

107TH CONGRESS
1ST SESSION

H. R. 3529

AN ACT

To provide tax incentives for economic recovery and
assistance to displaced workers.

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

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

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Economic Security and Worker Assistance Act of 2001”.

4 (b) **REFERENCES TO INTERNAL REVENUE CODE OF**
5 **1986.**—Except as otherwise expressly provided, whenever
6 in this Act an amendment or repeal is expressed in terms
7 of an amendment to, or repeal of, a section or other provi-
8 sion, the reference shall be considered to be made to a
9 section or other provision of the Internal Revenue Code
10 of 1986.

11 (c) **TABLE OF CONTENTS.**—The table of contents for
12 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL PROVISIONS

Sec. 101. Supplemental stimulus payments.

Sec. 102. Acceleration of 25 percent individual income tax rate.

TITLE II—BUSINESS PROVISIONS

Sec. 201. Special depreciation allowance for certain property acquired after
September 10, 2001, and before September 11, 2004.

Sec. 202. Temporary increase in expensing under section 179.

Sec. 203. Alternative minimum tax reform.

Sec. 204. Carryback of certain net operating losses allowed for 5 years.

Sec. 205. Recovery period for depreciation of certain leasehold improvements.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions

Sec. 301. Allowance of nonrefundable personal credits against regular and min-
imum tax liability.

Sec. 302. Credit for qualified electric vehicles.

Sec. 303. Credit for electricity produced from renewable resources.

Sec. 304. Work opportunity credit.

Sec. 305. Welfare-to-work credit.

Sec. 306. Deduction for clean-fuel vehicles and certain refueling property.

Sec. 307. Taxable income limit on percentage depletion for oil and natural gas
produced from marginal properties.

Sec. 308. Qualified zone academy bonds.

Sec. 309. Cover over of tax on distilled spirits.

- Sec. 310. Parity in the application of certain limits to mental health benefits.
- Sec. 311. Temporary special rules for taxation of life insurance companies.
- Sec. 312. Availability of medical savings accounts.
- Sec. 313. Incentives for Indian employment and property on Indian reservations.
- Sec. 314. Subpart F exemption for active financing.
- Sec. 315. Repeal of requirement for approved diesel or kerosene terminals.

Subtitle B—Temporary Assistance for Needy Families

- Sec. 321. Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.
- Sec. 322. 1-year extension of contingency fund under the TANF program.

TITLE IV—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001

- Sec. 401. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.

TITLE V—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST AT- TACKS, PRESIDENTIALLY DECLARED DISASTERS, AND CERTAIN OTHER DISASTERS

Subtitle A—Relief Provisions for Victims of Terrorist Attacks

- Sec. 501. Income taxes of victims of terrorist attacks.
- Sec. 502. Exclusion of certain death benefits.
- Sec. 503. Estate tax reduction.
- Sec. 504. Payments by charitable organizations treated as exempt payments.
- Sec. 505. Exclusion of certain cancellations of indebtedness.

Subtitle B—Other Relief Provisions

- Sec. 511. Exclusion for disaster relief payments.
- Sec. 512. Authority to postpone certain deadlines and required actions.
- Sec. 513. Application of certain provisions to terroristic or military actions.
- Sec. 514. Clarification of due date for airline excise tax deposits.
- Sec. 515. Treatment of certain structured settlement payments.
- Sec. 516. Personal exemption deduction for certain disability trusts.
- Sec. 517. Disclosure of tax information in terrorism and national security investigations.

TITLE VI—MISCELLANEOUS AND TECHNICAL PROVISIONS

Subtitle A—General Miscellaneous Provisions

- Sec. 601. Allowance of electronic 1099's.
- Sec. 602. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.
- Sec. 603. Limitation on use of nonaccrual experience method of accounting.
- Sec. 604. Exclusion for foster care payments to apply to payments by qualified placement agencies.
- Sec. 605. Interest rate range for additional funding requirements.
- Sec. 606. Adjusted gross income determined by taking into account certain expenses of elementary and secondary school teachers.

Subtitle B—Technical Corrections

- Sec. 611. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.
- Sec. 612. Amendments related to Community Renewal Tax Relief Act of 2000.
- Sec. 613. Amendments related to the Tax Relief Extension Act of 1999.
- Sec. 614. Amendments related to the Taxpayer Relief Act of 1997.
- Sec. 615. Amendment related to the Balanced Budget Act of 1997.
- Sec. 616. Other technical corrections.
- Sec. 617. Clerical amendments.
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TITLE VII—UNEMPLOYMENT ASSISTANCE

- Sec. 701. Short title.
- Sec. 702. Federal-State agreements.
- Sec. 703. Temporary extended unemployment compensation account.
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- Sec. 707. Definitions.
- Sec. 708. Applicability.
- Sec. 709. Special Reed Act transfer in fiscal year 2002.

TITLE VIII—DISPLACED WORKER HEALTH INSURANCE CREDIT

- Sec. 801. Displaced worker health insurance credit.
- Sec. 802. Advance payment of displaced worker health insurance credit.

TITLE IX—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

- Sec. 901. Employment and training assistance and temporary health care coverage assistance.

TITLE X—TEMPORARY STATE HEALTH CARE ASSISTANCE

- Sec. 1001. Temporary State health care assistance.

TITLE XI—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT

- Sec. 1101. No impact on social security trust funds.
- Sec. 1102. Emergency designation.

1 **TITLE I—INDIVIDUAL** 2 **PROVISIONS**

3 **SEC. 101. SUPPLEMENTAL STIMULUS PAYMENTS.**

- 4 (a) IN GENERAL.—Section 6428 (relating to accel-
- 5 eration of 10 percent income tax rate bracket benefit for

1 2001) is amended by adding at the end the following new
2 subsection:

3 “(f) SUPPLEMENTAL STIMULUS PAYMENTS.—

4 “(1) IN GENERAL.—Each individual who was
5 an eligible individual for such individual’s first tax-
6 able year beginning in 2000 and who, before October
7 16, 2001, filed a return of tax imposed by subtitle
8 A for such taxable year shall be treated as having
9 made a payment against the tax imposed by chapter
10 1 for such first taxable year in an amount equal to
11 the supplemental refund amount for such taxable
12 year.

13 “(2) SUPPLEMENTAL REFUND AMOUNT.—For
14 purposes of this subsection, the supplemental refund
15 amount is an amount equal to the excess (if any)
16 of—

17 “(A)(i) \$600 in the case of taxpayers to
18 whom section 1(a) applies,

19 “(ii) \$500 in the case of taxpayers to
20 whom section 1(b) applies, and

21 “(iii) \$300 in the case of taxpayers to
22 whom subsections (c) or (d) of section 1 ap-
23 plies, over

24 “(B) the taxpayer’s advance refund
25 amount under subsection (e).

1 “(3) TIMING OF PAYMENTS.—In the case of
2 any overpayment attributable to this subsection, the
3 Secretary shall, subject to the provisions of this title,
4 refund or credit such overpayment as rapidly as pos-
5 sible.

6 “(4) NO INTEREST.—No interest shall be al-
7 lowed on any overpayment attributable to this sub-
8 section.”

9 (b) CONFORMING AMENDMENTS.—

10 (1) Subparagraph (A) of section 6428(d)(1) is
11 amended by striking “subsection (e)” and inserting
12 “subsections (e) and (f)”.

13 (2) Subparagraph (B) of section 6428(d)(1) is
14 amended by striking “subsection (e)” and inserting
15 “subsection (e) or (f)”.

16 (3) Paragraph (3) of section 6428(e) is amend-
17 ed by inserting before the period “(or, if earlier, the
18 date of the enactment of the Economic Security and
19 Worker Assistance Act of 2001)”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act.

1 **SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-**
2 **COME TAX RATE.**

3 (a) IN GENERAL.—The table contained in paragraph
4 (2) of section 1(i) (relating to reductions in rates after
5 June 30, 2001) is amended—

6 (1) by striking “27.0%” and inserting
7 “25.0%”, and

8 (2) by striking “26.0%” and inserting
9 “25.0%”.

10 (b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

11 (1) Subparagraph (A) of section 55(d)(1) is
12 amended by striking “(\$49,000 in the case of tax-
13 able years beginning in 2001, 2002, 2003, and
14 2004)” and inserting “(\$49,000 in the case of tax-
15 able years beginning in 2001, \$52,200 in the case of
16 taxable years beginning in 2002 or 2003, and
17 \$50,700 in the case of taxable years beginning in
18 2004)”.

19 (2) Subparagraph (B) of section 55(d)(1) is
20 amended by striking “(\$35,750 in the case of tax-
21 able years beginning in 2001, 2002, 2003, and
22 2004)” and inserting “(\$35,750 in the case of tax-
23 able years beginning in 2001, \$37,350 in the case of
24 taxable years beginning in 2002 or 2003, and
25 \$36,600 in the case of taxable years beginning in
26 2004)”.

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

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

8 **TITLE II—BUSINESS PROVISIONS**

9 **SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CER-** 10 **TAIN PROPERTY ACQUIRED AFTER SEP-** 11 **TEMBER 10, 2001, AND BEFORE SEPTEMBER** 12 **11, 2004.**

13 (a) IN GENERAL.—Section 168 (relating to acceler-
 14 ated cost recovery system) is amended by adding at the
 15 end the following new subsection:

16 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
 17 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE
 18 SEPTEMBER 11, 2004.—

19 “(1) ADDITIONAL ALLOWANCE.—In the case of
 20 any qualified property—

21 “(A) the depreciation deduction provided
 22 by section 167(a) for the taxable year in which
 23 such property is placed in service shall include
 24 an allowance equal to 30 percent of the ad-
 25 justed basis of the qualified property, and

1 “(B) the adjusted basis of the qualified
2 property shall be reduced by the amount of
3 such deduction before computing the amount
4 otherwise allowable as a depreciation deduction
5 under this chapter for such taxable year and
6 any subsequent taxable year.

7 “(2) QUALIFIED PROPERTY.—For purposes of
8 this subsection—

9 “(A) IN GENERAL.—The term ‘qualified
10 property’ means property—

11 “(i)(I) to which this section applies
12 which has a recovery period of 20 years or
13 less or which is water utility property, or

14 “(II) which is computer software (as
15 defined in section 167(f)(1)(B)) for which
16 a deduction is allowable under section
17 167(a) without regard to this subsection,

18 “(ii) the original use of which com-
19 mences with the taxpayer after September
20 10, 2001,

21 “(iii) which is—

22 “(I) acquired by the taxpayer
23 after September 10, 2001, and before
24 September 11, 2004, but only if no
25 written binding contract for the acqui-

1 sition was in effect before September
2 11, 2001, or

3 “(II) acquired by the taxpayer
4 pursuant to a written binding contract
5 which was entered into after Sep-
6 tember 10, 2001, and before Sep-
7 tember 11, 2004, and

8 “(iv) which is placed in service by the
9 taxpayer before January 1, 2005, or, in
10 the case of property described in subpara-
11 graph (B), before January 1, 2006.

12 “(B) CERTAIN PROPERTY HAVING LONGER
13 PRODUCTION PERIODS TREATED AS QUALIFIED
14 PROPERTY.—

15 “(i) IN GENERAL.—The term ‘quali-
16 fied property’ includes property—

17 “(I) which meets the require-
18 ments of clauses (i), (ii), and (iii) of
19 subparagraph (A),

20 “(II) which has a recovery period
21 of at least 10 years or is transpor-
22 tation property, and

23 “(III) which is subject to section
24 263A by reason of clause (ii) or (iii)
25 of subsection (f)(1)(B) thereof.

1 “(ii) ONLY PRE-SEPTEMBER 11, 2004,
2 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-
3 ANCE.—In the case of property which is
4 qualified property solely by reason of
5 clause (i), paragraph (1) shall apply only
6 to the extent of the adjusted basis thereof
7 attributable to manufacture, construction,
8 or production before September 11, 2004.

9 “(iii) TRANSPORTATION PROPERTY.—
10 For purposes of this subparagraph, the
11 term ‘transportation property’ means tan-
12 gible personal property used in the trade
13 or business of transporting persons or
14 property.

15 “(C) EXCEPTIONS.—

16 “(i) ALTERNATIVE DEPRECIATION
17 PROPERTY.—The term ‘qualified property’
18 shall not include any property to which the
19 alternative depreciation system under sub-
20 section (g) applies, determined—

21 “(I) without regard to paragraph
22 (7) of subsection (g) (relating to elec-
23 tion to have system apply), and

1 “(II) after application of section
2 280F(b) (relating to listed property
3 with limited business use).

4 “(ii) ELECTION OUT.—If a taxpayer
5 makes an election under this clause with
6 respect to any class of property for any
7 taxable year, this subsection shall not
8 apply to all property in such class placed
9 in service during such taxable year.

10 “(iii) QUALIFIED LEASEHOLD IM-
11 PROVEMENT PROPERTY.—The term ‘quali-
12 fied property’ shall not include any quali-
13 fied leasehold improvement property (as
14 defined in section 168(e)(6)).

15 “(D) SPECIAL RULES.—

16 “(i) SELF-CONSTRUCTED PROP-
17 ERTY.—In the case of a taxpayer manufac-
18 turing, constructing, or producing property
19 for the taxpayer’s own use, the require-
20 ments of clause (iii) of subparagraph (A)
21 shall be treated as met if the taxpayer be-
22 gins manufacturing, constructing, or pro-
23 ducing the property after September 10,
24 2001, and before September 11, 2004.

1 “(ii) SALE-LEASEBACKS.—For pur-
2 poses of subparagraph (A)(ii), if
3 property—

4 “(I) is originally placed in service
5 after September 10, 2001, by a per-
6 son, and

7 “(II) sold and leased back by
8 such person within 3 months after the
9 date such property was originally
10 placed in service,

11 such property shall be treated as originally
12 placed in service not earlier than the date
13 on which such property is used under the
14 leaseback referred to in subclause (II).

15 “(E) COORDINATION WITH SECTION
16 280F.—For purposes of section 280F—

17 “(i) AUTOMOBILES.—In the case of a
18 passenger automobile (as defined in section
19 280F(d)(5)) which is qualified property,
20 the Secretary shall increase the limitation
21 under section 280F(a)(1)(A)(i) by \$4,600.

22 “(ii) LISTED PROPERTY.—The deduc-
23 tion allowable under paragraph (1) shall be
24 taken into account in computing any re-

1 capture amount under section
2 280F(b)(2).”

3 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
4 TAX.—

5 (1) IN GENERAL.—Section 56(a)(1)(A) (relat-
6 ing to depreciation adjustment for alternative min-
7 imum tax) is amended by adding at the end the fol-
8 lowing new clause:

9 “(iii) ADDITIONAL ALLOWANCE FOR
10 CERTAIN PROPERTY ACQUIRED AFTER SEP-
11 TEMBER 10, 2001, AND BEFORE SEP-
12 TEMBER 11, 2004.—The deduction under
13 section 168(k) shall be allowed.”

14 (2) CONFORMING AMENDMENT.—Clause (i) of
15 section 56(a)(1)(A) is amended by striking “clause
16 (ii)” both places it appears and inserting “clauses
17 (ii) and (iii)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to property placed in service after
20 September 10, 2001, in taxable years ending after such
21 date.

1 **SEC. 202. TEMPORARY INCREASE IN EXPENSING UNDER**
 2 **SECTION 179.**

3 (a) IN GENERAL.—The table contained in section
 4 179(b)(1) (relating to dollar limitation) is amended to
 5 read as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$35,000
2004 or thereafter	\$25,000.”

6 (b) TEMPORARY INCREASE IN AMOUNT OF PROP-
 7 erty TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—
 8 Paragraph (2) of section 179(b) is amended by inserting
 9 before the period “(\$325,000 in the case of taxable years
 10 beginning during 2002 or 2003)”.

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

14 **SEC. 203. ALTERNATIVE MINIMUM TAX REFORM.**

15 (a) REPEAL OF PREFERENCE FOR DEPRECIATION.—

16 (1) Paragraph (1) of section 56(a) is amended
 17 by adding at the end the following new subpara-
 18 graph:

19 “(E) TERMINATION.—This paragraph
 20 shall not apply to property placed in service in
 21 taxable years beginning after December 31,
 22 2001.”

1 (2) Paragraph (5) of section 56(a) is amended
2 by adding at the end: “This paragraph shall not
3 apply to property placed in service in taxable years
4 beginning after December 31, 2001.”

5 (b) REPEAL OF 90 PERCENT LIMITATION ON FOR-
6 EIGN TAX CREDITS.—

7 (1) Subsection (a) of section 59 is amended by
8 striking paragraph (2) and by redesignating para-
9 graphs (3) and (4) as paragraphs (2) and (3), re-
10 spectively.

11 (2) Subclause (II) of section 53(d)(1)(B)(i) is
12 amended by striking “and if section 59(a)(2) did not
13 apply”.

14 (c) REPEAL OF 90 PERCENT LIMITATION ON NET
15 OPERATING LOSS DEDUCTION.—Subparagraph (A) of
16 section 56(d)(1), as amended by section 204, is amended
17 to read as follows:

18 “(A) the amount of such deduction shall
19 not exceed alternative minimum taxable income
20 determined without regard to such deduction,
21 and”.

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

1 **SEC. 204. CARRYBACK OF CERTAIN NET OPERATING**
2 **LOSSES ALLOWED FOR 5 YEARS.**

3 (a) IN GENERAL.—Paragraph (1) of section 172(b)
4 (relating to years to which loss may be carried) is amended
5 by adding at the end the following new subparagraph:

6 “(H) In the case of a taxpayer which has
7 a net operating loss for any taxable year ending
8 during 2001 or 2002, subparagraph (A)(i) shall
9 be applied by substituting ‘5’ for ‘2’ and sub-
10 paragraph (F) shall not apply.”

11 (b) ELECTION TO DISREGARD 5-YEAR
12 CARRYBACK.—Section 172 (relating to net operating loss
13 deduction) is amended by redesignating subsection (j) as
14 subsection (k) and by inserting after subsection (i) the fol-
15 lowing new subsection:

16 “(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK
17 FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer
18 entitled to a 5-year carryback under subsection (b)(1)(H)
19 from any loss year may elect to have the carryback period
20 with respect to such loss year determined without regard
21 to subsection (b)(1)(H). Such election shall be made in
22 such manner as may be prescribed by the Secretary and
23 shall be made by the due date (including extensions of
24 time) for filing the taxpayer’s return for the taxable year
25 of the net operating loss. Such election, once made for any
26 taxable year, shall be irrevocable for such taxable year.”

