to produce a surplus each year in the next 10 fiscal years,

(3) refunding taxes and reducing the national debt held by the public will assure continued economic growth and financial freedom for future generations, and

(4) the national debt held by the public shall be reduced from \$3.619 trillion to a level below \$1.61 trillion by fiscal year 2009.

TITLE XVIII—BUDGETARY TREATMENT

SEC. 1801. EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORE-CARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall not make any estimate of changes in direct spending outlays and receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act.

Conform the section numbering and the table of contents accordingly.

PART B: TEXT OF AMENDMENT TO BE OFFERED BY REPRESENTATIVE RANGEL OF NEW YORK OR A DESIGNEE

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) **SHORT TITLE.**—This Act may be cited as the “Tax Reduction 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; etc.

Sec. 2. Tax reductions contingent on social security and medicare solvency certifications.

TITLE I—TAX RELIEF FOR FAMILIES

Sec. 101. Marriage penalty relief.

Sec. 102. Nonrefundable personal credits fully allowed against regular tax liability and minimum tax liability.

Sec. 103. Increase in child tax credit.

Sec. 104. Deduction of State and local general sales taxes in lieu of State and local income taxes.

TITLE II—INCENTIVES FOR EDUCATION

Sec. 201. Expansion of incentives for public schools.

Sec. 202. Extension of exclusion for employer-provided educational assistance; exclusion to apply to assistance for graduate education.

TITLE III—INCENTIVES FOR HEALTH CARE AND LONG-TERM CARE

Sec. 301. Long-term care tax credit.

Sec. 302. Deduction for 100 percent of health insurance costs of self-employed individuals.

TITLE IV—PERMANENT EXTENSION OF CERTAIN EXPIRING PROVISIONS

Sec. 401. Research credit.

Sec. 402. Work opportunity and welfare-to-work credits.

- Sec. 403. Subpart F exemption for active financing income.
 Sec. 404. Expensing of environmental remediation costs.

TITLE V—COMMUNITY DEVELOPMENT INITIATIVES

- Sec. 501. Increase in State ceiling on low-income housing credit.
 Sec. 502. New markets tax credit.
 Sec. 503. Credit to holders of Better America Bonds.

TITLE VI—SMALL BUSINESS INCENTIVES

- Sec. 601. Acceleration of \$1,000,000 estate tax exclusion.
 Sec. 602. Increase in expense treatment for small businesses.

TITLE VII—PENSION PROVISIONS

- Sec. 701. Treatment of multiemployer plans under section 415.
 Sec. 702. Actuarial reduction only for benefits beginning before age 62 in case of benefits under multiemployer plans.

TITLE VIII—REVENUE OFFSETS

- Sec. 801. Returns relating to cancellations of indebtedness by organizations lending money.
 Sec. 802. Extension of Internal Revenue Service user fees.
 Sec. 803. Limitations on welfare benefit funds of 10 or more employer plans.
 Sec. 804. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.
 Sec. 805. Controlled entities ineligible for REIT status.
 Sec. 806. Treatment of gain from constructive ownership transactions.
 Sec. 807. Transfer of excess defined benefit plan assets for retiree health benefits.
 Sec. 808. Modification of installment method and repeal of installment method for accrual method taxpayers.
 Sec. 809. Limitation on use of nonaccrual experience method of accounting.
 Sec. 810. Exclusion of like-kind exchange property from nonrecognition treatment on the sale of a principal residence.
 Sec. 811. Disallowance of noneconomic tax attributes.

TITLE IX—NATIONAL COMMISSION ON TAX REFORM AND SIMPLIFICATION

- Sec. 901. Establishment.
 Sec. 902. Functions.
 Sec. 903. Administration.
 Sec. 904. General.

SEC. 2. TAX REDUCTIONS CONTINGENT ON SOCIAL SECURITY AND MEDICARE SOLVENCY CERTIFICATIONS.

(a) **IN GENERAL.**—Notwithstanding any other provision of this Act, no provision of this Act (or amendment made thereby) shall take effect until there is—

- (1) a social security certification,
- (2) a Medicare certification, and
- (3) a balanced budget certification.

(b) **EXTENSION OF EXPIRING PROVISIONS AND REVENUE OFFSETS NOT AFFECTED.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), sections 102, 202, title IV, and title VIII shall take effect without regard to the provisions of subsection (a).

(2) **ONLY 2-YEAR EXTENSION OF CERTAIN PROVISIONS IF NO SOLVENCY AND BUDGET DETERMINATIONS.**—

(A) **IN GENERAL.**—If, as of January 1, 2002, all of the certifications under subsection (a) have not been made—

- (i) section 26 of the Internal Revenue Code of 1986 shall be applied to taxable years beginning during the suspension period without regard to the amendment made by section 102,

(ii) section 127 of such Code shall not apply with respect to courses beginning during the suspension period,

(iii) sections 41 and 198 of such Code shall not apply to amounts paid or incurred during the suspension period,

(iv) sections 51 and 51A of such Code shall not apply to individuals who begin work for the employer during the suspension period, and

(v) sections 953(e) and 954(h) of such Code shall not apply to taxable years beginning during the suspension period.

(B) **SUSPENSION PERIOD.**—For purposes of subparagraph (A), the suspension period is the period beginning on January 1, 2002, and ending on the earliest date that all of the certifications under subsection (a) have been made.

(c) **DEFINITIONS.**—For purposes of this subsection—

(1) **SOCIAL SECURITY SOLVENCY CERTIFICATION.**—The term “social security solvency certification” means a certification by the Board of Trustees of the Social Security Trust Funds that the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are in actuarial balance for the 75-year period utilized in the most recent annual report of such Board of Trustees pursuant to section 201(c)(2) of the Social Security Act (42 U.S.C. 401(c)(2)).

(2) **MEDICARE SOLVENCY CERTIFICATION.**—For purposes of this subsection, the term “Medicare solvency certification” means a certification by the Board of Trustees of the Federal Hospital Insurance Trust Fund that such Trust Fund is in actuarial balance until the year 2027.

(3) **BALANCED BUDGET CERTIFICATION.**—There is a balanced budget certification if the Director of the Office of Management and Budget certifies that the tax reductions made by this Act will not create an on-budget deficit for any fiscal year in the period 2000 through 2009 after taking into account non-Social-Security deficit amounts necessary for the certifications under paragraphs (1) and (2).

TITLE I—TAX RELIEF FOR FAMILIES

SEC. 101. MARRIAGE PENALTY RELIEF.

(a) **STANDARD DEDUCTION.**—

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

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

(B) by adding “or” at the end of subparagraph (B),

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

(D) by striking subparagraph (D).