1 (c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT
2 ON CERTAIN NOL CARRYBACKS.—

3 (1) IN GENERAL.—Subparagraph (A) of section
4 56(d)(1) (relating to general rule defining alter-
5 native tax net operating loss deduction) is amended
6 to read as follows:

7 “(A) the amount of such deduction shall
8 not exceed the sum of—

9 “(i) the lesser of—

10 “(I) the amount of such deduc-
11 tion attributable to net operating
12 losses (other than the deduction at-
13 tributable to carrybacks described in
14 clause (ii)(I)), or

15 “(II) 90 percent of alternative
16 minimum taxable income determined
17 without regard to such deduction, plus

18 “(ii) the lesser of—

19 “(I) the amount of such deduc-
20 tion attributable to carrybacks of net
21 operating losses for taxable years end-
22 ing during 2001 or 2002, or

23 “(II) alternative minimum tax-
24 able income determined without re-
25 gard to such deduction reduced by the

1 amount determined under clause (i),
2 and”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by this subsection shall apply to taxable years begin-
5 ning before January 1, 2002.

6 (d) EFFECTIVE DATE.—Except as provided in sub-
7 section (c), the amendments made by this section shall
8 apply to net operating losses for taxable years ending after
9 December 31, 2000.

10 **SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
11 **TAIN LEASEHOLD IMPROVEMENTS.**

12 (a) 15-YEAR RECOVERY PERIOD.—Subparagraph
13 (E) of section 168(e)(3) (relating to 15-year property) is
14 amended by striking “and” at the end of clause (ii), by
15 striking the period at the end of clause (iii) and inserting
16 “, and”, and by adding at the end the following new
17 clause:

18 “(iv) any qualified leasehold improve-
19 ment property.”

20 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
21 erty.—Subsection (e) of section 168 is amended by add-
22 ing at the end the following new paragraph:

23 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
24 PROPERTY.—

1 “(A) IN GENERAL.—The term ‘qualified
2 leasehold improvement property’ means any im-
3 provement to an interior portion of a building
4 which is nonresidential real property if—

5 “(i) such improvement is made under
6 or pursuant to a lease (as defined in sub-
7 section (h)(7))—

8 “(I) by the lessee (or any subles-
9 see) of such portion, or

10 “(II) by the lessor of such por-
11 tion,

12 “(ii) such portion is to be occupied ex-
13 clusively by the lessee (or any sublessee) of
14 such portion, and

15 “(iii) such improvement is placed in
16 service more than 3 years after the date
17 the building was first placed in service.

18 “(B) CERTAIN IMPROVEMENTS NOT IN-
19 CLUDED.—Such term shall not include any im-
20 provement for which the expenditure is attrib-
21 utable to—

22 “(i) the enlargement of the building,

23 “(ii) any elevator or escalator,

24 “(iii) any structural component bene-
25 fitting a common area, and

1 “(iv) the internal structural frame-
2 work of the building.

3 “(C) DEFINITIONS AND SPECIAL RULES.—

4 For purposes of this paragraph—

5 “(i) COMMITMENT TO LEASE TREAT-
6 ED AS LEASE.—A commitment to enter
7 into a lease shall be treated as a lease, and
8 the parties to such commitment shall be
9 treated as lessor and lessee, respectively.

10 “(ii) RELATED PERSONS.—A lease be-
11 tween related persons shall not be consid-
12 ered a lease. For purposes of the preceding
13 sentence, the term ‘related persons’
14 means—

15 “(I) members of an affiliated
16 group (as defined in section 1504),
17 and

18 “(II) persons having a relation-
19 ship described in subsection (b) of
20 section 267; except that, for purposes
21 of this clause, the phrase ‘80 percent
22 or more’ shall be substituted for the
23 phrase ‘more than 50 percent’ each
24 place it appears in such subsection.

25 “(D) IMPROVEMENTS MADE BY LESSOR.—

1 “(i) IN GENERAL.—In the case of an
2 improvement made by the person who was
3 the lessor of such improvement when such
4 improvement was placed in service, such
5 improvement shall be qualified leasehold
6 improvement property (if at all) only so
7 long as such improvement is held by such
8 person.

9 “(ii) EXCEPTION FOR CHANGES IN
10 FORM OF BUSINESS.—Property shall not
11 cease to be qualified leasehold improve-
12 ment property under clause (i) by reason
13 of—

14 “(I) death,

15 “(II) a transaction to which sec-
16 tion 381(a) applies, or

17 “(III) a mere change in the form
18 of conducting the trade or business so
19 long as the property is retained in
20 such trade or business as qualified
21 leasehold improvement property and
22 the taxpayer retains a substantial in-
23 terest in such trade or business.

24 “(iii) TREATMENT OF FAILURES TO
25 MAINTAIN SUBSTANTIAL INTEREST IN

1 TRADE OR BUSINESS.—In the case of prop-
 2 erty to which clause (ii)(III) would apply
 3 but for the failure of the taxpayer to retain
 4 a substantial interest in a trade or busi-
 5 ness, the remaining adjusted basis of such
 6 property shall be depreciated under this
 7 section over 39 years.”

8 (c) REQUIREMENT TO USE STRAIGHT LINE METH-
 9 OD.—Paragraph (3) of section 168(b) is amended by add-
 10 ing at the end the following new subparagraph:

11 “(G) Qualified leasehold improvement
 12 property described in subsection (e)(6).”

13 (d) ALTERNATIVE SYSTEM.—The table contained in
 14 section 168(g)(3)(B) is amended by adding at the end the
 15 following new item:

 “(E)(iv) 15”.

16 (e) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to qualified leasehold improvement
 18 property placed in service after September 10, 2001.

1 **TITLE III—EXTENSIONS OF**
2 **CERTAIN EXPIRING PROVISIONS**

3 **Subtitle A—Extensions**

4 **SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL**
5 **CREDITS AGAINST REGULAR AND MINIMUM**
6 **TAX LIABILITY.**

7 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
8 amended—

9 (1) by striking “RULE FOR 2000 AND 2001.—”
10 and inserting “RULE FOR 2000, 2001, 2002, AND
11 2003.—”, and

12 (2) by striking “during 2000 or 2001,” and in-
13 serting “during 2000, 2001, 2002, or 2003,”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 904(h) is amended by striking “dur-
16 ing 2000 or 2001” and inserting “during 2000,
17 2001, 2002, or 2003”.

18 (2) The amendments made by sections 201(b),
19 202(f), and 618(b) of the Economic Growth and Tax
20 Relief Reconciliation Act of 2001 shall not apply to
21 taxable years beginning during 2002 and 2003.

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

1 **SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

2 (a) IN GENERAL.—Section 30 is amended—

3 (1) in subsection (b)(2)—

4 (A) by striking “December 31, 2001,” and
5 inserting “December 31, 2003,” and

6 (B) in subparagraphs (A), (B), and (C), by
7 striking “2002”, “2003”, and “2004”, respec-
8 tively, and inserting “2004”, “2005”, and
9 “2006”, respectively, and

10 (2) in subsection (e), by striking “December 31,
11 2004” and inserting “December 31, 2006”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Subparagraph (C) of section 280F(a)(1) is
14 amended by adding at the end the following new
15 clause

16 “(iii) APPLICATION OF SUBPARA-
17 GRAPH.—This subparagraph shall apply to
18 property placed in service after August 5,
19 1997, and before January 1, 2007.”

20 (2) Subsection (b) of section 971 of the Tax-
21 payer Relief Act of 1997 is amended by striking
22 “and before January 1, 2005”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect on the date of the enactment
25 of this Act.

1 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
2 **NEWABLE RESOURCES.**

3 (a) IN GENERAL.—Subparagraphs (A), (B), and (C)
4 of section 45(c)(3) are each amended by striking “2002”
5 and inserting “2004”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (a) shall take effect on the date of the enact-
8 ment of this Act.

9 **SEC. 304. WORK OPPORTUNITY CREDIT.**

10 (a) IN GENERAL.—Subparagraph (B) of section
11 51(c)(4) is amended by striking “2001” and inserting
12 “2003”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to individuals who begin work
15 for the employer after December 31, 2001.

16 **SEC. 305. WELFARE-TO-WORK CREDIT.**

17 (a) IN GENERAL.—Subsection (f) of section 51A is
18 amended by striking “2001” and inserting “2003”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply to individuals who begin work
21 for the employer after December 31, 2001.

22 **SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
23 **CERTAIN REFUELING PROPERTY.**

24 (a) IN GENERAL.—Section 179A is amended—
25 (1) in subsection (b)(1)(B)—

1 (A) by striking “December 31, 2001,” and
2 inserting “December 31, 2003,” and

3 (B) in clauses (i), (ii), and (iii), by striking
4 “2002”, “2003”, and “2004”, respectively, and
5 inserting “2004”, “2005”, and “2006”, respec-
6 tively, and

7 (2) in subsection (f), by striking “December 31,
8 2004” and inserting “December 31, 2006”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 subsection (a) shall take effect on the date of the enact-
11 ment of this Act.

12 **SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
13 **TION FOR OIL AND NATURAL GAS PRODUCED**
14 **FROM MARGINAL PROPERTIES.**

15 (a) IN GENERAL.—Subparagraph (H) of section
16 613A(c)(6) is amended by striking “2002” and inserting
17 “2004”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall apply to taxable years beginning after
20 December 31, 2001.

21 **SEC. 308. QUALIFIED ZONE ACADEMY BONDS.**

22 (a) IN GENERAL.—Paragraph (1) of section
23 1397E(e) is amended by striking “2000, and 2001” and
24 inserting “2000, 2001, 2002, and 2003”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect on the date of the enact-
3 ment of this Act.

4 **SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.**

5 (a) IN GENERAL.—Paragraph (1) of section 7652(f)
6 is amended by striking “January 1, 2002” and inserting
7 “January 1, 2004”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall take effect on the date of the enact-
10 ment of this Act.

11 **SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
12 **TO MENTAL HEALTH BENEFITS.**

13 (a) IN GENERAL.—Subsection (f) of section 9812, as
14 amended by the Departments of Labor, Health and
15 Human Services, and Education, and Related Agencies
16 Appropriations Act, 2002, is amended to read as follows:

17 “(f) APPLICATION OF SECTION.—This section shall
18 not apply to benefits for services furnished—

19 “(1) on or after September 30, 2001, and be-
20 fore January 1, 2002, and

21 “(2) after December 31, 2003.”

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

1 **SEC. 311. TEMPORARY SPECIAL RULES FOR TAXATION OF**
2 **LIFE INSURANCE COMPANIES.**

3 (a) REDUCTION IN MUTUAL LIFE INSURANCE COM-
4 PANY DEDUCTIONS NOT TO APPLY IN CERTAIN YEARS.—
5 Section 809 (relating to reduction in certain deductions
6 of material life insurance companies) is amended by add-
7 ing at the end the following:

8 “(j) DIFFERENTIAL EARNINGS RATE TREATED AS
9 ZERO FOR CERTAIN YEARS.—Notwithstanding subsection
10 (c) or (f), the differential earnings rate shall be treated
11 as zero for purposes of computing both the differential
12 earnings amount and the recomputed differential earnings
13 amount for a mutual life insurance company’s taxable
14 years beginning in 2001, 2002, or 2003.”

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

18 **SEC. 312. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

19 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
20 tion 220(i) (defining cut-off year) are each amended by
21 striking “2002” each place it appears and inserting
22 “2003”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Paragraph (2) of section 220(j) is amended
25 by striking “1998, 1999, or 2001” each place it ap-
26 pears and inserting “1998, 1999, 2001, or 2002”.

1 (2) Subparagraph (A) of section 220(j)(4) is
2 amended by striking “and 2001” and inserting
3 “2001, and 2002”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on the date of the enactment
6 of this Act.

7 **SEC. 313. INCENTIVES FOR INDIAN EMPLOYMENT AND**
8 **PROPERTY ON INDIAN RESERVATIONS.**

9 (a) EMPLOYMENT.—Subsection (f) of section 45A is
10 amended by striking “December 31, 2003” and inserting
11 “December 31, 2004”.

12 (b) PROPERTY.—Paragraph (8) of section 168(j) is
13 amended by striking “December 31, 2003” and inserting
14 “December 31, 2004”.

15 **SEC. 314. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

16 (a) IN GENERAL.—

17 (1) Section 953(e)(10) is amended—

18 (A) by striking “January 1, 2002” and in-
19 serting “January 1, 2007”, and

20 (B) by striking “December 31, 2001” and
21 inserting “December 31, 2006”.

22 (2) Section 954(h)(9) is amended by striking
23 “January 1, 2002” and inserting “January 1,
24 2007”.

25 (b) LIFE INSURANCE AND ANNUITY CONTRACTS.—

1 (1) IN GENERAL.—Subparagraph (B) of section
2 954(i)(4) is amended to read as follows:

3 “(B) LIFE INSURANCE AND ANNUITY CON-
4 TRACTS.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in clause (ii), the amount of the re-
7 serve of a qualifying insurance company or
8 qualifying insurance company branch for
9 any life insurance or annuity contract shall
10 be equal to the greater of—

11 “(I) the net surrender value of
12 such contract (as defined in section
13 807(e)(1)(A)), or

14 “(II) the reserve determined
15 under paragraph (5).

16 “(ii) RULING REQUEST, ETC.—The
17 amount of the reserve under clause (i)
18 shall be the foreign statement reserve for
19 the contract (less any catastrophe, defi-
20 ciency, equalization, or similar reserves), if,
21 pursuant to a ruling request submitted by
22 the taxpayer or as provided in published
23 guidance, the Secretary determines that
24 the factors taken into account in deter-
25 mining the foreign statement reserve pro-

1 vide an appropriate means of measuring
2 income.”

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

6 **SEC. 315. REPEAL OF REQUIREMENT FOR APPROVED DIE-**
7 **SEL OR KEROSENE TERMINALS.**

8 (a) IN GENERAL.—Subsection (e) of section 4101 is
9 hereby repealed.

10 (b) EFFECTIVE DATE.—The amendment made by
11 subsection (a) shall take effect on January 1, 2002.

12 **Subtitle B—Temporary Assistance**
13 **for Needy Families**

14 **SEC. 321. REAUTHORIZATION OF TANF SUPPLEMENTAL**
15 **GRANTS FOR POPULATION INCREASES FOR**
16 **FISCAL YEAR 2002.**

17 Section 403(a)(3) of the Social Security Act (42
18 U.S.C. 603(a)(3)) is amended by adding at the end the
19 following:

20 “(H) REAUTHORIZATION OF GRANTS FOR
21 FISCAL YEAR 2002.—Notwithstanding any other
22 provision of this paragraph—

23 “(i) any State that was a qualifying
24 State under this paragraph for fiscal year
25 2001 or any prior fiscal year shall be enti-

1 tled to receive from the Secretary for fiscal
2 year 2002 a grant in an amount equal to
3 the amount required to be paid to the
4 State under this paragraph for the most
5 recent fiscal year in which the State was a
6 qualifying State;

7 “(ii) subparagraph (G) shall be ap-
8 plied as if ‘2002’ were substituted for
9 ‘2001’; and

10 “(iii) out of any money in the Treas-
11 ury of the United States not otherwise ap-
12 propriated, there are appropriated for fis-
13 cal year 2002 such sums as are necessary
14 for grants under this subparagraph.”.

15 **SEC. 322. 1-YEAR EXTENSION OF CONTINGENCY FUND**
16 **UNDER THE TANF PROGRAM.**

17 Section 403(b) of the Social Security Act (42 U.S.C.
18 603(b)) is amended—

19 (1) in paragraph (2), by striking “and 2001”
20 and inserting “2001, and 2002”; and

21 (2) in paragraph (3)(C)(ii), by striking “2001”
22 and inserting “2002”.

1 **TITLE IV—TAX BENEFITS FOR**
 2 **AREA OF NEW YORK CITY**
 3 **DAMAGED IN TERRORIST AT-**
 4 **TACKS ON SEPTEMBER 11,**
 5 **2001**

6 **SEC. 401. TAX BENEFITS FOR AREA OF NEW YORK CITY**
 7 **DAMAGED IN TERRORIST ATTACKS ON SEP-**
 8 **TEMBER 11, 2001.**

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

11 **“Subchapter Y—New York Liberty Zone**
 12 **Benefits**

“Sec. 1400L. Tax benefits for New York Liberty Zone.

13 **“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**

14 “(a) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
 15 ACQUIRED AFTER SEPTEMBER 10, 2001.—

16 “(1) ADDITIONAL ALLOWANCE.—In the case of
 17 any qualified New York Liberty Zone property—

18 “(A) the depreciation deduction provided
 19 by section 167(a) for the taxable year in which
 20 such property is placed in service shall include
 21 an allowance equal to 30 percent of the ad-
 22 justed basis of such property, and

23 “(B) the adjusted basis of the qualified
 24 New York Liberty Zone property shall be re-

1 duced by the amount of such deduction before
2 computing the amount otherwise allowable as a
3 depreciation deduction under this chapter for
4 such taxable year and any subsequent taxable
5 year.

6 “(2) QUALIFIED NEW YORK LIBERTY ZONE
7 PROPERTY.—For purposes of this subsection—

8 “(A) IN GENERAL.—The term ‘qualified
9 New York Liberty Zone property’ means
10 property—

11 “(i)(I) to which section 168 applies
12 (other than railroad grading and tunnel
13 bores), or

14 “(II) which is computer software (as
15 defined in section 167(f)(1)(B)) for which
16 a deduction is allowable under section
17 167(a) without regard to this subsection,

18 “(ii) substantially all of the use of
19 which is in the New York Liberty Zone
20 and is in the active conduct of a trade or
21 business by the taxpayer in such Zone,

22 “(iii) the original use of which in the
23 New York Liberty Zone commences with
24 the taxpayer after September 10, 2001,

1 “(iv) which is acquired by the tax-
2 payer by purchase (as defined in section
3 179(d)) after September 10, 2001, but
4 only if no written binding contract for the
5 acquisition was in effect before September
6 11, 2001, and

7 “(v) which is placed in service by the
8 taxpayer on or before the termination date.

9 The term ‘termination date’ means December
10 31, 2006 (December 31, 2009, in the case of
11 nonresidential real property and residential
12 rental property).

13 “(B) EXCEPTIONS.—

14 “(i) ALTERNATIVE DEPRECIATION
15 PROPERTY.—The term ‘qualified New York
16 Liberty Zone property’ shall not include
17 any property to which the alternative de-
18 preciation system under section 168(g) ap-
19 plies, determined—

20 “(I) without regard to paragraph
21 (7) of section 168(g) (relating to elec-
22 tion to have system apply), and

23 “(II) after application of section
24 280F(b) (relating to listed property
25 with limited business use).

1 “(ii) 30 PERCENT ADDITIONAL AL-
2 LOWANCE PROPERTY.—Such term shall
3 not include property to which section
4 168(k) applies.

5 “(iii) QUALIFIED LEASEHOLD IM-
6 PROVEMENT PROPERTY.—Such term shall
7 not include any qualified leasehold im-
8 provement property (as defined in section
9 168(e)(6)).

10 “(iv) ELECTION OUT.—If a taxpayer
11 makes an election under this clause with
12 respect to any class of property for any
13 taxable year, this subsection shall not
14 apply to all property in such class placed
15 in service during such taxable year.

16 “(C) SPECIAL RULES.—

17 “(i) SELF-CONSTRUCTED PROP-
18 ERTY.—In the case of a taxpayer manufac-
19 turing, constructing, or producing property
20 for the taxpayer’s own use, the require-
21 ments of clause (iv) of subparagraph (A)
22 shall be treated as met if the taxpayer be-
23 gins manufacturing, constructing, or pro-
24 ducing the property after September 10,
25 2001, and before the termination date.

1 “(ii) SALE-LEASEBACKS.—For pur-
2 poses of subparagraph (A)(iii), if
3 property—

4 “(I) is originally placed in service
5 after September 10, 2001, by a per-
6 son, and

7 “(II) sold and leased back by
8 such person within 3 months after the
9 date such property was originally
10 placed in service,

11 such property shall be treated as originally
12 placed in service not earlier than the date
13 on which such property is used under the
14 leaseback referred to in subclause (II).

15 “(D) ALLOWANCE AGAINST ALTERNATIVE
16 MINIMUM TAX.—The deduction allowed by this
17 subsection shall be allowed in determining alter-
18 native minimum taxable income under section
19 55.

20 “(b) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION
21 OF CERTAIN LEASEHOLD IMPROVEMENTS.—

22 “(1) IN GENERAL.—For purposes of section
23 168, the term ‘5-year property’ includes any quali-
24 fied New York Liberty Zone leasehold improvement
25 property.

1 “(2) QUALIFIED NEW YORK LIBERTY ZONE
2 LEASEHOLD IMPROVEMENT PROPERTY.—For pur-
3 poses of this section, the term ‘qualified New York
4 Liberty Zone leasehold improvement property’
5 means qualified leasehold improvement property (as
6 defined in section 168(e)(6)) if—

7 “(A) such building is located in the New
8 York Liberty Zone,

9 “(B) such improvement is placed in service
10 after September 10, 2001, and before January
11 1, 2007, and

12 “(C) no written binding contract for such
13 improvement was in effect before September 11,
14 2001.

15 “(3) REQUIREMENT TO USE STRAIGHT LINE
16 METHOD.—The applicable depreciation method
17 under section 168 shall be the straight line method
18 in the case of qualified New York Liberty Zone
19 leasehold improvement property.

20 “(4) 9-YEAR RECOVERY PERIOD UNDER ALTER-
21 NATIVE SYSTEM.—For purposes of section 168(g),
22 the class life of qualified New York Liberty Zone
23 leasehold improvement property shall be 9 years.

24 “(c) INCREASE IN EXPENSING UNDER SECTION
25 179.—

1 “(1) IN GENERAL.—For purposes of section
2 179—

3 “(A) the limitation under section 179(b)(1)
4 shall be increased by the lesser of—

5 “(i) \$35,000, or

6 “(ii) the cost of section 179 property
7 which is qualified New York Liberty Zone
8 property placed in service during the tax-
9 able year, and

10 “(B) the amount taken into account under
11 section 179(b)(2) with respect to any section
12 179 property which is qualified New York Lib-
13 erty Zone property shall be 50 percent of the
14 cost thereof.

15 “(2) RECAPTURE.—Rules similar to the rules
16 under section 179(d)(10) shall apply with respect to
17 any qualified New York Liberty Zone property which
18 ceases to be used in the New York Liberty Zone.

19 “(d) TAX-EXEMPT BOND FINANCING.—

20 “(1) IN GENERAL.—For purposes of this title,
21 any qualified New York Liberty Bond shall be treat-
22 ed as an exempt facility bond.

23 “(2) QUALIFIED NEW YORK LIBERTY BOND.—
24 For purposes of this subsection, the term ‘qualified

1 New York Liberty Bond’ means any bond issued as
2 part of an issue if—

3 “(A) 95 percent or more of the net pro-
4 ceeds (as defined in section 150(a)(3)) of such
5 issue are to be used for qualified project costs,

6 “(B) such bond is issued by the State of
7 New York or any political subdivision thereof,

8 “(C) the Governor of New York designates
9 such bond for purposes of this section, and

10 “(D) such bond is issued during calendar
11 year 2002, 2003, or 2004.

12 “(3) LIMITATION ON AMOUNT OF BONDS DES-
13 IGNATED.—

14 “(A) AGGREGATE AMOUNT DESIGNATED.—
15 The maximum aggregate face amount of bonds
16 which may be designated under this subsection
17 shall not exceed \$15,000,000,000.

18 “(B) SPECIFIC LIMITS.—For purposes of
19 subparagraph (A), the aggregate face amount
20 of bonds issued which are to be used for—

21 “(i) costs for property located outside
22 the New York Liberty Zone, shall not ex-
23 ceed \$7,000,000,000,

24 “(ii) costs for residential rental prop-
25 erty, shall not exceed \$3,000,000,000, and

1 “(iii) costs for property used for retail
2 sales of tangible property, shall not exceed
3 \$1,500,000,000.

4 “(C) MOVABLE FIXTURES AND EQUIP-
5 MENT.—No bonds shall be issued which are to
6 be used for movable fixtures and equipment.

7 “(4) QUALIFIED PROJECT COSTS.—For pur-
8 poses of this subsection—

9 “(A) IN GENERAL.—The term ‘qualified
10 project costs’ means the cost of acquisition,
11 construction, reconstruction, and renovation
12 of—

13 “(i) nonresidential real property and
14 residential rental property (including fixed
15 tenant improvements associated with such
16 property) located in the New York Liberty
17 Zone, and

18 “(ii) public utility property located in
19 the New York Liberty Zone.

20 “(B) COSTS FOR CERTAIN PROPERTY OUT-
21 SIDE ZONE INCLUDED.—Such term includes the
22 cost of acquisition, construction, reconstruction,
23 and renovation of nonresidential real property
24 (including fixed tenant improvements associated
25 with such property) located outside the New

1 York Liberty Zone but within the City of New
2 York, New York, if such property is part of a
3 project which consists of at least 100,000
4 square feet of usable office or other commercial
5 space located in a single building or multiple
6 adjacent buildings.

7 “(5) SPECIAL RULES.—In applying this title to
8 any qualified New York Liberty Bond, the following
9 modifications shall apply:

10 “(A) Section 146 (relating to volume cap)
11 shall not apply.

12 “(B) Section 147(c) (relating to limitation
13 on use for land acquisition) shall be determined
14 by reference to the aggregate authorized face
15 amount of all qualified New York Liberty
16 Bonds rather than the net proceeds of each
17 issue.

18 “(C) Section 147(d) (relating to acquisi-
19 tion of existing property not permitted) shall be
20 applied by substituting ‘50 percent’ for ‘15 per-
21 cent’ each place it appears.

22 “(D) Section 148(f)(4)(C) (relating to ex-
23 ception from rebate for certain proceeds to be
24 used to finance construction expenditures) shall

1 apply to available construction proceeds of
2 bonds issued under this section.

3 “(E) Financing provided by such a bond
4 shall not be taken into account under section
5 168(g)(5)(A) with respect to property substan-
6 tially all of the use of which is in the New York
7 Liberty Zone and is in the active conduct of a
8 trade or business by the taxpayer in such Zone.

9 “(F) Repayments of principal on financing
10 provided by the issue—

11 “(i) may not be used to provide fi-
12 nancing, and

13 “(ii) must be used not later than the
14 close of the 1st semiannual period begin-
15 ning after the date of the repayment to re-
16 deem bonds which are part of such issue.

17 The requirement of clause (ii) shall be treated
18 as met with respect to amounts received within
19 10 years after the date of issuance of the issue
20 (or, in the case of refunding bond, the date of
21 issuance of the original bond) if such amounts
22 are used by the close of such 10 years to re-
23 deem bonds which are part of such issue.

24 “(G) Section 57(a)(5) shall not apply.

1 “(6) SEPARATE ISSUE TREATMENT OF POR-
2 TIONS OF AN ISSUE.—This subsection shall not
3 apply to the portion of an issue which (if issued as
4 a separate issue) would be treated as a qualified
5 bond or as a bond that is not a private activity bond,
6 if the issuer elects to so treat such portion.

7 “(e) EXTENSION OF REPLACEMENT PERIOD FOR
8 NONRECOGNITION OF GAIN.—Notwithstanding sub-
9 sections (g) and (h) of section 1033, clause (i) of section
10 1033(a)(2)(B) shall be applied by substituting ‘5 years’
11 for ‘2 years’ with respect to property which is compulsorily
12 or involuntarily converted as a result of the terrorist at-
13 tacks on September 11, 2001, in the New York Liberty
14 Zone but only if substantially all of the use of the replace-
15 ment property is in the City of New York, New York.

16 “(f) NEW YORK LIBERTY ZONE.—For purposes of
17 this section, the term ‘New York Liberty Zone’ means the
18 area located on or south of Canal Street, East Broadway
19 (east of its intersection with Canal Street), or Grand
20 Street (east of its intersection with East Broadway) in the
21 Borough of Manhattan in the City of New York, New
22 York.”

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

“Subchapter Y. New York Liberty Zone Benefits.”

1 **TITLE V—RELIEF PROVISIONS**
2 **FOR VICTIMS OF TERRORIST**
3 **ATTACKS, PRESIDENTIALLY**
4 **DECLARED DISASTERS, AND**
5 **CERTAIN OTHER DISASTERS**
6 **Subtitle A—Relief Provisions for**
7 **Victims of Terrorist Attacks**

8 **SEC. 501. INCOME TAXES OF VICTIMS OF TERRORIST AT-**
9 **TACKS.**

10 (a) IN GENERAL.—Section 692 (relating to income
11 taxes of members of Armed Forces on death) is amended
12 by adding at the end the following new subsection:

13 “(d) INDIVIDUALS DYING AS A RESULT OF CERTAIN
14 ATTACKS.—

15 “(1) IN GENERAL.—In the case of a specified
16 terrorist victim, any tax imposed by this chapter
17 shall not apply—

18 “(A) with respect to the taxable year in
19 which falls the date of death, and

20 “(B) with respect to any prior taxable year
21 in the period beginning with the last taxable
22 year ending before the taxable year in which the
23 wounds, injury, or illness referred to in para-
24 graph (3) were incurred.

1 “(2) \$10,000 MINIMUM BENEFIT.—If, but for
2 this paragraph, the amount of tax not imposed by
3 paragraph (1) with respect to a specified terrorist
4 victim is less than \$10,000, then such victim shall
5 be treated as having made a payment against the
6 tax imposed by this chapter for such victim’s last
7 taxable year in an amount equal to the excess of
8 \$10,000 over the amount of tax not so imposed.

9 “(3) TAXATION OF CERTAIN BENEFITS.—Sub-
10 ject to such rules as the Secretary may prescribe,
11 paragraph (1) shall not apply to the amount of any
12 tax imposed by this chapter which would be com-
13 puted by only taking into account the items of in-
14 come, gain, or other amounts attributable to—

15 “(A) deferred compensation which would
16 have been payable after death if the individual
17 had died other than as a specified terrorist vic-
18 tim, or

19 “(B) amounts payable in the taxable year
20 which would not have been payable in such tax-
21 able year but for an action taken after Sep-
22 tember 11, 2001.

23 “(4) SPECIFIED TERRORIST VICTIM.—For pur-
24 poses of this subsection, the term ‘specified terrorist
25 victim’ means any decedent—

1 “(A) who dies as a result of wounds or in-
2 jury incurred as a result of the terrorist attacks
3 against the United States on April 19, 1995, or
4 September 11, 2001, or

5 “(B) who dies as a result of illness in-
6 curred as a result of an attack involving an-
7 thrax occurring on or after September 11,
8 2001, and before January 1, 2002.

9 Such term shall not include any individual identified
10 by the Attorney General to have been a participant
11 or conspirator in any such attack or a representative
12 of such an individual.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 5(b)(1) is amended by inserting
15 “and victims of certain terrorist attacks” before “on
16 death”.

17 (2) Section 6013(f)(2)(B) is amended by insert-
18 ing “and victims of certain terrorist attacks” before
19 “on death”.

20 (c) CLERICAL AMENDMENTS.—

21 (1) The heading of section 692 is amended to
22 read as follows:

1 **“SEC. 692. INCOME TAXES OF MEMBERS OF ARMED FORCES**
2 **AND VICTIMS OF CERTAIN TERRORIST AT-**
3 **TACKS ON DEATH.”.**

4 (2) The item relating to section 692 in the table
5 of sections for part II of subchapter J of chapter 1
6 is amended to read as follows:

“Sec. 692. Income taxes of members of Armed Forces and victims
of certain terrorist attacks on death.”.

7 (d) **EFFECTIVE DATE; WAIVER OF LIMITATIONS.—**

8 (1) **EFFECTIVE DATE.—**The amendments made
9 by this section shall apply to taxable years ending
10 before, on, or after September 11, 2001.

11 (2) **WAIVER OF LIMITATIONS.—**If refund or
12 credit of any overpayment of tax resulting from the
13 amendments made by this section is prevented at
14 any time before the close of the 1-year period begin-
15 ning on the date of the enactment of this Act by the
16 operation of any law or rule of law (including res ju-
17 dicata), such refund or credit may nevertheless be
18 made or allowed if claim therefor is filed before the
19 close of such period.

20 **SEC. 502. EXCLUSION OF CERTAIN DEATH BENEFITS.**

21 (a) **IN GENERAL.—**Section 101 (relating to certain
22 death benefits) is amended by adding at the end the fol-
23 lowing new subsection:

1 “(i) CERTAIN EMPLOYEE DEATH BENEFITS PAY-
2 ABLE BY REASON OF DEATH OF CERTAIN TERRORIST
3 VICTIMS.—

4 “(1) IN GENERAL.—Gross income does not in-
5 clude amounts (whether in a single sum or other-
6 wise) paid by an employer by reason of the death of
7 an employee who is a specified terrorist victim (as
8 defined in section 692(d)(4)).

9 “(2) LIMITATION.—

10 “(A) IN GENERAL.—Subject to such rules
11 as the Secretary may prescribe, paragraph (1)
12 shall not apply to amounts which would have
13 been payable after death if the individual had
14 died other than as a specified terrorist victim
15 (as so defined).

16 “(B) EXCEPTION.—Subparagraph (A)
17 shall not apply to incidental death benefits paid
18 from a plan described in section 401(a) and ex-
19 empt from tax under section 501(a).

20 “(3) TREATMENT OF SELF-EMPLOYED INDIVID-
21 UALS.—For purposes of paragraph (1), the term
22 ‘employee’ includes a self-employed individual (as de-
23 fined in section 401(c)(1)).”.

24 (b) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

1 (1) EFFECTIVE DATE.—The amendment made
2 by this section shall apply to taxable years ending
3 before, on, or after September 11, 2001.

4 (2) WAIVER OF LIMITATIONS.—If refund or
5 credit of any overpayment of tax resulting from the
6 amendments made by this section is prevented at
7 any time before the close of the 1-year period begin-
8 ning on the date of the enactment of this Act by the
9 operation of any law or rule of law (including res ju-
10 dicata), such refund or credit may nevertheless be
11 made or allowed if claim therefor is filed before the
12 close of such period.

13 **SEC. 503. ESTATE TAX REDUCTION.**

14 (a) IN GENERAL.—Section 2201 is amended to read
15 as follows:

16 **“SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS**
17 **OF THE ARMED FORCES AND DEATHS OF VIC-**
18 **TIMS OF CERTAIN TERRORIST ATTACKS.**

19 “(a) IN GENERAL.—Unless the executor elects not to
20 have this section apply, in applying sections 2001 and
21 2101 to the estate of a qualified decedent, the rate sched-
22 ule set forth in subsection (c) shall be deemed to be the
23 rate schedule set forth in section 2001(c).

24 “(b) QUALIFIED DECEDENT.—For purposes of this
25 section, the term ‘qualified decedent’ means—

1 “(1) any citizen or resident of the United
 2 States dying while in active service of the Armed
 3 Forces of the United States, if such decedent—

4 “(A) was killed in action while serving in
 5 a combat zone, as determined under section
 6 112(c), or

7 “(B) died as a result of wounds, disease,
 8 or injury suffered while serving in a combat
 9 zone (as determined under section 112(c)), and
 10 while in the line of duty, by reason of a hazard
 11 to which such decedent was subjected as an in-
 12 cident of such service, and

13 “(2) any specified terrorist victim (as defined in
 14 section 692(d)(4)).

15 “(c) RATE SCHEDULE.—

“If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over \$150,000	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.

“If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the ex- cess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the ex- cess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the ex- cess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the ex- cess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the ex- cess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the ex- cess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the ex- cess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the ex- cess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the ex- cess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the ex- cess over \$9,100,000.
Over \$10,100,000	\$1,353,500 plus 20 percent of the ex- cess over \$10,100,000.

1 “(d) DETERMINATION OF UNIFIED CREDIT.—In the
2 case of an estate to which this section applies, subsection
3 (a) shall not apply in determining the credit under section
4 2010.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 2011 is amended by striking sub-
7 section (d) and by redesignating subsections (e), (f),
8 and (g) as subsections (d), (e), and (f), respectively.

9 (2) Section 2053(d)(3)(B) is amended by strik-
10 ing “section 2011(e)” and inserting “section
11 2011(d)”.

12 (3) Paragraph (9) of section 532(c) of the Eco-
13 nomic Growth and Tax Relief Reconciliation Act of
14 2001 is repealed.

1 (c) CLERICAL AMENDMENT.—The item relating to
 2 section 2201 in the table of sections for subchapter C of
 3 chapter 11 is amended to read as follows:

“Sec. 2201. Combat zone-related deaths of members of the Armed
 Forces and deaths of victims of certain terrorist at-
 tacks.”.

4 (d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

5 (1) EFFECTIVE DATE.—The amendments made
 6 by this section shall apply to estates of decedents—

7 (A) dying on or after September 11, 2001,

8 and

9 (B) in the case of individuals dying as a
 10 result of the April 19, 1995, terrorist attack,
 11 dying on or after April 19, 1995.

12 (2) WAIVER OF LIMITATIONS.—If refund or
 13 credit of any overpayment of tax resulting from the
 14 amendments made by this section is prevented at
 15 any time before the close of the 1-year period begin-
 16 ning on the date of the enactment of this Act by the
 17 operation of any law or rule of law (including res ju-
 18 dicata), such refund or credit may nevertheless be
 19 made or allowed if claim therefor is filed before the
 20 close of such period.

21 **SEC. 504. PAYMENTS BY CHARITABLE ORGANIZATIONS**
 22 **TREATED AS EXEMPT PAYMENTS.**

23 (a) IN GENERAL.—For purposes of the Internal Rev-
 24 enue Code of 1986—

1 (1) payments made by an organization de-
 2 scribed in section 501(c)(3) of such Code by reason
 3 of the death, injury, wounding, or illness of an indi-
 4 vidual incurred as the result of the terrorist attacks
 5 against the United States on September 11, 2001,
 6 or an attack involving anthrax occurring on or after
 7 September 11, 2001, and before January 1, 2002,
 8 shall be treated as related to the purpose or function
 9 constituting the basis for such organization's exemp-
 10 tion under section 501 of such Code if such pay-
 11 ments are made in good faith using a reasonable
 12 and objective formula which is consistently applied,
 13 and

14 (2) in the case of a private foundation (as de-
 15 fined in section 509 of such Code), any payment de-
 16 scribed in paragraph (1) shall not be treated as
 17 made to a disqualified person for purposes of section
 18 4941 of such Code.