(2) **TECHNICAL AMENDMENTS.**—

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

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

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

(b) EARNED INCOME CREDIT.—Subsection (a) of section 32 (relating to credit for earned income) is amended by adding at the end the following new paragraph:

“(3) REDUCTION OF MARRIAGE PENALTY.—

“(A) IN GENERAL.—In the case of a joint return, the phaseout amount under this section shall be such amount (determined without regard to this paragraph) increased by \$2,500 (\$2,000 in the case of taxable years beginning during 2000).

“(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the \$2,500 amount contained in subparagraph (A) shall be increased by an amount equal to the product of—

“(i) such dollar amount, and

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.”

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

(d) PHASEIN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning during 2000—

(1) there shall be taken into account under subparagraph (A) section 63(c)(2) of the Internal Revenue Code of 1986 only one-half of the increase which would (but for this subsection) apply, and

(2) the basic standard deduction for a married individual filing a separate return shall be one-half of the amount applicable under such subparagraph.

SEC. 102. NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Subsection (a) of section 26 (relating to limitation based on amount of tax) is amended to read as follows:

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

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

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

(b) CHILD CREDIT.—Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

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

SEC. 103. INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—Subsection (a) of section 24 (relating to child tax credit), as amended by section 301, is amended by adding at the end the following new sentence:

“In the case of a qualifying child who has not attained age 5 as of the close of the calendar year in which the taxable year of the taxpayer begins, paragraph (1) shall be applied by substituting ‘\$750’ for ‘\$500.’”

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

SEC. 104. DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.

(a) IN GENERAL.—Subsection (b) of section 164 is amended by adding at the end thereof the following new paragraph:

“(5) GENERAL SALES TAXES.—For purposes of subsection (a)—

“(A) ELECTION TO DEDUCT STATE AND LOCAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.—

“(i) IN GENERAL.—At the election of the taxpayer for the taxable year, subsection (a) shall be applied—

“(I) without regard to the reference to State and local income taxes,

“(II) as if State and local general sales taxes were referred to in a paragraph thereof, and

“(III) without regard to the last sentence.

“(B) DEFINITION OF GENERAL SALES TAX.—The term ‘general sales tax’ means a tax imposed at one rate in respect of the sale at retail of a broad range of classes of items.

“(C) SPECIAL RULES FOR FOOD, ETC.—In the case of items of food, clothing, medical supplies, and motor vehicles—

“(i) the fact that the tax does not apply in respect of some or all of such items shall not be taken into account in determining whether the tax applies in respect of a broad range of classes of items, and

“(ii) the fact that the rate of tax applicable in respect of some or all of such items is lower than the general rate of tax shall not be taken into account in determining whether the tax is imposed at one rate.

“(D) ITEMS TAXED AT DIFFERENT RATES.—Except in the case of a lower rate of tax applicable in respect of an item described in subparagraph (C), no deduction shall be allowed under this paragraph for any general sales tax imposed in respect of an item at a rate other than the general rate of tax.

“(E) COMPENSATING USE TAXES.—A compensating use tax in respect of an item shall be treated as a general sales tax. For purposes of the preceding sentence, the term ‘compensating use tax’ means, in respect of any item, a tax which—

“(i) is imposed on the use, storage, or consumption of such item, and

“(ii) is complementary to a general sales tax, but only if a deduction is allowable under this paragraph in respect of items sold at retail in the taxing jurisdiction which are similar to such item.

“(F) SPECIAL RULE FOR MOTOR VEHICLES.—In the case of motor vehicles, if the rate of tax exceeds the general rate, such excess shall be disregarded and the general rate shall be treated as the rate of tax.

“(G) SEPARATELY STATED GENERAL SALES TAXES.—If the amount of any general sales tax is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer’s trade or business) to his seller, such amount shall be treated as a tax imposed on, and paid by, such consumer.

“(H) AMOUNT OF DEDUCTION TO BE DETERMINED UNDER TABLES.—

“(i) IN GENERAL.—The amount of the deduction allowed by this paragraph shall be determined under tables prescribed by the Secretary.

“(ii) REQUIREMENTS FOR TABLES.—The tables prescribed under clause (i) shall reflect the provisions of this paragraph and shall be based on the average consumption by taxpayers on a State-by-State basis, as determined by the Secretary, taking into account filing status, number of dependents, adjusted gross income, and rates of State and local general sales taxation.”

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

TITLE II—INCENTIVES FOR EDUCATION

SEC. 201. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 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) TERMINATION.—This section shall not apply to any bond issued after September 30, 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 2000,

“(2) \$11,000,000,000 for 2001, and

“(3) 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 2000, and \$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 fami-

lies 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. 1400I. Corporate contributions to specialized training centers.

“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) \$1,000,000,000 for 2000,
- “(D) \$1,400,000,000 for 2001, and
- “(E) except as provided in paragraph (3), zero after 2001.
- “(2) ALLOCATION OF LIMITATION.—
- “(A) ALLOCATION AMONG STATES.—
- “(i) 1998 AND 1999 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998 and 1999 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 1999.—The national zone academy bond limitation for any calendar year after 1999 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.

“SEC. 1400I. CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.

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

of the designated qualified contributions made by the taxpayer during the taxable year to a specialized training center.

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

“(1) SPECIALIZED TRAINING CENTER.—The term ‘specialized training center’ means any qualified zone academy (as defined in section 1400H(a)(3))—

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

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

“(2) DESIGNATED QUALIFIED CONTRIBUTIONS.—The term ‘designated qualified contribution’ means any contribution—

“(A) which is made pursuant to an agreement under which the taxpayer participates in the design of the academic program of the specialized training center, and

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

“(c) DESIGNATION OF CONTRIBUTIONS.—

“(1) LIMITATION ON AMOUNT DESIGNATED.—The maximum amount of contributions made which may be designated under this subsection with respect to all specialized training centers located an empowerment zone or enterprise community shall not exceed—

“(A) \$8,000,000 in the case of an empowerment zone, and

“(B) \$2,000,000 in the case of an enterprise community.

“(2) DESIGNATIONS.—Designations under this subsection shall be made (in consultation with the local educational agency) by the local government agency responsible for implementing the strategic plan described in section 1391(f)(2) for the empowerment zone or enterprise community.

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

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

“(2) in the case of a contribution of services performed on the premises of a specialized training center by an employee of the taxpayer, the amount of wages (as defined in section 3306(b) but without regard to any dollar limitation contained in such section) paid by the taxpayer for such services.”