19 (b) EFFECTIVE DATE.—This section shall apply to
 20 payments made on or after September 11, 2001.

21 **SEC. 505. EXCLUSION OF CERTAIN CANCELLATIONS OF IN-**
 22 **DEBTEDNESS.**

23 (a) IN GENERAL.—For purposes of the Internal Rev-
 24 enue Code of 1986—

1 (1) gross income shall not include any amount
2 which (but for this section) would be includible in
3 gross income by reason of the discharge (in whole or
4 in part) of indebtedness of any taxpayer if the dis-
5 charge is by reason of the death of an individual in-
6 curred as the result of the terrorist attacks against
7 the United States on September 11, 2001, or as the
8 result of illness incurred as a result of an attack in-
9 volving anthrax occurring on or after September 11,
10 2001, and before January 1, 2002, and

11 (2) return requirements under section 6050P of
12 such Code shall not apply to any discharge described
13 in paragraph (1).

14 (b) EFFECTIVE DATE.—This section shall apply to
15 discharges made on or after September 11, 2001, and be-
16 fore January 1, 2002.

17 **Subtitle B—Other Relief Provisions**

18 **SEC. 511. EXCLUSION FOR DISASTER RELIEF PAYMENTS.**

19 (a) IN GENERAL.—Part III of subchapter B of chap-
20 ter 1 (relating to items specifically excluded from gross
21 income) is amended by redesignating section 139 as sec-
22 tion 140 and inserting after section 138 the following new
23 section:

1 **“SEC. 139. DISASTER RELIEF PAYMENTS.**

2 “(a) GENERAL RULE.—Gross income shall not in-
3 clude any amount received by an individual as a qualified
4 disaster relief payment.

5 “(b) QUALIFIED DISASTER RELIEF PAYMENT DE-
6 FINED.—For purposes of this section, the term ‘qualified
7 disaster relief payment’ means any amount paid to or for
8 the benefit of an individual—

9 “(1) to reimburse or pay reasonable and nec-
10 essary personal, family, living, or funeral expenses
11 incurred as a result of a qualified disaster,

12 “(2) to reimburse or pay reasonable and nec-
13 essary expenses incurred for the repair or rehabilita-
14 tion of a personal residence or repair or replacement
15 of its contents to the extent that the need for such
16 repair, rehabilitation, or replacement is attributable
17 to a qualified disaster,

18 “(3) by a person engaged in the furnishing or
19 sale of transportation as a common carrier by reason
20 of the death or personal physical injuries incurred as
21 a result of a qualified disaster, or

22 “(4) if such amount is paid by a Federal, State,
23 or local government, or agency or instrumentality
24 thereof, in connection with a qualified disaster in
25 order to promote the general welfare,

1 but only to the extent any expense compensated by such
2 payment is not otherwise compensated for by insurance
3 or otherwise.

4 “(c) QUALIFIED DISASTER DEFINED.—For purposes
5 of this section, the term ‘qualified disaster’ means—

6 “(1) a disaster which results from a terroristic
7 or military action (as defined in section 692(c)(2)),

8 “(2) a Presidentially declared disaster (as de-
9 fined in section 1033(h)(3)),

10 “(3) a disaster which results from an accident
11 involving a common carrier, or from any other event,
12 which is determined by the Secretary to be of a cata-
13 strophic nature, or

14 “(4) with respect to amounts described in sub-
15 section (b)(4), a disaster which is determined by an
16 applicable Federal, State, or local authority (as de-
17 termined by the Secretary) to warrant assistance
18 from the Federal, State, or local government or
19 agency or instrumentality thereof.

20 “(d) COORDINATION WITH EMPLOYMENT TAXES.—
21 For purposes of chapter 2 and subtitle C, a qualified dis-
22 aster relief payment shall not be treated as net earnings
23 from self-employment, wages, or compensation subject to
24 tax.

1 “(e) NO RELIEF FOR CERTAIN INDIVIDUALS.—Sub-
2 sections (a) and (f) shall not apply with respect to any
3 individual identified by the Attorney General to have been
4 a participant or conspirator in a terroristic action (as so
5 defined), or a representative of such individual.

6 “(f) EXCLUSION OF CERTAIN ADDITIONAL PAY-
7 MENTS.—Gross income shall not include any amount re-
8 ceived as payment under section 406 of the Air Transpor-
9 tation Safety and System Stabilization Act.”

10 (b) CONFORMING AMENDMENTS.—The table of sec-
11 tions for part III of subchapter B of chapter 1 is amended
12 by striking the item relating to section 139 and inserting
13 the following new items:

“Sec. 139. Disaster relief payments.

“Sec. 140. Cross references to other Acts.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years ending on or after
16 September 11, 2001.

17 **SEC. 512. AUTHORITY TO POSTPONE CERTAIN DEADLINES**
18 **AND REQUIRED ACTIONS.**

19 (a) EXPANSION OF AUTHORITY RELATING TO DISAS-
20 TERS AND TERRORISTIC OR MILITARY ACTIONS.—Section
21 7508A is amended to read as follows:

1 **“SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEAD-**
2 **LINES BY REASON OF PRESIDENTIALLY DE-**
3 **CLARED DISASTER OR TERRORISTIC OR**
4 **MILITARY ACTIONS.**

5 “(a) IN GENERAL.—In the case of a taxpayer deter-
6 mined by the Secretary to be affected by a Presidentially
7 declared disaster (as defined in section 1033(h)(3)) or a
8 terroristic or military action (as defined in section
9 692(c)(2)), the Secretary may specify a period of up to
10 one year that may be disregarded in determining, under
11 the internal revenue laws, in respect of any tax liability
12 of such taxpayer—

13 “(1) whether any of the acts described in para-
14 graph (1) of section 7508(a) were performed within
15 the time prescribed therefor (determined without re-
16 gard to extension under any other provision of this
17 subtitle for periods after the date (determined by the
18 Secretary) of such disaster or action),

19 “(2) the amount of any interest, penalty, addi-
20 tional amount, or addition to the tax for periods
21 after such date, and

22 “(3) the amount of any credit or refund.

23 “(b) SPECIAL RULES REGARDING PENSIONS, ETC.—
24 In the case of a pension or other employee benefit plan,
25 or any sponsor, administrator, participant, beneficiary, or
26 other person with respect to such plan, affected by a dis-

1 aster or action described in subsection (a), the Secretary
2 may specify a period of up to one year which may be dis-
3 regarded in determining the date by which any action is
4 required or permitted to be completed under this title. No
5 plan shall be treated as failing to be operated in accord-
6 ance with the terms of the plan solely as the result of dis-
7 regarding any period by reason of the preceding sentence.

8 “(c) SPECIAL RULES FOR OVERPAYMENTS.—The
9 rules of section 7508(b) shall apply for purposes of this
10 section.”.

11 (b) CLARIFICATION OF SCOPE OF ACTS SECRETARY
12 MAY POSTPONE.—Section 7508(a)(1)(K) (relating to time
13 to be disregarded) is amended by striking “in regulations
14 prescribed under this section”.

15 (c) CONFORMING AMENDMENTS TO ERISA.—

16 (1) Part 5 of subtitle B of title I of the Em-
17 ployee Retirement Income Security Act of 1974 (29
18 U.S.C. 1131 et seq.) is amended by adding at the
19 end the following new section:

20 **“SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES**
21 **BY REASON OF PRESIDENTIALLY DECLARED**
22 **DISASTER OR TERRORISTIC OR MILITARY AC-**
23 **TIONS.**

24 “In the case of a pension or other employee benefit
25 plan, or any sponsor, administrator, participant, bene-

1 ficiary, or other person with respect to such plan, affected
2 by a Presidentially declared disaster (as defined in section
3 1033(h)(3) of the Internal Revenue Code of 1986) or a
4 terroristic or military action (as defined in section
5 692(c)(2) of such Code), the Secretary may, notwith-
6 standing any other provision of law, prescribe, by notice
7 or otherwise, a period of up to one year which may be
8 disregarded in determining the date by which any action
9 is required or permitted to be completed under this Act.
10 No plan shall be treated as failing to be operated in ac-
11 cordance with the terms of the plan solely as the result
12 of disregarding any period by reason of the preceding sen-
13 tence.”.

14 (2) Section 4002 of Employee Retirement In-
15 come Security Act of 1974 (29 U.S.C. 1302) is
16 amended by adding at the end the following new
17 subsection:

18 “(i) SPECIAL RULES REGARDING DISASTERS,
19 ETC.—In the case of a pension or other employee benefit
20 plan, or any sponsor, administrator, participant, bene-
21 ficiary, or other person with respect to such plan, affected
22 by a Presidentially declared disaster (as defined in section
23 1033(h)(3) of the Internal Revenue Code of 1986) or a
24 terroristic or military action (as defined in section
25 692(c)(2) of such Code), the corporation may, notwith-

1 standing any other provision of law, prescribe, by notice
2 or otherwise, a period of up to one year which may be
3 disregarded in determining the date by which any action
4 is required or permitted to be completed under this Act.
5 No plan shall be treated as failing to be operated in ac-
6 cordance with the terms of the plan solely as the result
7 of disregarding any period by reason of the preceding sen-
8 tence.”.

9 (d) ADDITIONAL CONFORMING AMENDMENTS.—

10 (1) Section 6404 is amended—

11 (A) by striking subsection (h),

12 (B) by redesignating subsection (i) as sub-
13 section (h), and

14 (C) by adding at the end the following new
15 subsection:

16 “(i) CROSS REFERENCE.—

**“For authority to suspend running of interest, etc.
by reason of Presidentially declared disaster or ter-
roristic or military action, see section 7508A.”.**

17 (2) Section 6081(c) is amended to read as fol-
18 lows:

19 “(c) CROSS REFERENCES.—

**“For time for performing certain acts postponed
by reason of war, see section 7508, and by reason of
Presidentially declared disaster or terroristic or
military action, see section 7508A.”.**

20 (3) Section 6161(d) is amended by adding at
21 the end the following new paragraph:

1 “(3) POSTPONEMENT OF CERTAIN ACTS.—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

2 (d) CLERICAL AMENDMENTS.—

3 (1) The item relating to section 7508A in the
4 table of sections for chapter 77 is amended to read
5 as follows:

“Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

6 (2) The table of contents for the Employee Re-
7 tirement Income Security Act of 1974 is amended by
8 inserting after the item relating to section 517 the
9 following new item:

“Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to disasters and terroristic or mili-
12 tary actions occurring on or after September 11, 2001,
13 with respect to any action of the Secretary of the Treas-
14 ury, the Secretary of Labor, or the Pension Benefit Guar-
15 anty Corporation occurring on or after the date of the en-
16 actment of this Act.

17 **SEC. 513. APPLICATION OF CERTAIN PROVISIONS TO TER-**
18 **RORISTIC OR MILITARY ACTIONS.**

19 (a) DISABILITY INCOME.—Section 104(a)(5) (relat-
20 ing to compensation for injuries or sickness) is amended

1 by striking “a violent attack” and all that follows through
2 the period and inserting “a terroristic or military action
3 (as defined in section 692(c)(2)).”.

4 (b) EXEMPTION FROM INCOME TAX FOR CERTAIN
5 MILITARY OR CIVILIAN EMPLOYEES.—Section 692(c) is
6 amended—

7 (1) by striking “outside the United States” in
8 paragraph (1), and

9 (2) by striking “SUSTAINED OVERSEAS” in the
10 heading.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years ending on or after
13 September 11, 2001.

14 **SEC. 514. CLARIFICATION OF DUE DATE FOR AIRLINE EX-**
15 **CISE TAX DEPOSITS.**

16 (a) IN GENERAL.—Paragraph (3) of section 301(a)
17 of the Air Transportation Safety and System Stabilization
18 Act (Public Law 107–42) is amended to read as follows:

19 “(3) AIRLINE-RELATED DEPOSIT.—For pur-
20 poses of this subsection, the term ‘airline-related de-
21 posit’ means any deposit of taxes imposed by sub-
22 chapter C of chapter 33 of such Code (relating to
23 transportation by air).”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 this section shall take effect as if included in section 301

1 of the Air Transportation Safety and System Stabilization
2 Act (Public Law 107-42).

3 **SEC. 515. TREATMENT OF CERTAIN STRUCTURED SETTLE-**
4 **MENT PAYMENTS.**

5 (a) IN GENERAL.—Subtitle E is amended by adding
6 at the end the following new chapter:

7 **“CHAPTER 55—STRUCTURED**
8 **SETTLEMENT FACTORING TRANSACTIONS**

“Sec. 5891. Structured settlement factoring transactions.

9 **“SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANS-**
10 **ACTIONS.**

11 “(a) IMPOSITION OF TAX.—There is hereby imposed
12 on any person who acquires directly or indirectly struc-
13 tured settlement payment rights in a structured settle-
14 ment factoring transaction a tax equal to 40 percent of
15 the factoring discount as determined under subsection
16 (c)(4) with respect to such factoring transaction.

17 “(b) EXCEPTION FOR CERTAIN APPROVED TRANS-
18 ACTIONS.—

19 “(1) IN GENERAL.—The tax under subsection
20 (a) shall not apply in the case of a structured settle-
21 ment factoring transaction in which the transfer of
22 structured settlement payment rights is approved in
23 advance in a qualified order.

1 “(2) QUALIFIED ORDER.—For purposes of this
2 section, the term ‘qualified order’ means a final
3 order, judgment, or decree which—

4 “(A) finds that the transfer described in
5 paragraph (1)—

6 “(i) does not contravene any Federal
7 or State statute or the order of any court
8 or responsible administrative authority,
9 and

10 “(ii) is in the best interest of the
11 payee, taking into account the welfare and
12 support of the payee’s dependents, and

13 “(B) is issued—

14 “(i) under the authority of an applica-
15 ble State statute by an applicable State
16 court, or

17 “(ii) by the responsible administrative
18 authority (if any) which has exclusive ju-
19 risdiction over the underlying action or
20 proceeding which was resolved by means of
21 the structured settlement.

22 “(3) APPLICABLE STATE STATUTE.—For pur-
23 poses of this section, the term ‘applicable State stat-
24 ute’ means a statute providing for the entry of an

1 order, judgment, or decree described in paragraph
2 (2)(A) which is enacted by—

3 “(A) the State in which the payee of the
4 structured settlement is domiciled, or

5 “(B) if there is no statute described in
6 subparagraph (A), the State in which either the
7 party to the structured settlement (including an
8 assignee under a qualified assignment under
9 section 130) or the person issuing the funding
10 asset for the structured settlement is domiciled
11 or has its principal place of business.

12 “(4) APPLICABLE STATE COURT.—For pur-
13 poses of this section—

14 “(A) IN GENERAL.—The term ‘applicable
15 State court’ means, with respect to any applica-
16 ble State statute, a court of the State which en-
17 acted such statute.

18 “(B) SPECIAL RULE.—In the case of an
19 applicable State statute described in paragraph
20 (3)(B), such term also includes a court of the
21 State in which the payee of the structured set-
22 tlement is domiciled.

23 “(5) QUALIFIED ORDER DISPOSITIVE.—A quali-
24 fied order shall be treated as dispositive for purposes
25 of the exception under this subsection.

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

2 “(1) STRUCTURED SETTLEMENT.—The term
3 ‘structured settlement’ means an arrangement—

4 “(A) which is established by—

5 “(i) suit or agreement for the periodic
6 payment of damages excludable from the
7 gross income of the recipient under section
8 104(a)(2), or

9 “(ii) agreement for the periodic pay-
10 ment of compensation under any workers’
11 compensation law excludable from the
12 gross income of the recipient under section
13 104(a)(1), and

14 “(B) under which the periodic payments
15 are—

16 “(i) of the character described in sub-
17 paragraphs (A) and (B) of section
18 130(c)(2), and

19 “(ii) payable by a person who is a
20 party to the suit or agreement or to the
21 workers’ compensation claim or by a per-
22 son who has assumed the liability for such
23 periodic payments under a qualified assign-
24 ment in accordance with section 130.

1 “(2) STRUCTURED SETTLEMENT PAYMENT
2 RIGHTS.—The term ‘structured settlement payment
3 rights’ means rights to receive payments under a
4 structured settlement.

5 “(3) STRUCTURED SETTLEMENT FACTORING
6 TRANSACTION.—

7 “(A) IN GENERAL.—The term ‘structured
8 settlement factoring transaction’ means a trans-
9 fer of structured settlement payment rights (in-
10 cluding portions of structured settlement pay-
11 ments) made for consideration by means of
12 sale, assignment, pledge, or other form of en-
13 cumbrance or alienation for consideration.

14 “(B) EXCEPTION.—Such term shall not
15 include—

16 “(i) the creation or perfection of a se-
17 curity interest in structured settlement
18 payment rights under a blanket security
19 agreement entered into with an insured de-
20 pository institution in the absence of any
21 action to redirect the structured settlement
22 payments to such institution (or agent or
23 successor thereof) or otherwise to enforce
24 such blanket security interest as against

1 the structured settlement payment rights,
2 or

3 “(ii) a subsequent transfer of struc-
4 tured settlement payment rights acquired
5 in a structured settlement factoring trans-
6 action.

7 “(4) FACTORING DISCOUNT.—The term ‘fac-
8 toring discount’ means an amount equal to the ex-
9 cess of—

10 “(A) the aggregate undiscounted amount
11 of structured settlement payments being ac-
12 quired in the structured settlement factoring
13 transaction, over

14 “(B) the total amount actually paid by the
15 acquirer to the person from whom such struc-
16 tured settlement payments are acquired.

17 “(5) RESPONSIBLE ADMINISTRATIVE AUTHOR-
18 ITY.—The term ‘responsible administrative author-
19 ity’ means the administrative authority which had
20 jurisdiction over the underlying action or proceeding
21 which was resolved by means of the structured set-
22 tlement.

23 “(6) STATE.—The term ‘State’ includes the
24 Commonwealth of Puerto Rico and any possession of
25 the United States.

1 “(d) COORDINATION WITH OTHER PROVISIONS.—

2 “(1) IN GENERAL.—If the applicable require-
3 ments of sections 72, 104(a)(1), 104(a)(2), 130, and
4 461(h) were satisfied at the time the structured set-
5 tlement involving structured settlement payment
6 rights was entered into, the subsequent occurrence
7 of a structured settlement factoring transaction shall
8 not affect the application of the provisions of such
9 sections to the parties to the structured settlement
10 (including an assignee under a qualified assignment
11 under section 130) in any taxable year.

12 “(2) NO WITHHOLDING OF TAX.—The provi-
13 sions of section 3405 regarding withholding of tax
14 shall not apply to the person making the payments
15 in the event of a structured settlement factoring
16 transaction.”.