(b) REPORTING.—Subsection (d) of section 6049 (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) CONFORMING AMENDMENTS RELATED TO CREDIT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.—

(1) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

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

(2) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(A) Section 38(b) is amended—

- (i) by striking “plus” at the end of paragraph (11),
- (ii) by striking the period at the end of paragraph (12) and inserting “, plus”, and
- (iii) by adding at the end the following new paragraph:

“(13) in the case of a corporation, the specialized training center credit determined under section 1400I(a).”

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

“(9) NO CARRYBACK OF SECTION 1400I CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 1400I may be carried back to a taxable year beginning before January 1, 2000.”

(d) OTHER CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 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 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 is amended by striking the last 2 items and inserting the following item:

“Part IV. Regulations.”

(e) APPLICATION OF CERTAIN LABOR STANDARDS ON CONSTRUCTION PROJECTS FINANCED UNDER PUBLIC SCHOOL MODERNIZATION PROGRAM.—Section 439 of the General Education Provisions Act (relating to labor standards) is amended—

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

(2) by adding at the end the following:

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

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

“(A) in the awarding of contracts, give priority to contractors with substantial numbers of employees residing in the local education area to be served by the school being constructed; and

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

“(3) In the case of a program described in paragraph (1), nothing in this subsection or subsection (a) shall be construed to deny any tax credit allowed under such program. If amounts are required to be withheld from contractors to pay wages to which workers are entitled, such amounts shall be treated as expended for construction purposes in determining whether the requirements of such program are met.”.

(f) EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

(1) IN GENERAL.—Section 134 of the Workforce Investment Act of 1998 (29 U.S.C. 2864) is amended by adding at the end the following:

“(f) LOCAL EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

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

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

“(B) The program is designed to provide trained workers for projects for the construction or reconstruction of public school facilities receiving funding assistance under an applicable program.

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

“(2) COORDINATION.—The specialized program established under paragraph (1) shall be integrated with other activities under this Act, with the activities carried out under the National Apprenticeship Act of 1937 by the State Apprenticeship Council or through the Bureau of Apprenticeship and Training in the Department of Labor, as appropriate, and with activities carried out under the Carl D. Perkins Vocational and Technical Education Act of 1998. Nothing in this subsection shall be con-

strued to require services duplicative of those referred to in the preceding sentence.

“(3) APPLICABLE PROGRAM.—In this subsection, the term ‘applicable program’ has the meaning given the term in section 439(b) of the General Education Provisions Act (relating to labor standards).”

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

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

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

(C) by inserting after clause (iii) the following:

“(iv) how the State will establish and carry out a specialized program of training under section 134(f); and”.

(g) 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, 1999.

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

(3) 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.

(4) APPLICATION OF LABOR STANDARDS; TRAINING PROGRAM.—The amendments made by subsections (e) and (f) shall take effect on the date of the enactment of this Act.

SEC. 202. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE; EXCLUSION TO APPLY TO ASSISTANCE FOR GRADUATE EDUCATION.

(a) PERMANENT EXTENSION.—Subsection (d) of section 127 is hereby repealed.

(b) EXCLUSION TO APPLY TO GRADUATE STUDENTS.—The last sentence of section 127(c)(1) is amended by striking “hobbies” and all that follows and inserting “hobbies.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to courses beginning after May 31, 2000.

TITLE III—INCENTIVES FOR HEALTH CARE AND LONG-TERM CARE

SEC. 301. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

“(1) \$500 multiplied by the number of qualifying children of the taxpayer, plus

“(2) \$1,000 multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.”

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

“(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

“(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—”.

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking “CHILD” and inserting “FAMILY CARE”.

(B) The heading for section 24 is amended to read as follows:

“**SEC. 24. FAMILY CARE CREDIT.**”

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

“Sec. 24. Family care credit.”.

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

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

“(1) QUALIFYING CHILD.—

“(A) IN GENERAL.—The term ‘qualifying child’ means any individual if—

“(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

“(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

“(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term ‘qualifying child’ shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(2) APPLICABLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘applicable individual’ means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

“(i) which is at least 180 consecutive days, and

“(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

“(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

“(i) The individual is at least 6 years of age and—

“(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

“(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

“(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

“(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual’s condition to be available if the individual’s parents or guardians are absent.

“(3) ELIGIBLE CAREGIVER.—

“(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

“(i) The taxpayer.

“(ii) The taxpayer’s spouse.

“(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

“(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

“(v) An individual who would be described in clause (iii) for the taxable year if—

“(I) the requirements of clause (iv) are met with respect to the individual, and

“(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

“(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer’s spouse, is a member of the taxpayer’s household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer’s household for the entire taxable year.

“(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

“(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

“(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

“(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).”.

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: “No credit shall be allowed under this section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year.”.

(2) ASSESSMENT.—Section 6213(g)(2)(I) is amended—

(A) by inserting “or physician identification” after “correct TIN”, and

(B) by striking “child” and inserting “family care”.

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

SEC. 302. 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, his spouse, and dependents.”

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

TITLE IV—PERMANENT EXTENSION OF CERTAIN EXPIRING PROVISIONS**SEC. 401. RESEARCH CREDIT.**

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 41 is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1999.

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

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

(A) by striking “1.65 percent” and inserting “2.65 percent”,

(B) by striking “2.2 percent” and inserting “3.2 percent”,

and

(C) by striking “2.75 percent” and inserting “3.75 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

SEC. 402. WORK OPPORTUNITY AND WELFARE-TO-WORK CREDITS.

(a) WORK OPPORTUNITY CREDIT.—Subsection (c) of section 51 is amended by striking paragraph (4).

(b) WELFARE-TO-WORK CREDIT.—Section 51A is amended by striking subsection (f).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 1999.

SEC. 403. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) EXEMPT INSURANCE INCOME.—Section 953(e) is amended by striking paragraph (10) and by redesignating paragraph (11) as paragraph (10).

(b) FOREIGN PERSONAL HOLDING COMPANY INCOME.—Section 954(h) is amended by striking paragraph (9).

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

SEC. 404. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

Section 198 is amended by striking subsection (h).

TITLE V—COMMUNITY DEVELOPMENT INITIATIVES

SEC. 501. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) **IN GENERAL.**—Clause (i) of section 42(h)(3)(C) is amended by striking “\$1.25” and inserting “\$1.75”.

(b) **ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.**—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) **COST-OF-LIVING ADJUSTMENT.**—

“(i) **IN GENERAL.**—In the case of a calendar year after 2000, the dollar amount contained in subparagraph (C)(i) shall 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 1999’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) **ROUNDING.**—If any increase under clause (i) is not a multiple of 5 cents, such increase shall be rounded to the next lowest multiple of 5 cents.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to calendar years after 1999.

SEC. 502. NEW MARKETS TAX CREDIT.

(a) **IN GENERAL.**—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following new section:

“SEC. 45D. NEW MARKETS TAX CREDIT.

“(a) **ALLOWANCE OF CREDIT.**—

“(1) **IN GENERAL.**—For purposes of section 38, in the case of a taxpayer who holds a qualified equity investment on a credit allowance date of such investment which occurs during the taxable year, the new markets tax credit determined under this section for such taxable year is an amount equal to 6 percent of the amount paid to the qualified community development entity for such investment at its original issue.

“(2) **CREDIT ALLOWANCE DATE.**—The term ‘credit allowance date’ means, with respect to any qualified equity investment—

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

and

“(B) each of the 4 anniversary dates of such date thereafter.

“(b) **QUALIFIED EQUITY INVESTMENT.**—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified equity investment’ means any equity investment in a qualified community development entity if—

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

“(B) substantially all of such cash is used by the qualified community development entity to make qualified low-income community investments, and

“(C) such investment is designated for purposes of this section by the qualified community development entity.

Such term shall not include any equity investment issued by a qualified community development entity more than 5 years after the date that such entity receives an allocation under subsection (f). Any allocation not used within such 5-year period may be reallocated by the Secretary under subsection (f).

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

“(3) SAFE HARBOR FOR DETERMINING USE OF CASH.—The requirement of paragraph (1)(B) shall be treated as met if at least 85 percent of the aggregate gross assets of the qualified community development entity are invested in qualified low-income community investments.

“(4) TREATMENT OF SUBSEQUENT PURCHASERS.—The term ‘qualified equity investment’ includes any equity investment which would (but for paragraph (1)(A)) be a qualified equity investment in the hands of the taxpayer if such investment was a qualified equity investment in the hands of a prior holder.

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

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

“(A) any stock in a qualified community development entity which is a corporation, and

“(B) any capital interest in a qualified community development entity which is a partnership.

“(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified community development entity’ means any domestic corporation or partnership if—

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

“(B) the entity maintains accountability to residents of low-income communities through representation on governing or advisory boards or otherwise, and

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

“(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—The requirements of paragraph (1) shall be treated as met by—

“(A) any specialized small business investment company (as defined in section 1044(c)(3)), and

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

“(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified low-income community investment’ means—

“(A) any equity investment in, or loan to, any qualified active low-income community business,

“(B) the purchase from another community development entity of any loan made by such entity which is a qualified low-income community investment if the amount received by such other entity from such purchase is used by such other entity to make qualified low-income community investments,

“(C) financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and

“(D) any equity investment in, or loan to, any qualified community development entity if substantially all of the investment or loan is used by such entity to make qualified low-income community investments described in subparagraphs (A), (B), and (C).

“(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—

“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘qualified active low-income community business’ means, with respect to any taxable year, any corporation or partnership if for such year—

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

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

“(iii) a substantial portion of the services performed for such entity by its employees are performed in any low-income community,

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

“(v) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property (as defined in section 1397B(e)).

“(B) PROPRIETORSHIP.—Such term shall include any business carried on by an individual as a proprietor if such

business would meet the requirements of subparagraph (A) were it incorporated.

“(C) PORTIONS OF BUSINESS MAY BE QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The term ‘qualified active low-income community business’ includes any trades or businesses which would qualify as a qualified active low-income community business if such trades or businesses were separately incorporated.

“(3) QUALIFIED BUSINESS.—For purposes of this subsection, the term ‘qualified business’ has the meaning given to such term by section 1397B(d); except that—

“(A) in lieu of applying paragraph (2)(B) thereof, the rental to others of real property located in any low-income community shall be treated as a qualified business if there are substantial improvements located on such property,

“(B) paragraph (3) thereof shall not apply, and

“(C) such term shall not include any business if a significant portion of the equity interests in such business are held by any person who holds a significant portion of the equity investments in the community development entity.

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

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

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

or

“(B)(i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income,

or

“(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

“(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

“(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

“(1) IN GENERAL.—There is a new markets tax credit limitation of \$1,200,000,000 for each of calendar years 2000 through 2004.

“(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

“(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such

limitation for the succeeding calendar year shall be increased by the amount of such excess.

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

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

“(2) CREDIT RECAPTURE AMOUNT.—For purposes of paragraph (1), the credit recapture amount is an amount equal to the sum of—

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

“(B) interest at the overpayment rate established under section 6611 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

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

“(3) RECAPTURE EVENT.—For purposes of paragraph (1), there is a recapture event with respect to an equity investment in a qualified community development entity if—

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

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

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

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.

“(h) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

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

“(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 103),

“(2) which prevent the abuse of the provisions of this section through the use of related parties,

“(3) which impose appropriate reporting requirements

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

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

(1) IN GENERAL.—Subsection (b) of section 38 is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following new paragraph:

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

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

“(10) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45D may be carried back to a taxable year ending before January 1, 2000.”

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

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

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

“Sec. 45D. New markets tax credit.”

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

SEC. 503. CREDIT TO HOLDERS OF BETTER AMERICA BONDS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

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

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a Better America 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 Better America 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 Better America 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) BETTER AMERICA BOND.—For purposes of this section—

“(1) IN GENERAL.—The term ‘Better America 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 any qualified purpose,

“(B) the bond is issued by a State or local government within the jurisdiction of which the qualified purpose of the issue is to be carried out,

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

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

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

“(F) except in the case of the proceeds of such issue which are to be used for the qualified purpose described in paragraph (2)(A)(iv), the payment of the principal of such issue is secured by taxes of general applicability imposed by a general purpose governmental unit.

“(2) QUALIFIED PURPOSE.—

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

“(i) The acquisition of land for use as open space, wetlands, public parks, or greenways, and the provision of visitor facilities (such as campgrounds and hiking or biking trails) for land so used, but only if—

“(I) such land and facilities are to be owned by the issuer or a qualified owner, and

“(II) the initial owner of such land and facilities records pursuant to State law a qualified restrictive covenant with respect to such land and facilities.

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

“(I) restoring hydrology or planting trees or other vegetation,

“(II) undertaking reasonable measures to control erosion,

“(III) restoring wetlands, or

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

“(iii) The acquisition by the issuer or any qualified owner of any restriction on privately owned open land which prevents commercial development and any substantial change in the use or character of the land if such restriction would, if contributed by the owner of the open land to a qualified organization (as defined in section 170(h)(3)), be a qualified conservation contribution (as defined in section 170(h)).

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

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

“(II) such property is located in an area at or on which there has been a release (or threat of release) or disposal of any hazardous substance (as defined in section 198).