17 (b) CLERICAL AMENDMENT.—The table of chapters
18 for subtitle E is amended by adding at the end the fol-
19 lowing new item:

“Chapter 55. Structured settlement factoring transactions.”.

20 (c) EFFECTIVE DATES.—

21 (1) IN GENERAL.—The amendments made by
22 this section (other than the provisions of section
23 5891(d) of the Internal Revenue Code of 1986, as
24 added by this section) shall apply to structured set-
25 tlement factoring transactions (as defined in section

1 5891(c) of such Code (as so added)) entered into on
2 or after the 30th day following the date of the enact-
3 ment of this Act.

4 (2) CLARIFICATION OF EXISTING LAW.—Section
5 5891(d) of such Code (as so added) shall apply to
6 structured settlement factoring transactions (as de-
7 fined in section 5891(c) of such Code (as so added))
8 entered into before, on, or after such 30th day.

9 (3) TRANSITION RULE.—In the case of a struc-
10 tured settlement factoring transaction entered into
11 during the period beginning on the 30th day fol-
12 lowing the date of the enactment of this Act and
13 ending on July 1, 2002, no tax shall be imposed
14 under section 5891(a) of such Code if—

15 (A) the structured settlement payee is
16 domiciled in a State (or possession of the
17 United States) which has not enacted a statute
18 providing that the structured settlement fac-
19 toring transaction is ineffective unless the
20 transaction has been approved by an order,
21 judgment, or decree of a court (or where appli-
22 cable, a responsible administrative authority)
23 which finds that such transaction—

1 (i) does not contravene any Federal or
2 State statute or the order of any court (or
3 responsible administrative authority), and
4 (ii) is in the best interest of the struc-
5 tured settlement payee or is appropriate in
6 light of a hardship faced by the payee, and
7 (B) the person acquiring the structured
8 settlement payment rights discloses to the
9 structured settlement payee in advance of the
10 structured settlement factoring transaction the
11 amounts and due dates of the payments to be
12 transferred, the aggregate amount to be trans-
13 ferred, the consideration to be received by the
14 structured settlement payee for the transferred
15 payments, the discounted present value of the
16 transferred payments (including the present
17 value as determined in the manner described in
18 section 7520 of such Code), and the expenses
19 required under the terms of the structured set-
20 tlement factoring transaction to be paid by the
21 structured settlement payee or deducted from
22 the proceeds of such transaction.

1 **SEC. 516. PERSONAL EXEMPTION DEDUCTION FOR CER-**
2 **TAIN DISABILITY TRUSTS.**

3 (a) IN GENERAL.—Subsection (b) of section 642 (re-
4 lating to deduction for personal exemption) is amended to
5 read as follows:

6 “(b) DEDUCTION FOR PERSONAL EXEMPTION.—

7 “(1) ESTATES.—An estate shall be allowed a
8 deduction of \$600.

9 “(2) TRUSTS.—

10 “(A) IN GENERAL.—Except as otherwise
11 provided in this paragraph, a trust shall be al-
12 lowed a deduction of \$100.

13 “(B) TRUSTS DISTRIBUTING INCOME CUR-
14 RENTLY.—A trust which, under its governing
15 instrument, is required to distribute all of its
16 income currently shall be allowed a deduction of
17 \$300.

18 “(C) DISABILITY TRUSTS.—

19 “(i) IN GENERAL.—A qualified dis-
20 ability trust shall be allowed a deduction
21 equal to the exemption amount under sec-
22 tion 151(d), determined—

23 “(I) by treating such trust as an
24 individual described in section
25 151(d)(3)(C)(iii), and

1 “(II) by applying section 67(e)
2 (without the reference to section
3 642(b)) for purposes of determining
4 the adjusted gross income of the
5 trust.

6 “(ii) QUALIFIED DISABILITY TRUST.—
7 For purposes of clause (i), the term ‘quali-
8 fied disability trust’ means any trust if—

9 “(I) such trust is a disability
10 trust described in subsection
11 (c)(2)(B)(iv) of section 1917 of the
12 Social Security Act (42 U.S.C.
13 1396p), and

14 “(II) all of the beneficiaries of
15 the trust as of the close of the taxable
16 year are determined by the Commis-
17 sioner of Social Security to have been
18 disabled (within the meaning of sec-
19 tion 1614(a)(3) of the Social Security
20 Act, 42 U.S.C. 1382c(a)(3)) for some
21 portion of such year.

22 A trust shall not fail to meet the require-
23 ments of subclause (II) merely because the
24 corpus of the trust may revert to a person
25 who is not so disabled after the trust

1 ceases to have any beneficiary who is so
2 disabled.”

3 “(3) DEDUCTIONS IN LIEU OF PERSONAL EX-
4 EMPTION.—The deductions allowed by this sub-
5 section shall be in lieu of the deductions allowed
6 under section 151 (relating to deduction for personal
7 exemption).”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years ending on or after
10 September 11, 2001.

11 **SEC. 517. DISCLOSURE OF TAX INFORMATION IN TER-**
12 **RORISM AND NATIONAL SECURITY INVES-**
13 **TIGATIONS.**

14 (a) DISCLOSURE WITHOUT A REQUEST OF INFORMA-
15 TION RELATING TO TERRORIST ACTIVITIES, ETC.—Para-
16 graph (3) of section 6103(i) (relating to disclosure of re-
17 turn information to apprise appropriate officials of crimi-
18 nal activities or emergency circumstances) is amended by
19 adding at the end the following new subparagraph:

20 “(C) TERRORIST ACTIVITIES, ETC.—

21 “(i) IN GENERAL.—Except as pro-
22 vided in paragraph (6), the Secretary may
23 disclose in writing return information
24 (other than taxpayer return information)
25 that may be related to a terrorist incident,

1 threat, or activity to the extent necessary
2 to apprise the head of the appropriate Fed-
3 eral law enforcement agency responsible
4 for investigating or responding to such ter-
5 rorist incident, threat, or activity. The
6 head of the agency may disclose such re-
7 turn information to officers and employees
8 of such agency to the extent necessary to
9 investigate or respond to such terrorist in-
10 cident, threat, or activity.

11 “(ii) DISCLOSURE TO THE DEPART-
12 MENT OF JUSTICE.—Returns and taxpayer
13 return information may also be disclosed to
14 the Attorney General under clause (i) to
15 the extent necessary for, and solely for use
16 in preparing, an application under para-
17 graph (7)(D).

18 “(iii) TAXPAYER IDENTITY.—For pur-
19 poses of this subparagraph, a taxpayer’s
20 identity shall not be treated as taxpayer
21 return information.

22 “(iv) TERMINATION.—No disclosure
23 may be made under this subparagraph
24 after December 31, 2003.”

1 (b) DISCLOSURE UPON REQUEST OF INFORMATION
2 RELATING TO TERRORIST ACTIVITIES, ETC.—Subsection
3 (i) of section 6103 (relating to disclosure to Federal offi-
4 cers or employees for administration of Federal laws not
5 relating to tax administration) is amended by redesignig-
6 nating paragraph (7) as paragraph (8) and by inserting
7 after paragraph (6) the following new paragraph:

8 “(7) DISCLOSURE UPON REQUEST OF INFORMA-
9 TION RELATING TO TERRORIST ACTIVITIES, ETC.—

10 “(A) DISCLOSURE TO LAW ENFORCEMENT
11 AGENCIES.—

12 “(i) IN GENERAL.—Except as pro-
13 vided in paragraph (6), upon receipt by the
14 Secretary of a written request which meets
15 the requirements of clause (iii), the Sec-
16 retary may disclose return information
17 (other than taxpayer return information)
18 to officers and employees of any Federal
19 law enforcement agency who are personally
20 and directly engaged in the response to or
21 investigation of any terrorist incident,
22 threat, or activity.

23 “(ii) DISCLOSURE TO STATE AND
24 LOCAL LAW ENFORCEMENT AGENCIES.—
25 The head of any Federal law enforcement

1 agency may disclose return information ob-
2 tained under clause (i) to officers and em-
3 ployees of any State or local law enforce-
4 ment agency but only if such agency is
5 part of a team with the Federal law en-
6 forcement agency in such response or in-
7 vestigation and such information is dis-
8 closed only to officers and employees who
9 are personally and directly engaged in such
10 response or investigation.

11 “(iii) REQUIREMENTS.—A request
12 meets the requirements of this clause if—

13 “(I) the request is made by the
14 head of any Federal law enforcement
15 agency (or his delegate) involved in
16 the response to or investigation of any
17 terrorist incident, threat, or activity,
18 and

19 “(II) the request sets forth the
20 specific reason or reasons why such
21 disclosure may be relevant to a ter-
22 rorist incident, threat, or activity.

23 “(iv) LIMITATION ON USE OF INFOR-
24 MATION.—Information disclosed under this
25 subparagraph shall be solely for the use of

1 the officers and employees to whom such
2 information is disclosed in such response
3 or investigation.

4 “(B) DISCLOSURE TO INTELLIGENCE
5 AGENCIES.—

6 “(i) IN GENERAL.—Except as pro-
7 vided in paragraph (6), upon receipt by the
8 Secretary of a written request which meets
9 the requirements of clause (ii), the Sec-
10 retary may disclose return information
11 (other than taxpayer return information)
12 to those officers and employees of the De-
13 partment of Justice, the Department of
14 the Treasury, and other Federal intel-
15 ligence agencies who are personally and di-
16 rectly engaged in the collection or analysis
17 of intelligence and counterintelligence in-
18 formation or investigation concerning any
19 terrorist incident, threat, or activity. For
20 purposes of the preceding sentence, the in-
21 formation disclosed under the preceding
22 sentence shall be solely for the use of such
23 officers and employees in such investiga-
24 tion, collection, or analysis.

1 “(ii) REQUIREMENTS.—A request
2 meets the requirements of this subpara-
3 graph if the request—

4 “(I) is made by an individual de-
5 scribed in clause (iii), and

6 “(II) sets forth the specific rea-
7 son or reasons why such disclosure
8 may be relevant to a terrorist inci-
9 dent, threat, or activity.

10 “(iii) REQUESTING INDIVIDUALS.—An
11 individual described in this subparagraph
12 is an individual—

13 “(I) who is an officer or em-
14 ployee of the Department of Justice
15 or the Department of the Treasury
16 who is appointed by the President
17 with the advice and consent of the
18 Senate or who is the Director of the
19 United States Secret Service, and

20 “(II) who is responsible for the
21 collection and analysis of intelligence
22 and counterintelligence information
23 concerning any terrorist incident,
24 threat, or activity.

1 “(iv) TAXPAYER IDENTITY.—For pur-
2 poses of this subparagraph, a taxpayer’s
3 identity shall not be treated as taxpayer
4 return information.

5 “(C) DISCLOSURE UNDER EX PARTE OR-
6 DERS.—

7 “(i) IN GENERAL.—Except as pro-
8 vided in paragraph (6), any return or re-
9 turn information with respect to any speci-
10 fied taxable period or periods shall, pursu-
11 ant to and upon the grant of an ex parte
12 order by a Federal district court judge or
13 magistrate under clause (ii), be open (but
14 only to the extent necessary as provided in
15 such order) to inspection by, or disclosure
16 to, officers and employees of any Federal
17 law enforcement agency or Federal intel-
18 ligence agency who are personally and di-
19 rectly engaged in any investigation, re-
20 sponse to, or analysis of intelligence and
21 counterintelligence information concerning
22 any terrorist incident, threat, or activity.
23 Return or return information opened to in-
24 spection or disclosure pursuant to the pre-
25 ceding sentence shall be solely for the use

1 of such officers and employees in the inves-
2 tigation, response, or analysis, and in any
3 judicial, administrative, or grand jury pro-
4 ceedings, pertaining to such terrorist inci-
5 dent, threat, or activity.

6 “(ii) APPLICATION FOR ORDER.—The
7 Attorney General, the Deputy Attorney
8 General, the Associate Attorney General,
9 any Assistant Attorney General, or any
10 United States attorney may authorize an
11 application to a Federal district court
12 judge or magistrate for the order referred
13 to in clause (i). Upon such application,
14 such judge or magistrate may grant such
15 order if he determines on the basis of the
16 facts submitted by the applicant that—

17 “(I) there is reasonable cause to
18 believe, based upon information be-
19 lieved to be reliable, that the return or
20 return information may be relevant to
21 a matter relating to such terrorist in-
22 cident, threat, or activity, and

23 “(II) the return or return infor-
24 mation is sought exclusively for use in
25 a Federal investigation, analysis, or

1 proceeding concerning any terrorist
2 incident, threat, or activity.

3 “(D) SPECIAL RULE FOR EX PARTE DIS-
4 CLOSURE BY THE IRS.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in paragraph (6), the Secretary may
7 authorize an application to a Federal dis-
8 trict court judge or magistrate for the
9 order referred to in subparagraph (C)(i).
10 Upon such application, such judge or mag-
11 istrate may grant such order if he deter-
12 mines on the basis of the facts submitted
13 by the applicant that the requirements of
14 subparagraph (C)(ii)(I) are met.

15 “(ii) LIMITATION ON USE OF INFOR-
16 MATION.—Information disclosed under
17 clause (i)—

18 “(I) may be disclosed only to the
19 extent necessary to apprise the head
20 of the appropriate Federal law en-
21 forcement agency responsible for in-
22 vestigating or responding to a ter-
23 rorist incident, threat, or activity, and

24 “(II) shall be solely for use in a
25 Federal investigation, analysis, or pro-

1 ceeding concerning any terrorist inci-
2 dent, threat, or activity.

3 The head of such Federal agency may dis-
4 close such information to officers and em-
5 ployees of such agency to the extent nec-
6 essary to investigate or respond to such
7 terrorist incident, threat, or activity.

8 “(E) TERMINATION.—No disclosure may
9 be made under this paragraph after December
10 31, 2003.”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Section 6103(a)(2) is amended by inserting
13 “any local law enforcement agency receiving infor-
14 mation under subsection (i)(7)(A),” after “State,”.

15 (2) Section 6103(b) is amended by adding at
16 the end the following new paragraph:

17 “(11) TERRORIST INCIDENT, THREAT, OR AC-
18 TIVITY.—The term ‘terrorist incident, threat, or ac-
19 tivity’ means an incident, threat, or activity involv-
20 ing an act of domestic terrorism (as defined in sec-
21 tion 2331(5) of title 18, United States Code) or
22 international terrorism (as defined in section
23 2331(1) of such title).”.

24 (3) The heading of section 6103(i)(3) is amend-
25 ed by inserting “OR TERRORIST” after “CRIMINAL”.

1 (4) Paragraph (4) of section 6103(i) is
2 amended—

3 (A) in subparagraph (A) by inserting “or
4 (7)(C)” after “paragraph (1)”, and

5 (B) in subparagraph (B) by striking “or
6 (3)(A)” and inserting “(3)(A) or (C), or (7)”.

7 (5) Paragraph (6) of section 6103(i) is
8 amended—

9 (A) by striking “(3)(A)” and inserting
10 “(3)(A) or (C)”, and

11 (B) by striking “or (7)” and inserting
12 “(7), or (8)”.

13 (6) Section 6103(p)(3) is amended—

14 (A) in subparagraph (A) by striking
15 “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

16 (B) in subparagraph (C) by striking
17 “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or
18 (7)(A)(ii)”.

19 (7) Section 6103(p)(4) is amended—

20 (A) in the matter preceding subparagraph
21 (A)—

22 (i) by striking “or (5),” the first place
23 it appears and inserting “(5), or (7),”, and

24 (ii) by striking “(i)(3)(B)(i),” and in-
25 serting “(i)(3)(B)(i) or (7)(A)(ii),”, and

1 (B) in subparagraph (F)(ii) by striking “or
2 (5),” the first place it appears and inserting
3 “(5) or (7),”.

4 (8) Section 6103(p)(6)(B)(i) is amended by
5 striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

6 (9) Section 6105(b) is amended—

7 (A) by striking “or” at the end of para-
8 graph (2),

9 (B) by striking “paragraphs (1) or (2)” in
10 paragraph (3) and inserting “paragraph (1),
11 (2), or (3)”,

12 (C) by redesignating paragraph (3) as
13 paragraph (4), and

14 (D) by inserting after paragraph (2) the
15 following new paragraph:

16 “(3) to the disclosure of tax convention infor-
17 mation on the same terms as return information
18 may be disclosed under paragraph (3)(C) or (7) of
19 section 6103(i), except that in the case of tax con-
20 vention information provided by a foreign govern-
21 ment, no disclosure may be made under this para-
22 graph without the written consent of the foreign
23 government, or”.

1 (10) Section 7213(a)(2) is amended by striking
2 “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or
3 (7)(A)(ii),”.

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

7 **TITLE VI—MISCELLANEOUS AND**
8 **TECHNICAL PROVISIONS**

9 **Subtitle A—General Miscellaneous**
10 **Provisions**

11 **SEC. 601. ALLOWANCE OF ELECTRONIC 1099'S.**

12 Any person required to furnish a statement under
13 any section of subpart B of part III of subchapter A of
14 chapter 61 of the Internal Revenue Code of 1986 for any
15 taxable year ending after the date of the enactment of this
16 Act, may electronically furnish such statement (without
17 regard to any first class mailing requirement) to any re-
18 cipient who has consented to the electronic provision of
19 the statement in a manner similar to the one permitted
20 under regulations issued under section 6051 of such Code
21 or in such other manner as provided by the Secretary.

1 **SEC. 602. EXCLUDED CANCELLATION OF INDEBTEDNESS**
2 **INCOME OF S CORPORATION NOT TO RESULT**
3 **IN ADJUSTMENT TO BASIS OF STOCK OF**
4 **SHAREHOLDERS.**

5 (a) IN GENERAL.—Subparagraph (A) of section
6 108(d)(7) (relating to certain provisions to be applied at
7 corporate level) is amended by inserting before the period
8 “, including by not taking into account under section
9 1366(a) any amount excluded under subsection (a) of this
10 section”.

11 (b) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (2), the amendment made by this section shall
14 apply to discharges of indebtedness after October
15 11, 2001, in taxable years ending after such date.

16 (2) EXCEPTION.—The amendment made by this
17 section shall not apply to any discharge of indebted-
18 ness before March 1, 2002, pursuant to a plan of re-
19 organization filed with a bankruptcy court on or be-
20 fore October 11, 2001.

21 **SEC. 603. LIMITATION ON USE OF NONACCRUAL EXPERI-**
22 **ENCE METHOD OF ACCOUNTING.**

23 (a) IN GENERAL.—Paragraph (5) of section 448(d)
24 is amended to read as follows:

25 “(5) SPECIAL RULE FOR CERTAIN SERVICES.—

1 “(A) IN GENERAL.—In the case of any
2 person using an accrual method of accounting
3 with respect to amounts to be received for the
4 performance of services by such person, such
5 person shall not be required to accrue any por-
6 tion of such amounts which (on the basis of
7 such person’s experience) will not be collected
8 if—

9 “(i) such services are in fields referred
10 to in paragraph (2)(A), or

11 “(ii) such person meets the gross re-
12 ceipts test of subsection (c) for all prior
13 taxable years.

14 “(B) EXCEPTION.—This paragraph shall
15 not apply to any amount if interest is required
16 to be paid on such amount or there is any pen-
17 alty for failure to timely pay such amount.

18 “(C) REGULATIONS.—The Secretary shall
19 prescribe regulations to permit taxpayers to de-
20 termine amounts referred to in subparagraph
21 (A) using computations or formulas which,
22 based on experience, accurately reflect the
23 amount of income that will not be collected by
24 such person. A taxpayer may adopt, or request
25 consent of the Secretary to change to, a com-

1 putation or formula that clearly reflects the tax-
2 payer's experience. A request under the pre-
3 ceding sentence shall be approved if such com-
4 putation or formula clearly reflects the tax-
5 payer's experience.”.

6 (b) EFFECTIVE DATE.—

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

10 (2) CHANGE IN METHOD OF ACCOUNTING.—In
11 the case of any taxpayer required by the amend-
12 ments made by this section to change its method of
13 accounting for its first taxable year ending after the
14 date of the enactment of this Act—

15 (A) such change shall be treated as initi-
16 ated by the taxpayer,

17 (B) such change shall be treated as made
18 with the consent of the Secretary of the Treas-
19 ury, and

20 (C) the net amount of the adjustments re-
21 quired to be taken into account by the taxpayer
22 under section 481 of the Internal Revenue Code
23 of 1986 shall be taken into account over a pe-
24 riod of 4 years (or if less, the number of taxable
25 years that the taxpayer used the method per-

1 mitted under section 448(d)(5) of such Code as
2 in effect before the date of the enactment of
3 this Act) beginning with such first taxable year.

4 **SEC. 604. EXCLUSION FOR FOSTER CARE PAYMENTS TO**
5 **APPLY TO PAYMENTS BY QUALIFIED PLACE-**
6 **MENT AGENCIES.**

7 (a) **IN GENERAL.**—The matter preceding subpara-
8 graph (B) of section 131(b)(1) (defining qualified foster
9 care payment) is amended to read as follows:

10 “(1) **IN GENERAL.**—The term ‘qualified foster
11 care payment’ means any payment made pursuant to
12 a foster care program of a State or political subdivi-
13 sion thereof—

14 “(A) which is paid by—

15 “(i) a State or political subdivision
16 thereof, or

17 “(ii) a qualified foster care placement
18 agency, and”.

19 (b) **QUALIFIED FOSTER INDIVIDUALS TO INCLUDE**
20 **INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGEN-**
21 **CIES.**—Subparagraph (B) of section 131(b)(2) (defining
22 qualified foster individual) is amended to read as follows:

23 “(B) a qualified foster care placement
24 agency.”

1 (c) QUALIFIED FOSTER CARE PLACEMENT AGENCY
 2 DEFINED.—Subsection (b) of section 131 is amended by
 3 redesignating paragraph (3) as paragraph (4) and by in-
 4 serting after paragraph (2) the following new paragraph:

5 “(3) QUALIFIED FOSTER CARE PLACEMENT
 6 AGENCY.—The term ‘qualified foster care placement
 7 agency’ means any placement agency which is li-
 8 censed or certified by—

9 “(A) a State or political subdivision there-
 10 of, or

11 “(B) an entity designated by a State or
 12 political subdivision thereof,

13 for the foster care program of such State or political
 14 subdivision to make foster care payments to pro-
 15 viders of foster care.”

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

19 **SEC. 605. INTEREST RATE RANGE FOR ADDITIONAL FUND-**
 20 **ING REQUIREMENTS.**

21 (a) AMENDMENTS TO THE INTERNAL REVENUE
 22 CODE OF 1986.—

23 (1) SPECIAL RULE.—Clause (i) of section
 24 412(l)(7)(C) (relating to interest rate) is amended
 25 by adding at the end the following new subclause:

1 “(III) SPECIAL RULE FOR 2002
2 AND 2003.—For a plan year begin-
3 ning in 2002 or 2003, notwith-
4 standing subclause (I), in the case
5 that the rate of interest used under
6 subsection (b)(5) exceeds the highest
7 rate permitted under subclause (I),
8 the rate of interest used to determine
9 current liability under this subsection
10 may exceed the rate of interest other-
11 wise permitted under subclause (I);
12 except that such rate of interest shall
13 not exceed 120 percent of the weight-
14 ed average referred to in subsection
15 (b)(5)(B)(ii).”

16 (2) QUARTERLY CONTRIBUTIONS.—Subsection
17 (m) of section 412 is amended by adding at the end
18 the following new paragraph:

19 “(7) SPECIAL RULES FOR 2002 AND 2004.—In
20 any case in which the interest rate used to deter-
21 mine current liability is determined under subsection
22 (l)(7)(C)(i)(III)—

23 “(A) 2002.—For purposes of applying
24 paragraphs (1) and (4)(B)(ii) for plan years be-
25 ginning in 2002, the current liability for the

1 preceding plan year shall be redetermined using
2 120 percent as the specified percentage deter-
3 mined under subsection (l)(7)(C)(i)(II).

4 “(B) 2004.—For purposes of applying
5 paragraphs (1) and (4)(B)(ii) for plan years be-
6 ginning in 2004, the current liability for the
7 preceding plan year shall be redetermined using
8 105 percent as the specified percentage deter-
9 mined under subsection (l)(7)(C)(i)(II).”

10 (b) AMENDMENTS TO THE EMPLOYEE RETIREMENT
11 INCOME SECURITY ACT OF 1974.—

12 (1) SPECIAL RULE.—Clause (i) of section
13 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C))
14 is amended by adding at the end the following new
15 subclause:

16 “(III) SPECIAL RULE FOR 2002
17 AND 2003.—For a plan year begin-
18 ning in 2002 or 2003, notwith-
19 standing subclause (I), in the case
20 that the rate of interest used under
21 subsection (b)(5) exceeds the highest
22 rate permitted under subclause (I),
23 the rate of interest used to determine
24 current liability under this subsection
25 may exceed the rate of interest other-

1 wise permitted under subclause (I);
2 except that such rate of interest shall
3 not exceed 120 percent of the weight-
4 ed average referred to in subsection
5 (b)(5)(B)(ii).”

6 (2) QUARTERLY CONTRIBUTIONS.—Subsection
7 (e) of section 302 of such Act (29 U.S.C. 1082) is
8 amended by adding at the end the following new
9 paragraph:

10 “(7) SPECIAL RULES FOR 2002 AND 2004.—In
11 any case in which the interest rate used to deter-
12 mine current liability is determined under subsection
13 (d)(7)(C)(i)(III)—

14 “(A) 2002.—For purposes of applying
15 paragraphs (1) and (4)(B)(ii) for plan years be-
16 ginning in 2002, the current liability for the
17 preceding plan year shall be redetermined using
18 120 percent as the specified percentage deter-
19 mined under subsection (d)(7)(C)(i)(II).

20 “(B) 2004.—For purposes of applying
21 paragraphs (1) and (4)(B)(ii) for plan years be-
22 ginning in 2004, the current liability for the
23 preceding plan year shall be redetermined using
24 105 percent as the specified percentage deter-
25 mined under subsection (d)(7)(C)(i)(II).”

1 (c) PBGC.—Clause (iii) of section 4006(a)(3)(E) of
2 the Employee Retirement Income Security Act of 1974
3 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the
4 end the following new subclause:

5 “(IV) In the case of plan years beginning after De-
6 cember 31, 2001, and before January 1, 2004, subclause
7 (II) shall be applied by substituting ‘100 percent’ for ‘85
8 percent’. Subclause (III) shall be applied for such years
9 without regard to the preceding sentence. Any reference
10 to this clause by any other sections or subsections shall
11 be treated as a reference to this clause without regard to
12 this subclause.”

13 **SEC. 606. ADJUSTED GROSS INCOME DETERMINED BY TAK-**
14 **ING INTO ACCOUNT CERTAIN EXPENSES OF**
15 **ELEMENTARY AND SECONDARY SCHOOL**
16 **TEACHERS.**

17 (a) IN GENERAL.—Section 62(a)(2) (relating to cer-
18 tain trade and business deductions of employees) is
19 amended by adding at the end the following:

20 “(D) CERTAIN EXPENSES OF ELEMENTARY
21 AND SECONDARY SCHOOL TEACHERS.—In the
22 case of taxable years beginning during 2002 or
23 2003, the deductions allowed by section 162
24 which consist of expenses, not in excess of
25 \$250, paid or incurred by an eligible educator

1 in connection with books, supplies (other than
2 nonathletic supplies for courses of instruction in
3 health or physical education), computer equip-
4 ment (including related software and services)
5 and other equipment, and supplementary mate-
6 rials used by the eligible educator in the class-
7 room.”.

8 (b) ELIGIBLE EDUCATOR.—Section 62 is amended by
9 adding at the end the following:

10 “(d) DEFINITION; SPECIAL RULES.—

11 “(1) ELIGIBLE EDUCATOR.—

12 “(A) IN GENERAL.—For purposes of sub-
13 section (a)(2)(D), the term ‘eligible educator’
14 means, with respect to any taxable year, an in-
15 dividual who is a kindergarten through grade
16 12 teacher, instructor, counselor, principal, or
17 aide in a school for at least 900 hours during
18 a school year.

19 “(B) SCHOOL.—The term ‘school’ means
20 any school which provides elementary education
21 or secondary education (kindergarten through
22 grade 12), as determined under State law.

23 “(2) COORDINATION WITH EXCLUSIONS.—A de-
24 duction shall be allowed under subsection (a)(2)(D)
25 for expenses only to the extent the amount of such

1 expenses exceeds the amount excludable under sec-
2 tion 135, 529(c)(1), or 530(d)(2) for the taxable
3 year.”.

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

7 **Subtitle B—Technical Corrections**

8 **SEC. 611. AMENDMENTS RELATED TO ECONOMIC GROWTH** 9 **AND TAX RELIEF RECONCILIATION ACT OF** 10 **2001.**

11 (a) AMENDMENTS RELATED TO SECTION 101 OF
12 THE ACT.—

13 (1) IN GENERAL.—Subsection (b) of section
14 6428 is amended to read as follows:

15 “(b) CREDIT TREATED AS NONREFUNDABLE PER-
16 SONAL CREDIT.—For purposes of this title, the credit al-
17 lowed under this section shall be treated as a credit allow-
18 able under subpart A of part IV of subchapter A of chap-
19 ter 1.”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Subsection (d) of section 6428 is
22 amended to read as follows:

23 “(d) COORDINATION WITH ADVANCE REFUNDS OF
24 CREDIT.—

1 “(1) IN GENERAL.—The amount of credit
2 which would (but for this paragraph) be allowable
3 under this section shall be reduced (but not below
4 zero) by the aggregate refunds and credits made or
5 allowed to the taxpayer under subsection (e). Any
6 failure to so reduce the credit shall be treated as
7 arising out of a mathematical or clerical error and
8 assessed according to section 6213(b)(1).

9 “(2) JOINT RETURNS.—In the case of a refund
10 or credit made or allowed under subsection (e) with
11 respect to a joint return, half of such refund or cred-
12 it shall be treated as having been made or allowed
13 to each individual filing such return.”.

14 (B) Paragraph (2) of section 6428(e) is
15 amended to read as follows:

16 “(2) ADVANCE REFUND AMOUNT.—For pur-
17 poses of paragraph (1), the advance refund amount
18 is the amount that would have been allowed as a
19 credit under this section for such first taxable year
20 if—

21 “(A) this section (other than subsections
22 (b) and (d) and this subsection) had applied to
23 such taxable year, and

24 “(B) the credit for such taxable year were
25 not allowed to exceed the excess (if any) of—

1 “(i) the sum of the regular tax liabil-
2 ity (as defined in section 26(b)) plus the
3 tax imposed by section 55, over

4 “(ii) the sum of the credits allowable
5 under part IV of subchapter A of chapter
6 1 (other than the credits allowable under
7 subpart C thereof, relating to refundable
8 credits).”

9 (b) AMENDMENT RELATED TO SECTION 201 OF THE
10 ACT.—Subparagraph (B) of section 24(d)(1) is amended
11 by striking “amount of credit allowed by this section” and
12 inserting “aggregate amount of credits allowed by this
13 subpart”.

14 (c) AMENDMENTS RELATED TO SECTION 202 OF
15 THE ACT.—

16 (1) CORRECTIONS TO CREDIT FOR ADOPTION
17 EXPENSES.—

18 (A) Paragraph (1) of section 23(a) is
19 amended to read as follows:

20 “(1) IN GENERAL.—In the case of an indi-
21 vidual, there shall be allowed as a credit against the
22 tax imposed by this chapter the amount of the quali-
23 fied adoption expenses paid or incurred by the tax-
24 payer.”

1 (B) Subsection (a) of section 23 is amend-
2 ed by adding at the end the following new para-
3 graph:

4 “(3) \$10,000 CREDIT FOR ADOPTION OF CHILD
5 WITH SPECIAL NEEDS REGARDLESS OF EX-
6 PENSES.—In the case of an adoption of a child with
7 special needs which becomes final during a taxable
8 year, the taxpayer shall be treated as having paid
9 during such year qualified adoption expenses with
10 respect to such adoption in an amount equal to the
11 excess (if any) of \$10,000 over the aggregate quali-
12 fied adoption expenses actually paid or incurred by
13 the taxpayer with respect to such adoption during
14 such taxable year and all prior taxable years.”

15 (C) Paragraph (2) of section 23(a) is
16 amended by striking the last sentence.

17 (D) Paragraph (1) of section 23(b) is
18 amended by striking “subsection (a)(1)(A)” and
19 inserting “subsection (a)”.

20 (E) Subsection (i) of section 23 is amend-
21 ed by striking “the dollar limitation in sub-
22 section (b)(1)” and inserting “the dollar
23 amounts in subsections (a)(3) and (b)(1)”.

24 (F) Expenses paid or incurred during any
25 taxable year beginning before January 1, 2002,

1 may be taken into account in determining the
2 credit under section 23 of the Internal Revenue
3 Code of 1986 only to the extent the aggregate
4 of such expenses does not exceed the applicable
5 limitation under section 23(b)(1) of such Code
6 as in effect on the day before the date of the
7 enactment of the Economic Growth and Tax
8 Relief Reconciliation Act of 2001.

9 (2) CORRECTIONS TO EXCLUSION FOR EM-
10 PLOYER-PROVIDED ADOPTION ASSISTANCE.—

11 (A) Subsection (a) of section 137 is
12 amended to read as follows:

13 “(a) EXCLUSION.—

14 “(1) IN GENERAL.—Gross income of an em-
15 ployee does not include amounts paid or expenses in-
16 curred by the employer for qualified adoption ex-
17 penses in connection with the adoption of a child by
18 an employee if such amounts are furnished pursuant
19 to an adoption assistance program.

20 “(2) \$10,000 EXCLUSION FOR ADOPTION OF
21 CHILD WITH SPECIAL NEEDS REGARDLESS OF EX-
22 PENSES.—In the case of an adoption of a child with
23 special needs which becomes final during a taxable
24 year, the qualified adoption expenses with respect to
25 such adoption for such year shall be increased by an

1 amount equal to the excess (if any) of \$10,000 over
2 the actual aggregate qualified adoption expenses
3 with respect to such adoption during such taxable
4 year and all prior taxable years.”

5 (B) Paragraph (2) of section 137(b) is
6 amended by striking “subsection (a)(1)” and
7 inserting “subsection (a)”.

8 (3) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to taxable years begin-
10 ning after December 31, 2002; except that the
11 amendments made by paragraphs (1)(C), (1)(D),
12 and (2)(B) shall apply to taxable years beginning
13 after December 31, 2001.

14 (d) AMENDMENTS RELATED TO SECTION 205 OF
15 THE ACT.—

16 (1) Section 45F(d)(4)(B) is amended by strik-
17 ing “subpart A, B, or D of this part” and inserting
18 “this chapter or for purposes of section 55”.

19 (2) Section 38(b)(15) is amended by striking
20 “45F” and inserting “45F(a)”.

21 (e) AMENDMENTS RELATED TO SECTION 301 OF
22 THE ACT.—

23 (1) Section 63(c)(2) is amended—

1 (A) in subparagraph (A), by striking “sub-
2 paragraph (C)” and inserting “subparagraph
3 (D)”,

4 (B) by striking “or” at the end of subpara-
5 graph (B),

6 (C) by redesignating subparagraph (C) as
7 subparagraph (D), and

8 (D) by inserting after subparagraph (B)
9 the following new subparagraph:

10 “(C) one-half of the amount allowable
11 under subparagraph (A) in the case of a mar-
12 ried individual filing a separate return, or”.

13 (2) Section 63(c)(7) is amended by adding at
14 the end the following:

15 “If any amount determined under the preceding
16 table is not a multiple of \$50, such amount shall be
17 rounded to the next lowest multiple of \$50.”.

18 (f) AMENDMENT RELATED TO SECTION 401 OF THE
19 ACT.—Section 530(d)(4)(B)(iv) is amended by striking
20 “because the taxpayer elected under paragraph (2)(C) to
21 waive the application of paragraph (2)” and inserting “by
22 application of paragraph (2)(C)(i)(II)”.

23 (g) AMENDMENT RELATED TO SECTION 511 OF THE
24 ACT.—Section 2511(c) is amended by striking “taxable

1 gift under section 2503,” and inserting “transfer of prop-
2 erty by gift,”.

3 (h) AMENDMENT RELATED TO SECTION 532 OF THE
4 ACT.—Section 2016 is amended by striking “any State,
5 any possession of the United States, or the District of Co-
6 lumbia,”.

7 (i) AMENDMENTS RELATING TO SECTION 602 OF
8 THE ACT.—

9 (1) Subparagraph (A) of section 408(q)(3) is
10 amended to read as follows:

11 “(A) QUALIFIED EMPLOYER PLAN.—The
12 term ‘qualified employer plan’ has the meaning
13 given such term by section 72(p)(4)(A)(i); ex-
14 cept that such term shall also include an eligi-
15 ble deferred compensation plan (as defined in
16 section 457(b)) of an eligible employer de-
17 scribed in section 457(e)(1)(A).”.

18 (2) Section 4(c) of Employee Retirement In-
19 come Security Act of 1974 is amended—

20 (A) by inserting “and part 5 (relating to
21 administration and enforcement)” before the
22 period at the end, and

23 (B) by adding at the end the following new
24 sentence: “Such provisions shall apply to such
25 accounts and annuities in a manner similar to

1 their application to a simplified employee pen-
2 sion under section 408(k) of the Internal Rev-
3 enue Code of 1986.”.

4 (j) AMENDMENTS RELATING TO SECTION 611 OF
5 THE ACT.—

6 (1) Section 408(k) is amended—

7 (A) in paragraph (2)(C) by striking
8 “\$300” and inserting “\$450”, and

9 (B) in paragraph (8) by striking “\$300”
10 both places it appears and inserting “\$450”.