“(B) REMEDIATION OF NATIONAL PRIORITIES LISTED SITES NOT QUALIFIED PURPOSE.—Subparagraph (A)(ii) shall not apply to remediation of any site which is on, or proposed for, the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

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

“(D) QUALIFIED RESTRICTIVE COVENANT.—For purposes of subparagraph (A)(i)(II), the term ‘qualified restrictive covenant’ means, with respect to land or facilities, any covenant which prohibits the person who owns such land or facilities at the end of the term of the bond from selling or otherwise permitting a use of such land or facilities which is not described in subparagraph (A) unless—

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

“(ii) the purchase price is not greater than the price originally paid in conjunction with the expenditure of bond proceeds, and

“(iii) the purchaser records pursuant to State law a covenant with respect to the purchased land and facilities which protects in perpetuity the use of such land and facilities for a use described in subparagraph (A).

“(3) PUBLIC AVAILABILITY REQUIREMENT, ETC.—

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

“(i) any portion of the proceeds of the issue are to be used for any private business use (as defined in section 141(b)(6)), or

“(ii) the payment of the principal of, or the interest on, any portion of such proceeds is (under the terms of such issue or any underlying arrangement) directly

or indirectly secured or to be derived as described in subparagraph (A) or (B) of section 141(b)(2).

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

“(d) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (c)(1) by any issuer shall not exceed the limitation amount allocated under paragraph (3) for such calendar year to such issuer.

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

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

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

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

“(A) IN GENERAL.—The national Better America Bond limitation for any calendar year shall be allocated by the EPA Administrator to States and local governments having approved applications. As part of the competitive application process, the Environmental Protection Agency should, when possible, allocate such limitation on a per capita basis.

“(B) APPROVED APPLICATION.—For purposes of subparagraph (A), the term ‘approved application’ means an application which is approved by the EPA Administrator and includes such information as the EPA Administrator shall specify.

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

“(A) the amount allocated under paragraph (4) to any State or local government, exceeds

“(B) the amount of bonds issued during such year which are designated under subsection (c)(1) pursuant to such allocation,

the limitation amount under paragraph (3) for such State or local government for the following calendar year shall be increased by the amount of such excess.

“(e) 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.

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

“(1) 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.

“(2) BOND.—The term ‘bond’ includes any obligation.

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

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

“(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

“(B) any combination of political subdivisions described in subparagraph (A) recognized by the EPA Administrator.

“(5) EPA ADMINISTRATOR.—The term ‘EPA Administrator’ means the Administrator of the Environmental Protection Agency.

“(g) 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 (e)) and the amount so included shall be treated as interest income.

“(h) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirements of subsection (c)(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) REASONABLE EXPECTATION AND BINDING COMMITMENT REQUIREMENTS.—Paragraph (1) shall apply to an issue only if, as of the date of issuance—

“(A) the issuer reasonably expects that—

“(i) at least 95 percent of the proceeds of the issue will be spent for a qualified purpose within the 3-year period beginning on such date, and

“(ii) property financed with such proceeds will be used for qualified purposes for at least 15 years after being so financed,

“(B) there is a binding commitment with a third party to spend at least 10 percent of the proceeds of the issue for qualified purposes within the 6-month period beginning on such date, and

“(C) the issuer reasonably expects that the remaining proceeds of the issue will be spent with due diligence for qualified purposes.

“(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 (c)(1) and paragraph (1) of this subsection.

“(i) DENIAL OF DEDUCTION FOR ENVIRONMENTAL REMEDIATION EXPENDITURES.—Expenditures financed by any Better America Bond shall not be allowed as a deduction under section 198.

“(j) OTHER SPECIAL RULES.—

“(1) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any Better America 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.

“(2) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

“(A) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a Better America 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.

“(B) CERTAIN RULES TO APPLY.—In the case of a separation described in subparagraph (A), the rules of section 1286 shall apply to the Better America Bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

“(3) 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 Better America Bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

“(4) 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.

“(5) REPORTING.—Issuers of Better America Bonds shall submit reports similar to the reports required under section 149(e).

“(k) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF QUALIFIED USE.—

“(1) IN GENERAL.—If any bond which when issued purported to be a Better America Bond ceases to meet the requirements of subsection (c), the issuer shall pay to the United States (at the time required by the Secretary) an amount equal to the aggregate of the credits allowable under this section (determined without regard to subsection (e)) for taxable years ending during the calendar year in which such cessation occurs and the 2 preceding calendar years.

“(2) FAILURE TO PAY.—If the issuer fails to timely pay the amount required by paragraph (1) with respect to any issue, the tax imposed by this chapter on each holder of any bond which is part of such issue shall be increased (for the taxable year of the holder in which such cessation occurs) by the aggregate decrease in the credits allowed under this section to such holder for taxable years beginning in such 3 calendar years

which would have resulted solely from denying any credit under this section with respect to such issue for such taxable years.

“(3) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (2) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under paragraph (2) shall not be treated as a tax imposed by this chapter for purposes of determining—

“(i) the amount of any credit allowable under this part, or

“(ii) the amount of the tax imposed by section 55.

“(1) TERMINATION.—This section shall not apply to any bond issued after December 31, 2004.”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON BETTER AMERICA BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 30B(g) and such amounts shall be treated as paid on the credit allowance date (as defined in section 30B(f)(1)).

“(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) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 30B. Credit to holders of Better America Bonds.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 1999.

(e) GUIDELINES FOR APPLICATIONS.—Not later than January 1, 2000, guidelines specifying the criteria to be used in approving applications under section 30B(d)(3) of the Internal Revenue Code of 1986 (as added by this Act) shall be developed and published by the Administrator of the Environmental Protection Agency in the Federal Register.

TITLE VI—SMALL BUSINESS INCENTIVES

SEC. 601. ACCELERATION OF \$1,000,000 ESTATE TAX EXCLUSION.

(a) ESTATE TAX CREDIT.—

(1) Subsection (a) of section 2010 (relating to unified credit against estate tax) is amended by striking “the applicable credit amount” and inserting “\$345,800”.

(2) Paragraph (2) of section 2001(c) 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 \$705,000.”

(3)(A) Subparagraph (A) of section 2057(a)(3) is amended by striking “the applicable exclusion amount under section 2010 shall be \$625,000” and inserting “the credit under section 2010 shall be \$202,050”.

(B) Subparagraph (B) of section 2057(a)(3) is amended to read as follows:

“(B) INCREASE IN UNIFIED CREDIT IF DEDUCTION IS LESS THAN \$675,000.—If the deduction allowed by this section is less than \$675,000, the amount of the credit under section 2010 shall be equal to the lesser of \$345,800 or 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 computed were equal to the sum of—

“(i) the excess of \$675,000 over the amount of the deduction allowed, and

“(ii) \$625,000.”