11 (2) Section 409(o)(1)(C)(ii) is amended—

12 (A) by striking “\$500,000” both places it
13 appears and inserting “\$800,000”, and

14 (B) by striking “\$100,000” and inserting
15 “\$160,000”.

16 (3) Section 611(i) of the Economic Growth and
17 Tax Relief Reconciliation Act of 2001 is amended by
18 adding at the end the following new paragraph:

19 “(3) SPECIAL RULE.—In the case of plan that,
20 on June 7, 2001, incorporated by reference the limi-
21 tation of section 415(b)(1)(A) of the Internal Rev-
22 enue Code of 1986, section 411(d)(6) of such Code
23 and section 204(g)(1) of the Employee Retirement
24 Income Security Act of 1974 do not apply to a plan
25 amendment that—

1 “(A) is adopted on or before June 30,
2 2002,

3 “(B) reduces benefits to the level that
4 would have applied without regard to the
5 amendments made by subsection (a) of this sec-
6 tion, and

7 “(C) is effective no earlier than the years
8 described in paragraph (2).”.

9 (k) AMENDMENTS RELATING TO SECTION 613 OF
10 THE ACT.—

11 (1) Section 416(c)(1)(C)(iii) is amended by
12 striking “EXCEPTION FOR FROZEN PLAN” and in-
13 sserting “EXCEPTION FOR PLAN UNDER WHICH NO
14 KEY EMPLOYEE (OR FORMER KEY EMPLOYEE) BENE-
15 FITS FOR PLAN YEAR”.

16 (2) Section 416(g)(3)(B) is amended by strik-
17 ing “separation from service” and inserting “sever-
18 ance from employment”.

19 (l) AMENDMENTS RELATING TO SECTIONS 614 and
20 616 OF THE ACT.—

21 (1) Section 404(a)(12) is amended by striking
22 “(9),” and inserting “(9) and subsection (h)(1)(C),”.

23 (2) Section 404(n) is amended by striking “sub-
24 section (a),” and inserting “subsection (a) or para-
25 graph (1)(C) of subsection (h)”.

1 (3) Section 402(h)(2)(A) is amended by strik-
2 ing “15 percent” and inserting “25 percent”.

3 (4) Section 404(a)(7)(C) is amended to read as
4 follows:

5 “(C) PARAGRAPH NOT TO APPLY IN CER-
6 TAIN CASES.—

7 “(i) BENEFICIARY TEST.—This para-
8 graph shall not have the effect of reducing
9 the amount otherwise deductible under
10 paragraphs (1), (2), and (3), if no em-
11 ployee is a beneficiary under more than 1
12 trust or under a trust and an annuity plan.

13 “(ii) ELECTIVE DEFERRALS.—If, in
14 connection with 1 or more defined con-
15 tribution plans and 1 or more defined ben-
16 efit plans, no amounts (other than elective
17 deferrals (as defined in section 402(g)(3)))
18 are contributed to any of the defined con-
19 tribution plans for the taxable year, then
20 subparagraph (A) shall not apply with re-
21 spect to any of such defined contribution
22 plans and defined benefit plans.”.

23 (m) AMENDMENT RELATING TO SECTION 618 OF
24 THE ACT.—Section 25B(d)(2)(A) is amended to read as
25 follows:

1 “(A) IN GENERAL.—The qualified retire-
2 ment savings contributions determined under
3 paragraph (1) shall be reduced (but not below
4 zero) by the aggregate distributions received by
5 the individual during the testing period from
6 any entity of a type to which contributions
7 under paragraph (1) may be made. The pre-
8 ceding sentence shall not apply to the portion of
9 any distribution which is not includible in gross
10 income by reason of a trustee-to-trustee trans-
11 fer or a rollover distribution.”.

12 (n) AMENDMENTS RELATING TO SECTION 619 OF
13 THE ACT.—

14 (1) Section 45E(e)(1) is amended by striking
15 “(n)” and inserting “(m)”.

16 (2) Section 619(d) of the Economic Growth and
17 Tax Relief Reconciliation Act of 2001 is amended by
18 striking “established” and inserting “first effective”.

19 (o) AMENDMENTS RELATING TO SECTION 631 OF
20 THE ACT.—

21 (1) Section 402(g)(1) is amended by adding at
22 the end the following:

23 “(C) CATCH-UP CONTRIBUTIONS.—In ad-
24 dition to subparagraph (A), in the case of an el-
25 igible participant (as defined in section 414(v)),

1 gross income shall not include elective deferrals
2 in excess of the applicable dollar amount under
3 subparagraph (B) to the extent that the
4 amount of such elective deferrals does not ex-
5 ceed the applicable dollar amount under section
6 414(v)(2)(B)(i) for the taxable year (without
7 regard to the treatment of the elective deferrals
8 by an applicable employer plan under section
9 414(v)).”.

10 (2) Section 401(a)(30) is amended by striking
11 “402(g)(1)” and inserting “402(g)(1)(A)”.

12 (3) Section 414(v)(2) is amended by adding at
13 the end the following:

14 “(D) AGGREGATION OF PLANS.—For pur-
15 poses of this paragraph, plans described in
16 clauses (i), (ii), and (iv) of paragraph (6)(A)
17 that are maintained by the same employer (as
18 determined under subsection (b), (c), (m) or
19 (o)) shall be treated as a single plan, and plans
20 described in clause (iii) of paragraph (6)(A)
21 that are maintained by the same employer shall
22 be treated as a single plan.”.

23 (4) Section 414(v)(3)(A)(i) is amended by strik-
24 ing “section 402(g), 402(h), 403(b), 404(a), 404(h),
25 408(k), 408(p), 415, or 457” and inserting “section

1 401(a)(30), 402(h), 403(b), 408, 415(c), and
2 457(b)(2) (determined without regard to section
3 457(b)(3))”.

4 (5) Section 414(v)(3)(B) is amended by striking
5 “section 401(a)(4), 401(a)(26), 401(k)(3),
6 401(k)(11), 401(k)(12), 403(b)(12), 408(k), 408(p),
7 408B, 410(b), or 416” and inserting “section
8 401(a)(4), 401(k)(3), 401(k)(11), 403(b)(12),
9 408(k), 410(b), or 416”.

10 (6) Section 414(v)(4)(B) is amended by insert-
11 ing before the period at the end the following: “, ex-
12 cept that a plan described in clause (i) of section
13 410(b)(6)(C) shall not be treated as a plan of the
14 employer until the expiration of the transition period
15 with respect to such plan (as determined under
16 clause (ii) of such section)”.

17 (7) Section 414(v)(5) is amended—

18 (A) by striking “, with respect to any plan
19 year,” in the matter preceding subparagraph
20 (A),

21 (B) by amending subparagraph (A) to read
22 as follows:

23 “(A) who would attain age 50 by the end
24 of the taxable year,” and

1 (C) in subparagraph (B) by striking “plan
2 year” and inserting “plan (or other applicable)
3 year”.

4 (8) Section 414(v)(6)(C) is amended to read as
5 follows:

6 “(C) EXCEPTION FOR SECTION 457
7 PLANS.—This subsection shall not apply to a
8 participant for any year for which a higher limi-
9 tation applies to the participant under section
10 457(b)(3).”.

11 (9) Section 457(e) is amended by adding at the
12 end the following new paragraph:

13 “(18) COORDINATION WITH CATCH-UP CON-
14 TRIBUTIONS FOR INDIVIDUALS AGE 50 OR OLDER.—
15 In the case of an individual who is an eligible partic-
16 ipant (as defined by section 414(v)) and who is a
17 participant in an eligible deferred compensation plan
18 of an employer described in paragraph (1)(A), sub-
19 sections (b)(3) and (c) shall be applied by sub-
20 stituting for the amount otherwise determined under
21 the applicable subsection the greater of—

22 “(A) the sum of—

23 “(i) the plan ceiling established for
24 purposes of subsection (b)(2) (without re-
25 gard to subsection (b)(3)), plus

1 “(ii) the applicable dollar amount for
2 the taxable year determined under section
3 414(v)(2)(B)(i), or

4 “(B) the amount determined under the ap-
5 plicable subsection (without regard to this para-
6 graph).”.

7 (p) AMENDMENTS RELATING TO SECTION 632 OF
8 THE ACT.—

9 (1) Section 403(b)(1) is amended in the matter
10 following subparagraph (E) by striking “then
11 amounts contributed” and all that follows and in-
12 serting the following:

13 “then contributions and other additions by such
14 employer for such annuity contract shall be excluded
15 from the gross income of the employee for the tax-
16 able year to the extent that the aggregate of such
17 contributions and additions (when expressed as an
18 annual addition (within the meaning of section
19 415(c)(2))) does not exceed the applicable limit
20 under section 415. The amount actually distributed
21 to any distributee under such contract shall be tax-
22 able to the distributee (in the year in which so dis-
23 tributed) under section 72 (relating to annuities).
24 For purposes of applying the rules of this subsection
25 to contributions and other additions by an employer

1 for a taxable year, amounts transferred to a contract
2 described in this paragraph by reason of a rollover
3 contribution described in paragraph (8) of this sub-
4 section or section 408(d)(3)(A)(ii) shall not be con-
5 sidered contributed by such employer.”.

6 (2) Section 403(b) is amended by striking para-
7 graph (6).

8 (3) Section 403(b)(3) is amended—

9 (A) in the first sentence by inserting the
10 following before the period at the end: “, and
11 which precedes the taxable year by no more
12 than five years”, and

13 (B) in the second sentence by striking “or
14 any amount received by a former employee after
15 the fifth taxable year following the taxable year
16 in which such employee was terminated”.

17 (4) Section 415(c)(7) is amended to read as fol-
18 lows:

19 “(7) SPECIAL RULES RELATING TO CHURCH
20 PLANS.—

21 “(A) ALTERNATIVE CONTRIBUTION LIM-
22 TATION.—

23 “(i) IN GENERAL.—Notwithstanding
24 any other provision of this subsection, at
25 the election of a participant who is an em-

1 ployee of a church or a convention or asso-
2 ciation of churches, including an organiza-
3 tion described in section 414(e)(3)(B)(ii),
4 contributions and other additions for an
5 annuity contract or retirement income ac-
6 count described in section 403(b) with re-
7 spect to such participant, when expressed
8 as an annual addition to such participant’s
9 account, shall be treated as not exceeding
10 the limitation of paragraph (1) if such an-
11 nual addition is not in excess of \$10,000.

12 “(ii) \$40,000 AGGREGATE LIMITA-
13 TION.—The total amount of additions with
14 respect to any participant which may be
15 taken into account for purposes of this
16 subparagraph for all years may not exceed
17 \$40,000.

18 “(B) NUMBER OF YEARS OF SERVICE FOR
19 DULY ORDAINED, COMMISSIONED, OR LICENSED
20 MINISTERS OR LAY EMPLOYEES.—For purposes
21 of this paragraph—

22 “(i) all years of service by—

23 “(I) a duly ordained, commis-
24 sioned, or licensed minister of a
25 church, or

1 “(II) a lay person,
2 as an employee of a church, a convention
3 or association of churches, including an or-
4 ganization described in section
5 414(e)(3)(B)(ii), shall be considered as
6 years of service for 1 employer, and

7 “(ii) all amounts contributed for an-
8 nuity contracts by each such church (or
9 convention or association of churches) or
10 such organization during such years for
11 such minister or lay person shall be consid-
12 ered to have been contributed by 1 em-
13 ployer.

14 “(C) FOREIGN MISSIONARIES.—In the case
15 of any individual described in subparagraph (D)
16 performing services outside the United States,
17 contributions and other additions for an annu-
18 ity contract or retirement income account de-
19 scribed in section 403(b) with respect to such
20 employee, when expressed as an annual addition
21 to such employee’s account, shall not be treated
22 as exceeding the limitation of paragraph (1) if
23 such annual addition is not in excess of the
24 greater of \$3,000 or the employee’s includible

1 compensation determined under section
2 403(b)(3).

3 “(D) ANNUAL ADDITION.—For purposes of
4 this paragraph, the term ‘annual addition’ has
5 the meaning given such term by paragraph (2).

6 “(E) CHURCH, CONVENTION OR ASSOCIA-
7 TION OF CHURCHES.—For purposes of this
8 paragraph, the terms ‘church’ and ‘convention
9 or association of churches’ have the same mean-
10 ing as when used in section 414(e).”.

11 (5) Section 457(e)(5) is amended to read as fol-
12 lows:

13 “(5) INCLUDIBLE COMPENSATION.—The term
14 ‘includible compensation’ has the meaning given to
15 the term ‘participant’s compensation’ by section
16 415(c)(3).”.

17 (6) Section 402(g)(7)(B) is amended by strik-
18 ing “2001.” and inserting “2001).”.

19 (q) AMENDMENTS RELATING TO SECTION 643 OF
20 THE ACT.—

21 (1) Section 401(a)(31)(C)(i) is amended by in-
22 sserting “is a qualified trust which is part of a plan
23 which is a defined contribution plan and” before
24 “agrees”.

1 (2) Section 402(c)(2) is amended by adding at
2 the end the following flush sentence:

3 “In the case of a transfer described in subparagraph
4 (A) or (B), the amount transferred shall be treated
5 as consisting first of the portion of such distribution
6 that is includible in gross income (determined with-
7 out regard to paragraph (1)).”.

8 (r) AMENDMENTS RELATING TO SECTION 648 OF
9 THE ACT.—

10 (1) Section 417(e) is amended—

11 (A) in paragraph (1) by striking “exceed
12 the dollar limit under section 411(a)(11)(A)”
13 and inserting “exceed the amount that can be
14 distributed without the participant’s consent
15 under section 411(a)(11)”, and

16 (B) in paragraph (2)(A) by striking “ex-
17 ceeds the dollar limit under section
18 411(a)(11)(A)” and inserting “exceeds the
19 amount that can be distributed without the par-
20 ticipant’s consent under section 411(a)(11)”.

21 (2) Section 205(g) of the Employee Retirement
22 Income Security Act of 1974 is amended—

23 (A) in paragraph (1) by striking “exceed
24 the dollar limit under section 203(e)(1)” and
25 inserting “exceed the amount that can be dis-

1 tributed without the participant’s consent under
2 section 203(e)”, and

3 (B) in paragraph (2)(A) by striking “ex-
4 ceeds the dollar limit under section 203(e)(1)”
5 and inserting “exceeds the amount that can be
6 distributed without the participant’s consent
7 under section 203(e)”.

8 (s) AMENDMENT RELATING TO SECTION 652 OF THE
9 ACT.—Section 404(a)(1)(D)(iv) is amended by striking
10 “PLANS MAINTAINED BY PROFESSIONAL SERVICE EM-
11 PLOYERS” and inserting “SPECIAL RULE FOR TERMI-
12 NATING PLANS”.

13 (t) AMENDMENTS RELATING TO SECTION 657 OF
14 THE ACT.—Section 404(c)(3) of the Employee Retirement
15 Income Security Act of 1974 is amended—

16 (1) by striking “the earlier of” in subparagraph
17 (A) the second place it appears, and

18 (2) by striking “if the transfer” and inserting
19 “a transfer that”.

20 (u) AMENDMENTS RELATING TO SECTION 659 OF
21 THE ACT.—

22 (1) Section 4980F is amended—

23 (A) in subsection (e)(1) by striking “writ-
24 ten notice” and inserting “the notice described
25 in paragraph (2)”,

1 (B) by amending subsection (f)(2)(A) to
2 read as follows:

3 “(A) any defined benefit plan described in
4 section 401(a) which includes a trust exempt
5 from tax under section 501(a), or”, and

6 (C) in subsection (f)(3) by striking “sig-
7 nificantly” both places it appears.

8 (2) Section 204(h)(9) of the Employee Retire-
9 ment Income Security Act of 1974 is amended by
10 striking “significantly” both places it appears.

11 (3) Section 659(c)(3)(B) of the Economic
12 Growth and Tax Relief Reconciliation Act of 2001 is
13 amended by striking “(or” and inserting “(and”.

14 (v) AMENDMENTS RELATING TO SECTION 661 OF
15 THE ACT.—

16 (1) Section 412(c)(9)(B) is amended—

17 (A) in clause (ii) by striking “125 percent”
18 and inserting “100 percent”, and

19 (B) by adding at the end the following new
20 clause:

21 “(iv) LIMITATION.—A change in fund-
22 ing method to use a prior year valuation,
23 as provided in clause (ii), may not be made
24 unless as of the valuation date within the
25 prior plan year, the value of the assets of

1 the plan are not less than 125 percent of
2 the plan’s current liability (as defined in
3 paragraph (7)(B)).”.

4 (2) Section 302(c)(9)(B) of the Employee Re-
5 tirement Income Security Act of 1974 is amended—

6 (A) in clause (ii) by striking “125 percent”
7 and inserting “100 percent”, and

8 (B) by adding at the end the following new
9 clause:

10 “(iv) A change in funding method to use a prior year
11 valuation, as provided in clause (ii), may not be made un-
12 less as of the valuation date within the prior plan year,
13 the value of the assets of the plan are not less than 125
14 percent of the plan’s current liability (as defined in para-
15 graph (7)(B)).”.

16 (w) AMENDMENTS RELATING TO SECTION 662 OF
17 THE ACT.—

18 (1) Section 404(k) is amended—

19 (A) in paragraph (1) by striking “during
20 the taxable year”,

21 (B) in paragraph (2)(B) by striking
22 “(A)(iii)” and inserting “(A)(iv)”,

23 (C) in paragraph (4)(B) by striking “(iii)”
24 and inserting “(iv)”, and

1 (D) by redesignating subparagraph (B) of
2 paragraph (4) (as amended by subparagraph
3 (C)) as subparagraph (C) of paragraph (4) and
4 by inserting after subparagraph (A) the fol-
5 lowing new subparagraph:

6 “(B) REINVESTMENT DIVIDENDS.—For
7 purposes of subparagraph (A), an applicable
8 dividend reinvested pursuant to clause (iii)(II)
9 of paragraph (2)(A) shall be treated as paid in
10 the taxable year of the corporation in which
11 such dividend is reinvested in qualifying em-
12 ployer securities or in which the election under
13 clause (iii) of paragraph (2)(A) is made, which-
14 ever is later.”.

15 (2) Section 404(k) is amended by adding at the
16 end the following new paragraph:

17 “(7) FULL VESTING.—In accordance with sec-
18 tion 411, an applicable dividend described in clause
19 (iii)(II) of paragraph (2)(A) shall be subject to the
20 requirements of section 411(a)(1).”.

21 (x) EFFECTIVE DATE.—Except as provided in sub-
22 section (c), the amendments made by this section shall
23 take effect as if included in the provisions of the Economic
24 Growth and Tax Relief Reconciliation Act of 2001 to
25 which they relate.