(4) Subparagraph (A) of section 2102(c)(3) is amended by striking “the applicable credit amount in effect under section 2010(c) for the calendar year which includes the date of death” and inserting “\$345,800”.

(5) Paragraph (1) of section 6018(a) is amended by striking “the applicable exclusion amount in effect under section 2010(c) for the calendar year which includes the date of death” and inserting “\$1,000,000”.

(6)(A) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

“(A) \$345,800, or”.

(B) Paragraph (3) of section 6601(j) is amended—

(i) by striking “\$1,000,000” each place it occurs and inserting “\$345,800”, and

(ii) by striking “\$10,000” each place it appears and inserting “\$1,000”.

(b) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of section 2505(a) is amended to read as follows:

“(1) \$345,800, reduced by”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 1999.

SEC. 602. 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.

TITLE VII—PENSION PROVISIONS**SEC. 701. 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) **EXEMPTION FOR SURVIVOR AND DISABILITY BENEFITS.**—Subparagraph (I) of section 415(b)(2) (relating to limitation for defined benefit plans) is amended—

(1) by inserting “or a multiemployer plan (as defined in section 414(f))” after “section 414(d)” in clause (i),

(2) by inserting “or multiemployer plan” after “governmental plan” in clause (ii), and

(3) by inserting “AND MULTIEMPLOYER” after “GOVERNMENTAL” in the heading.

(c) **COMBINING AND AGGREGATION OF PLANS.**—

(1) **COMBINING OF PLANS.**—Subsection (f) of section 415 (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 (relating to aggregation of plans) is amended by striking “The Secretary” and inserting “Except as provided in subsection (f)(3), the Secretary”.

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

SEC. 702. ACTUARIAL REDUCTION ONLY FOR BENEFITS BEGINNING BEFORE AGE 62 IN CASE OF BENEFITS UNDER MULTIEMPLOYER PLANS.

(A) IN GENERAL.—Subparagraph (F) of section 415(b)(2) is amended to read as follows:

“(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—

“(i) IN GENERAL.—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 by substituting ‘age 62’ for ‘social security retirement age’ each place it appears, and 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) \$75,000 if the benefit begins at or after age 55, or (ii) if the benefit begins before age 55, the equivalent of the \$75,000 limitation for age 55.’, and

“(II) subparagraph (D) shall be applied by substituting ‘age 65’ for ‘social security retirement age’ each place it appears.

“(ii) SPECIAL RULE FOR MULTIEMPLOYER PLANS.—In the case of a multiemployer plan (as so defined), the \$75,000 amount referred to in clause (i)(I) shall in no event be less than the amount equal to 80 percent of the dollar limit under paragraph (1)(A).

“(iii) DEFINITIONS.—For purposes of this subparagraph—

“(I) QUALIFIED MERCHANT MARINE PLAN.—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.

“(II) EXEMPT ORGANIZATION PLAN COVERING 50 PERCENT OF ITS EMPLOYEES.—A plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle if at least 50 percent of the employees benefiting under the plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle. If less than 50 percent of the employees benefiting under a plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle, the plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle only with respect to employees of such an organization.”.

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

TITLE VIII—REVENUE OFFSETS

SEC. 801. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.

(a) **IN GENERAL.**—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by inserting after subparagraph (C) the following new subparagraph:

“(D) any organization a significant trade or business of which is the lending of money.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

SEC. 802. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

“SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

“(a) **GENERAL RULE.**—The Secretary shall establish a program requiring the payment of user fees for—

- “(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and
- “(2) other similar requests.

“(b) **PROGRAM CRITERIA.**—

“(1) **IN GENERAL.**—The fees charged under the program required by subsection (a)—

- “(A) shall vary according to categories (or subcategories) established by the Secretary,
- “(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and
- “(C) shall be payable in advance.

“(2) **EXEMPTIONS, ETC.**—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

“(3) **AVERAGE FEE REQUIREMENT.**—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

“Category	Average Fee
Employee plan ruling and opinion	\$250
Exempt organization ruling	\$350
Employee plan determination	\$300
Exempt organization determination	\$275
Chief counsel ruling	\$200.

“(c) **TERMINATION.**—No fee shall be imposed under this section with respect to requests made after September 30, 2009.”

(b) **CONFORMING AMENDMENTS.**—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7527. Internal Revenue Service user fees.”

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 803. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) **BENEFITS TO WHICH EXCEPTION APPLIES.**—Section 419A(f)(6)(A) (relating to exception for 10 or more employer plans) is amended to read as follows:

“(A) **IN GENERAL.**—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

“(i) Medical benefits.

“(ii) Disability benefits.

“(iii) Group term life insurance benefits which do not provide for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.”

(b) **LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.**—Section 4976(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

“(5) **SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.**—For purposes of paragraph (1)(C), if—

“(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

“(B) any portion of the welfare benefit fund attributable to such contributions is used for a purpose other than that for which the contributions were made,

then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions paid or accrued after June 9, 1999, in taxable years ending after such date.

SEC. 804. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.

(a) **IN GENERAL.**—Section 3405(b)(1) (relating to withholding) is amended by striking ‘10 percent’ and inserting ‘15 percent’.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to distributions after December 31, 1999.

SEC. 805. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.

(a) **IN GENERAL.**—Subsection (a) of section 856 (relating to definition of real estate investment trust) is amended by striking “and” at the end of paragraph (6), by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

“(7) which is not a controlled entity (as defined in subsection (1)); and”.

(b) CONTROLLED ENTITY.—Section 856 is amended by adding at the end the following new subsection:

“(1) CONTROLLED ENTITY.—

“(1) IN GENERAL.—For purposes of subsection (a)(7), an entity is a controlled entity if, at any time during the taxable year, one person (other than a qualified entity)—

“(A) in the case of a corporation, owns stock—

“(i) possessing at least 50 percent of the total voting power of the stock of such corporation, or

“(ii) having a value equal to at least 50 percent of the total value of the stock of such corporation, or

“(B) in the case of a trust, owns beneficial interests in the trust which would meet the requirements of subparagraph (A) if such interests were stock.

“(2) QUALIFIED ENTITY.—For purposes of paragraph (1), the term ‘qualified entity’ means—

“(A) any real estate investment trust, and

“(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

“(3) ATTRIBUTION RULES.—For purposes of this paragraphs (1) and (2)—

“(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply.

“(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 269B(c)(2)) shall be treated as 1 person.

“(4) EXCEPTION FOR CERTAIN NEW REITS.—

“(A) IN GENERAL.—The term ‘controlled entity’ shall not include an incubator REIT.

“(B) INCUBATOR REIT.—A corporation shall be treated as an incubator REIT for any taxable year during the eligibility period if it meets all the following requirements for such year:

“(i) The corporation elects to be treated as an incubator REIT.

“(ii) The corporation has only voting common stock outstanding.

“(iii) Not more than 50 percent of the corporation’s real estate assets consist of mortgages.

“(iv) From not later than the beginning of the last half of the second taxable year, at least 10 percent of the corporation’s capital is provided by lenders or equity investors who are unrelated to the corporation’s largest shareholder.

“(v) The directors of the corporation adopt a resolution setting forth an intent to engage in a going public transaction.

No election may be made with respect to any REIT if an election under this subsection was in effect for any predecessor of such REIT.

“(C) ELIGIBILITY PERIOD.—The eligibility period (for which an incubator REIT election can be made) begins with the REIT’s second taxable year and ends at the close of the REIT’s third taxable year, but, subject to the following rules, it may be extended for an additional 2 taxable years if the REIT so elects:

“(i) A REIT cannot elect to extend the eligibility period unless it agrees that, if it does not engage in a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had not made an incubator REIT election and had ceased to qualify as a REIT for those 2 taxable years.

“(ii) In the event the corporation ceases to be treated as a REIT by operation of clause (i), the corporation shall file any appropriate amended returns reflecting the change in status within 3 months of the close of the extended eligibility period. Interest would be payable but, unless there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed. The corporation shall, at the same time, also notify its shareholders and any other persons whose tax position is, or may reasonably be expected to be, affected by the change in status so they also may file any appropriate amended returns to conform their tax treatment consistent with the corporation’s loss of REIT status. The Secretary shall provide appropriate regulations setting forth transferee liability and other provisions to ensure collection of tax and the proper administration of this provision.

“(iii) Clause (i) and (ii) shall not apply if the corporation allows its incubator REIT status to lapse at the end of the initial 2-year eligibility period without engaging in a going public transaction, provided the corporation satisfies the requirements of the closely-held test commencing with its fourth taxable year. In such a case, the corporation’s directors may still be liable for the penalties described in subparagraph (D) during the eligibility period.

“(D) SPECIAL PENALTIES.—If the Secretary determines that an incubator REIT election was filed for a principal purpose other than as part of a reasonable plan to undertake a going public transaction, an excise tax of \$20,000 would be imposed on each of the corporation’s directors for each taxable year for which an election was in effect.

“(E) GOING PUBLIC TRANSACTION.—For purposes of this paragraph, a going public transaction means—

“(i) a public offering of shares of the stock of the incubator REIT;

“(ii) a transaction, or series of transactions, that results in the stock of the incubator REIT being regularly traded on an established securities market and that results in at least 50 percent of such stock being held by shareholders who are unrelated to persons

who held such stock before it began to be so regularly traded; or

“(iii) any transaction resulting in ownership of the REIT by 200 or more persons (excluding the largest single shareholder) who in the aggregate own at least 50 percent of the stock of the REIT.

For the purposes of this subparagraph, the rules of paragraph (3) shall apply in determining the ownership of stock.

“(F) DEFINITIONS.—The term ‘established securities market’ shall have the meaning set forth in the regulations under section 897.”

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 856(h) is amended by striking “and (6)” each place it appears and inserting “, (6), and (7)”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 12, 1999.

(2) EXCEPTION FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(l) of the Internal Revenue Code of 1986, as added by this section) as of July 12, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business assets or activities as of such date.

SEC. 806. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1259 the following new section:

“SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

“(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

“(1) such gain shall be treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

“(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such gain under section 1(h) shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain.

“(b) INTEREST CHARGE ON DEFERRAL OF GAIN RECOGNITION.—

“(1) IN GENERAL.—If any gain is treated as ordinary income for any taxable year by reason of subsection (a)(1), the tax imposed by this chapter for such taxable year shall be increased by the amount of interest determined under paragraph (2) with respect to each prior taxable year during any portion of which the constructive ownership transaction was open. Any amount payable under this paragraph shall be taken into account in

computing the amount of any deduction allowable to the taxpayer for interest paid or accrued during such taxable year.

“(2) AMOUNT OF INTEREST.—The amount of interest determined under this paragraph with respect to a prior taxable year is the amount of interest which would have been imposed under section 6601 on the underpayment of tax for such year which would have resulted if the gain (which is treated as ordinary income by reason of subsection (a)(1)) had been included in gross income in the taxable years in which it accrued (determined by treating the income as accruing at a constant rate equal to the applicable Federal rate as in effect on the day the transaction closed). The period during which such interest shall accrue shall end on the due date (without extensions) for the return of tax imposed by this chapter for the taxable year in which such transaction closed.

“(3) APPLICABLE FEDERAL RATE.—For purposes of paragraph (2), the applicable Federal rate is the applicable Federal rate determined under 1274(d) (compounded semiannually) which would apply to a debt instrument with a term equal to the period the transaction was open.

“(4) NO CREDITS AGAINST INCREASE IN TAX.—Any increase in tax under paragraph (1) shall not be treated as 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 tax imposed by section 55.

“(c) FINANCIAL ASSET.—For purposes of this section—

“(1) IN GENERAL.—The term ‘financial asset’ means—

“(A) any equity interest in any pass-thru entity, and

“(B) to the extent provided in regulations—

“(i) any debt instrument, and

“(ii) any stock in a corporation which is not a pass-thru entity.

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

“(A) a regulated investment company,

“(B) a real estate investment trust,

“(C) an S corporation,

“(D) a partnership,

“(E) a trust,

“(F) a common trust fund,

“(G) a passive foreign investment company (as defined in section 1297),

“(H) a foreign personal holding company, and

“(I) a foreign investment company (as defined in section 1246(b)).

“(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

“(1) IN GENERAL.—The taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

“(A) holds a long position under a notional principal contract with respect to the financial asset,

“(B) enters into a forward or futures contract to acquire the financial asset,

“(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially equal strike prices and substantially contemporaneous maturity dates, or

“(D) to the extent provided in regulations prescribed by the Secretary, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

“(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transaction are marked to market under any provision of this title or the regulations thereunder.

“(3) LONG POSITION UNDER NOTIONAL PRINCIPAL CONTRACT.—A person shall be treated as holding a long position under a notional principal contract with respect to any financial asset if such person—

“(A) has the right to be paid (or receive credit for) all or substantially all of the investment yield (including appreciation) on such financial asset for a specified period, and

“(B) is obligated to reimburse (or provide credit for) all or substantially all of any decline in the value of such financial asset.

“(4) FORWARD CONTRACT.—The term ‘forward contract’ means any contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

“(e) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, the term ‘net underlying long-term capital gain’ means the aggregate net capital gain that the taxpayer would have had if—

“(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and

“(2) only gains and losses that would have resulted from the deemed ownership under paragraph (1) were taken into account.

The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

“(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the contracts, options, or other positions which are part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a). Proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain recognized and treated as ordinary income under this subsection.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

“(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and

“(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.”

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

“Sec. 1260. Gains from constructive ownership transactions.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after July 11, 1999.

SEC. 807. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.

(a) EXTENSION.—Paragraph (5) of section 420(b) (relating to expiration) is amended by striking “in any taxable year beginning after December 31, 2000” and inserting “made after September 30, 2009”.

(b) APPLICATION OF MINIMUM COST REQUIREMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 420(c) is amended to read as follows:

“(3) MINIMUM COST REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph are met if each group health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the cost maintenance period shall not be less than the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the qualified transfer.

“(B) APPLICABLE EMPLOYER COST.—For purposes of this paragraph, the term ‘applicable employer cost’ means, with respect to any taxable year, the amount determined by dividing—

“(i) the qualified current retiree health liabilities of the employer for such taxable year determined—

“(I) without regard to any reduction under subsection (e)(1)(B), and

“(II) in the case of a taxable year in which there was no qualified transfer, in the same manner as if there had been such a transfer at the end of the taxable year, by

“(ii) the number of individuals to whom coverage for applicable health benefits was provided during such taxable year.

“(C) ELECTION TO COMPUTE COST SEPARATELY.—An employer may elect to have this paragraph applied separately with respect to individuals eligible for benefits under title XVIII of the Social Security Act at any time during the taxable year and with respect to individuals not so eligible.

“(D) COST MAINTENANCE PERIOD.—For purposes of this paragraph, the term ‘cost maintenance period’ means the period of 5 taxable years beginning with the taxable year in which the qualified transfer occurs. If a taxable year is in 2 or more overlapping cost maintenance periods, this paragraph shall be applied by taking into account the highest applicable employer cost required to be provided under subparagraph (A) for such taxable year.”

(2) CONFORMING AMENDMENTS.—

(A) Clause (iii) of section 420(b)(1)(C) is amended by striking “benefits” and inserting “cost”.

(B) Subparagraph (D) of section 420(e)(1) is amended by striking “and shall not be subject to the minimum benefit requirements of subsection (c)(3)” and inserting “or in calculating applicable employer cost under subsection (c)(3)(B)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified transfers occurring after the date of the enactment of this Act.

SEC. 808. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL BASIS TAXPAYERS.—

(1) IN GENERAL.—Subsection (a) of section 453 (relating to installment method) is amended to read as follows:

“(a) USE OF INSTALLMENT METHOD.—

“(1) IN GENERAL.—Except as otherwise provided in this section, income from an installment sale shall be taken into account for purposes of this title under the installment method.

“(2) ACCRUAL METHOD TAXPAYER.—The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without regard to this section. The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (1)(2).”

(2) CONFORMING AMENDMENTS.—Sections 453(d)(1), 453(i)(1), and 453(k) are each amended by striking “(a)” each place it appears and inserting “(a)(1)”.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453A(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following: “A payment shall be treated as directly secured by an interest in an installment obligation to the extent an arrangement allows the taxpayer to satisfy all or a portion of the indebtedness with the installment obligation.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.

SEC. 809. LIMITATION ON USE OF NONACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting “in fields described in paragraph (2)(A)” after “services by such person”, and

(2) by inserting “CERTAIN PERSONAL” before “SERVICES” in the heading.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 810. EXCLUSION OF LIKE-KIND EXCHANGE PROPERTY FROM NONRECOGNITION TREATMENT ON THE SALE OF A PRINCIPAL RESIDENCE.

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

“(9) LIKE-KIND EXCHANGES.—Subsection (a) shall not apply to any sale or exchange of a residence if such residence was acquired by the taxpayer during the 5-year period ending on the date of such sale or exchange in an exchange in which any amount of gain was not recognized under section 1031.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any sale or exchange of a principal residence after the date of the enactment of this Act.

SEC. 811. DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.

(a) IN GENERAL.—Section 7701 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.”

(b) INCREASE IN SUBSTANTIAL UNDERPAYMENT PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES.—Section 6662 (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) to the extent that such underpayment is attributable to—

“(A) the disallowance of any noneconomic tax attribute (determined under section 7701(m)), or

“(B) 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.

“(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.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

TITLE IX—NATIONAL COMMISSION ON TAX REFORM AND SIMPLIFICATION

SEC. 901. ESTABLISHMENT.

(a) IN GENERAL.—There is established the National Commission on Tax Reform and Simplification. The Commission shall be composed of 15 members appointed or designated by the President and selected as follows:

(1) 5 members selected by the President from among officers or employees of the Executive Branch, private citizens of the United States, or both. Not more than 3 of the members se-

lected by the President shall be members of the same political party;

(2) 5 members selected by the Majority Leader of the Senate from among members of the Senate, private citizens of the United States, or both. Not more than 3 of the members selected by the Majority Leader shall be members of the same political party;

(3) 5 members selected by the Speaker of the House of Representatives from among members of the House, private citizens of the United States, or both. Not more than 3 of the members selected by the Speaker shall be members of the same political party.

(b) CHAIRMAN.—The President shall designate a Chairman from among the members of the Commission.

SEC. 902. FUNCTIONS.

(a) IN GENERAL.—The Commission shall review the Internal Revenue Code of 1986, identify provisions of such Code which are unnecessarily complex and may be simplified, and make appropriate recommendations to the Secretary of the Treasury, the President, and to Congress.

(b) REPORT.—The Commission shall make its report to the President not later than 1 year after the date of the enactment of this Act.

SEC. 903. ADMINISTRATION.

(a) INFORMATION FROM EXECUTIVE AGENCIES.—The heads of Executive agencies shall, to the extent permitted by law, provide the Commission such information as it may require for the purpose of carrying out its functions.

(b) PAY.—Members of the Commission shall serve without any additional compensation for their work on the Commission. However, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service (5 U.S.C. 5701–5707), to the extent funds are available therefor.

(c) STAFF.—The Commission shall have a staff headed by an Executive Director. Any expenses of the Commission shall be paid from such funds as may be available to the Secretary of the Treasury.

SEC. 904. GENERAL.

(a) AUTHORITY OF SECRETARY OF TREASURY.—Notwithstanding any Executive Order, the responsibilities of the President under the Federal Advisory Committee Act, as amended, except that of reporting annually to the Congress, which are applicable to the Commission, shall be performed by the Secretary of the Treasury in accordance with the guidelines and procedures established by the Administrator of General Services.

(b) TERMINATION.—The Commission shall terminate 30 days after submitting its report.