1 **SEC. 612. AMENDMENTS RELATED TO COMMUNITY RE-**
2 **NEWAL TAX RELIEF ACT OF 2000.**

3 (a) AMENDMENT RELATED TO SECTION 101 OF THE
4 ACT.—Section 469(i)(3)(E) is amended by striking
5 clauses (ii), (iii), and (iv) and inserting the following:

6 “(ii) second to the portion of such loss
7 to which subparagraph (C) applies,

8 “(iii) third to the portion of the pas-
9 sive activity credit to which subparagraph
10 (B) or (D) does not apply,

11 “(iv) fourth to the portion of such
12 credit to which subparagraph (B) applies,
13 and”.

14 (b) AMENDMENT RELATED TO SECTION 306 OF THE
15 ACT.—Section 151(c)(6)(C) is amended—

16 (1) by striking “FOR EARNED INCOME CRED-
17 IT.—For purposes of section 32, an” and inserting
18 “FOR PRINCIPAL PLACE OF ABODE REQUIRE-
19 MENTS.—An”, and

20 (2) by striking “requirement of section
21 32(c)(3)(A)(ii)” and inserting “principal place of
22 abode requirements of section 2(a)(1)(B), section
23 2(b)(1)(A), and section 32(c)(3)(A)(ii)”.

24 (c) AMENDMENT RELATED TO SECTION 309 OF THE
25 ACT.—Subparagraph (A) of section 358(h)(1) is amended
26 to read as follows:

1 “(A) which is assumed by another person
2 as part of the exchange, and”.

3 (d) AMENDMENTS RELATED TO SECTION 401 OF
4 THE ACT.—

5 (1)(A) Section 1234A is amended by inserting
6 “or” after the comma at the end of paragraph (1),
7 by striking “or” at the end of paragraph (2), and
8 by striking paragraph (3).

9 (B)(i) Section 1234B is amended in subsection
10 (a)(1) and in subsection (b) by striking “sale or ex-
11 change” the first place it appears in each subsection
12 and inserting “sale, exchange, or termination”.

13 (ii) Section 1234B is amended by adding at the
14 end the following new subsection:

15 “(f) CROSS REFERENCE.—

**“For special rules relating to dealer securities fu-
tures contracts, see section 1256.”**

16 (2) Section 1091(e) is amended—

17 (A) in the heading, by striking “SECURI-
18 TIES.—” and inserting “SECURITIES AND SE-
19 CURITIES FUTURES CONTRACTS TO SELL.—”,

20 (B) by inserting after “closing of a short
21 sale of” the following: “(or a securities futures
22 contract to sell)”,

1 (C) in paragraph (2), by inserting after
2 “short sale of” the following: “(or securities fu-
3 tures contracts to sell)”, and

4 (D) by adding at the end the following:
5 “For purposes of this subsection, the term ‘securities fu-
6 tures contract’ has the meaning provided by section
7 1234B(e).”.

8 (3) Section 1233(e)(2) is amended by striking
9 “and” at the end of subparagraph (C), by striking
10 the period and inserting “; and” at the end of sub-
11 paragraph (D), and by adding at the end the fol-
12 lowing:

13 “(E) entering into a securities futures con-
14 tract (as so defined) to sell shall be treated as
15 entering into a short sale, and the sale, ex-
16 change, or termination of a securities futures
17 contract to sell shall be treated as the closing
18 of a short sale.”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect as if included in the provisions
21 of the Community Renewal Tax Relief Act of 2000 to
22 which they relate.

1 **SEC. 613. AMENDMENTS RELATED TO THE TAX RELIEF EX-**
2 **TENSION ACT OF 1999.**

3 (a) AMENDMENTS RELATED TO SECTION 545 OF
4 THE ACT.—Section 857(b)(7) is amended—

5 (1) in clause (i) of subparagraph (B), by strik-
6 ing “the amount of which” and inserting “to the ex-
7 tent the amount of the rents”, and

8 (2) in subparagraph (C), by striking “if the
9 amount” and inserting “to the extent the amount”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect as if included in section 545
12 of the Tax Relief Extension Act of 1999.

13 **SEC. 614. AMENDMENTS RELATED TO THE TAXPAYER RE-**
14 **LIEF ACT OF 1997.**

15 (a) AMENDMENTS RELATED TO SECTION 311 OF
16 THE ACT.—Section 311(e) of the Taxpayer Relief Act of
17 1997 (Public Law 105–34; 111 Stat. 836) is amended—

18 (1) in paragraph (2)(A), by striking “recog-
19 nized” and inserting “included in gross income”,
20 and

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

23 “(5) DISPOSITION OF INTEREST IN PASSIVE AC-
24 TIVITY.—Section 469(g)(1)(A) of the Internal Rev-
25 enue Code of 1986 shall not apply by reason of an
26 election made under paragraph (1).”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect as if included in section 311
3 of the Taxpayer Relief Act of 1997.

4 **SEC. 615. AMENDMENT RELATED TO THE BALANCED BUDG-**
5 **ET ACT OF 1997.**

6 (a) AMENDMENT RELATED TO SECTION 4006 OF
7 THE ACT.—Section 26(b)(2) is amended by striking
8 “and” at the end of subparagraph (P), by striking the
9 period and inserting “, and” at the end of subparagraph
10 (Q), and by adding at the end the following new subpara-
11 graph:

12 “(R) section 138(c)(2) (relating to penalty
13 for distributions from Medicare+Choice MSA
14 not used for qualified medical expenses if min-
15 imum balance not maintained).”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall take effect as if included in section 4006
18 of the Balanced Budget Act of 1997.

19 **SEC. 616. OTHER TECHNICAL CORRECTIONS.**

20 (a) COORDINATION OF ADVANCED PAYMENTS OF
21 EARNED INCOME CREDIT.—

22 (1) Section 32(g)(2) is amended by striking
23 “subpart” and inserting “part”.

1 (2) The amendment made by this subsection
2 shall take effect as if included in section 474 of the
3 Tax Reform Act of 1984.

4 (b) DISCLOSURE BY SOCIAL SECURITY ADMINISTRA-
5 TION TO FEDERAL CHILD SUPPORT AGENCIES.—

6 (1) Section 6103(l)(8) is amended—

7 (A) in the heading, by striking “STATE
8 AND LOCAL” and inserting “FEDERAL, STATE,
9 AND LOCAL”, and

10 (B) in subparagraph (A), by inserting
11 “Federal or” before “State or local”.

12 (2) The amendments made by this subsection
13 shall take effect on the date of the enactment of this
14 Act.

15 (c) TREATMENT OF SETTLEMENTS UNDER PART-
16 NERSHIP AUDIT RULES.—

17 (1) The following provisions are each amended
18 by inserting “or the Attorney General (or his dele-
19 gate)” after “Secretary” each place it appears:

20 (A) Paragraphs (1) and (2) of section
21 6224(c).

22 (B) Section 6229(f)(2).

23 (C) Section 6231(b)(1)(C).

24 (D) Section 6234(g)(4)(A).

1 (2) The amendments made by this subsection
2 shall apply with respect to settlement agreements
3 entered into after the date of the enactment of this
4 Act.

5 (d) AMENDMENT RELATED TO PROCEDURE AND AD-
6 MINISTRATION.—

7 (1) Section 6331(k)(3) (relating to no levy
8 while certain offers pending or installment agree-
9 ment pending or in effect) is amended to read as fol-
10 lows:

11 “(3) CERTAIN RULES TO APPLY.—Rules similar
12 to the rules of—

13 “(A) paragraphs (3) and (4) of subsection
14 (i), and

15 “(B) except in the case of paragraph
16 (2)(C), paragraph (5) of subsection (i),
17 shall apply for purposes of this subsection.”.

18 (2) The amendment made by this subsection
19 shall take effect on the date of the enactment of this
20 Act.

21 (e) MODIFIED ENDOWMENT CONTRACTS.—Para-
22 graph (2) of section 318(a) of the Community Renewal
23 Tax Relief Act of 2000 (114 Stat. 2763A–645) is re-
24 pealed, and clause (ii) of section 7702A(c)(3)(A) shall

1 read and be applied as if the amendment made by such
2 paragraph had not been enacted.

3 **SEC. 617. CLERICAL AMENDMENTS.**

4 (1) The subsection (g) of section 25B that re-
5 lates to termination is redesignated as subsection
6 (h).

7 (2) Section 51A(c)(1) is amended by striking
8 “51(d)(10)” and inserting “51(d)(11)”.

9 (3) Section 172(b)(1)(F)(i) is amended—

10 (A) by striking “3 years” and inserting “3
11 taxable years”, and

12 (B) by striking “2 years” and inserting “2
13 taxable years”.

14 (4) Section 351(h)(1) is amended by inserting
15 a comma after “liability”.

16 (5) Section 741 is amended by striking “which
17 have appreciated substantially in value”.

18 (6) Section 857(b)(7)(B)(i) is amended by
19 striking “subsection 856(d)” and inserting “section
20 856(d)”.

21 (7) Section 1394(c)(2) is amended by striking
22 “subparagraph (A)” and inserting “paragraph (1)”.

23 (8)(A) Section 6227(d) is amended by striking
24 “subsection (b)” and inserting “subsection (c)”.

25 (B) Section 6228 is amended—

1 (i) in subsection (a)(1), by striking “sub-
2 section (b) of section 6227” and inserting “sub-
3 section (c) of section 6227”,

4 (ii) in subsection (a)(3)(A), by striking
5 “subsection (b) of”, and

6 (iii) in subsections (b)(1) and (b)(2)(A), by
7 striking “subsection (c) of section 6227” and
8 inserting “subsection (d) of section 6227”.

9 (C) Section 6231(b)(2)(B)(i) is amended by
10 striking “section 6227(c)” and inserting “section
11 6227(d)”.

12 (9) Section 1221(b)(1)(B)(i) is amended by
13 striking “1256(b))” and inserting “1256(b)))”.

14 (10) Section 618(b)(2) of the Economic Growth
15 and Tax Relief Reconciliation Act of 2001 (Public
16 Law 107–16; 115 Stat. 108) is amended—

17 (A) in subparagraph (A) by striking
18 “203(d)” and inserting “202(f)”, and

19 (B) in subparagraphs (C), (D), and (E) by
20 striking “203” and inserting “202(f)”.

21 (11)(A) Section 525 of the Ticket to Work and
22 Work Incentives Improvement Act of 1999 (Public
23 Law 106–170; 113 Stat. 1928) is amended by strik-
24 ing “7200” and inserting “7201”.

1 (B) Section 532(c)(2) of such Act (113 Stat.
2 1930) is amended—

3 (i) in subparagraph (D), by striking
4 “341(d)(3)” and inserting “341(d)”, and

5 (ii) in subparagraph (Q), by striking
6 “954(c)(1)(B)(iii) and inserting
7 “954(c)(1)(B)”.

8 **SEC. 618. ADDITIONAL CORRECTIONS.**

9 (a) AMENDMENTS RELATED TO SECTION 202 OF
10 THE ECONOMIC GROWTH AND TAX RELIEF RECONCILI-
11 ATION ACT OF 2001.—

12 (1) Subsection (h) of section 23 is amended—

13 (A) by striking “subsection (a)(1)(B)” and
14 inserting “subsection (a)(3)”, and

15 (B) by adding at the end the following new
16 flush sentence:

17 “If any amount as increased under the preceding sentence
18 is not a multiple of \$10, such amount shall be rounded
19 to the nearest multiple of \$10.”

20 (2) Subsection (f) of section 137 is amended by
21 adding at the end the following new flush sentence:

22 “If any amount as increased under the preceding sentence
23 is not a multiple of \$10, such amount shall be rounded
24 to the nearest multiple of \$10.”

1 (b) AMENDMENTS RELATED TO SECTION 204 OF
2 THE ECONOMIC GROWTH AND TAX RELIEF RECONCILI-
3 ATION ACT OF 2001.—Section 21(d)(2) is amended—

4 (1) in subparagraph (A) by striking “\$200”
5 and inserting “\$250”, and

6 (2) in subparagraph (B) by striking “\$400”
7 and inserting “\$500”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect as if included in the provisions
10 of the Economic Growth and Tax Relief Reconciliation Act
11 of 2001 to which they relate.

12 **TITLE VII—UNEMPLOYMENT** 13 **ASSISTANCE**

14 **SEC. 701. SHORT TITLE.**

15 This title may be cited as the “Temporary Extended
16 Unemployment Compensation Act of 2001”.

17 **SEC. 702. FEDERAL-STATE AGREEMENTS.**

18 (a) IN GENERAL.—Any State which desires to do so
19 may enter into and participate in an agreement under this
20 title with the Secretary of Labor (in this title referred to
21 as the “Secretary”). Any State which is a party to an
22 agreement under this title may, upon providing 30 days
23 written notice to the Secretary, terminate such agreement.

24 (b) PROVISIONS OF AGREEMENT.—Any agreement
25 under subsection (a) shall provide that the State agency

1 of the State will make payments of temporary extended
2 unemployment compensation to individuals who—

3 (1) have exhausted all rights to regular com-
4 pensation under the State law or under Federal law
5 with respect to a benefit year (excluding any benefit
6 year that ended before March 15, 2001);

7 (2) have no rights to regular compensation or
8 extended compensation with respect to a week under
9 such law or any other State unemployment com-
10 pensation law or to compensation under any other
11 Federal law;

12 (3) are not receiving compensation with respect
13 to such week under the unemployment compensation
14 law of Canada; and

15 (4) filed an initial claim for regular compensa-
16 tion on or after March 15, 2001.

17 (c) EXHAUSTION OF BENEFITS.—For purposes of
18 subsection (b)(1), an individual shall be deemed to have
19 exhausted such individual's rights to regular compensation
20 under a State law when—

21 (1) no payments of regular compensation can
22 be made under such law because such individual has
23 received all regular compensation available to such
24 individual based on employment or wages during
25 such individual's base period; or

1 (2) such individual's rights to such compensa-
2 tion have been terminated by reason of the expira-
3 tion of the benefit year with respect to which such
4 rights existed.

5 (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes
6 of any agreement under this title—

7 (1) the amount of temporary extended unem-
8 ployment compensation which shall be payable to
9 any individual for any week of total unemployment
10 shall be equal to the amount of the regular com-
11 pensation (including dependents' allowances) payable
12 to such individual during such individual's benefit
13 year under the State law for a week of total unem-
14 ployment;

15 (2) the terms and conditions of the State law
16 which apply to claims for regular compensation and
17 to the payment thereof shall apply to claims for tem-
18 porary extended unemployment compensation and
19 the payment thereof, except—

20 (A) that an individual shall not be eligible
21 for temporary extended unemployment com-
22 pensation under this title unless, in the base pe-
23 riod with respect to which the individual ex-
24 hausted all rights to regular compensation
25 under the State law, the individual had 20

1 weeks of full-time insured employment or the
2 equivalent in insured wages, as determined
3 under the provisions of the State law imple-
4 menting section 202(a)(5) of the Federal-State
5 Extended Unemployment Compensation Act of
6 1970 (26 U.S.C. 3304 note); and

7 (B) where otherwise inconsistent with the
8 provisions of this title or with the regulations or
9 operating instructions of the Secretary promul-
10 gated to carry out this title; and

11 (3) the maximum amount of temporary ex-
12 tended unemployment compensation payable to any
13 individual for whom a temporary extended unem-
14 ployment compensation account is established under
15 section 703 shall not exceed the amount established
16 in such account for such individual.

17 (e) ELECTION BY STATES.—Notwithstanding any
18 other provision of Federal law (and if State law permits),
19 the Governor of a State that is in an extended benefit pe-
20 riod may provide for the payment of temporary extended
21 unemployment compensation in lieu of extended com-
22 pensation to individuals who otherwise meet the require-
23 ments of this section. Such an election shall not require
24 a State to trigger off an extended benefit period.

1 **SEC. 703. TEMPORARY EXTENDED UNEMPLOYMENT COM-**
2 **PENSATION ACCOUNT.**

3 (a) IN GENERAL.—Any agreement under this title
4 shall provide that the State will establish, for each eligible
5 individual who files an application for temporary extended
6 unemployment compensation, a temporary extended un-
7 employment compensation account with respect to such in-
8 dividual's benefit year.

9 (b) AMOUNT IN ACCOUNT.—

10 (1) IN GENERAL.—The amount established in
11 an account under subsection (a) shall be equal to the
12 lesser of—

13 (A) 50 percent of the total amount of reg-
14 ular compensation (including dependents' allow-
15 ances) payable to the individual during the indi-
16 vidual's benefit year under such law, or

17 (B) 13 times the individual's average week-
18 ly benefit amount for the benefit year.

19 (2) REDUCTION FOR EXTENDED BENEFITS.—

20 The amount in an account under paragraph (1)
21 shall be reduced (but not below zero) by the aggre-
22 gate amount of extended compensation (if any) re-
23 ceived by such individual relating to the same ben-
24 efit year under the Federal-State Extended Unem-
25 ployment Compensation Act of 1970 (26 U.S.C.
26 3304 note).

1 (3) WEEKLY BENEFIT AMOUNT.—For purposes
2 of this subsection, an individual’s weekly benefit
3 amount for any week is the amount of regular com-
4 pensation (including dependents’ allowances) under
5 the State law payable to such individual for such
6 week for total unemployment.

7 **SEC. 704. PAYMENTS TO STATES HAVING AGREEMENTS FOR**
8 **THE PAYMENT OF TEMPORARY EXTENDED**
9 **UNEMPLOYMENT COMPENSATION.**

10 (a) GENERAL RULE.—There shall be paid to each
11 State that has entered into an agreement under this title
12 an amount equal to 100 percent of the temporary extended
13 unemployment compensation paid to individuals by the
14 State pursuant to such agreement.

15 (b) TREATMENT OF REIMBURSABLE COMPENSA-
16 TION.—No payment shall be made to any State under this
17 section in respect of any compensation to the extent the
18 State is entitled to reimbursement in respect of such com-
19 pensation under the provisions of any Federal law other
20 than this title or chapter 85 of title 5, United States Code.
21 A State shall not be entitled to any reimbursement under
22 such chapter 85 in respect of any compensation to the ex-
23 tent the State is entitled to reimbursement under this title
24 in respect of such compensation.

1 (c) DETERMINATION OF AMOUNT.—Sums payable to
2 any State by reason of such State having an agreement
3 under this title shall be payable, either in advance or by
4 way of reimbursement (as may be determined by the Sec-
5 retary), in such amounts as the Secretary estimates the
6 State will be entitled to receive under this title for each
7 calendar month, reduced or increased, as the case may be,
8 by any amount by which the Secretary finds that the Sec-
9 retary's estimates for any prior calendar month were
10 greater or less than the amounts which should have been
11 paid to the State. Such estimates may be made on the
12 basis of such statistical, sampling, or other method as may
13 be agreed upon by the Secretary and the State agency of
14 the State involved.

15 **SEC. 705. FINANCING PROVISIONS.**

16 (a) IN GENERAL.—Funds in the extended unemploy-
17 ment compensation account (as established by section
18 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of
19 the Unemployment Trust Fund (as established by section
20 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for
21 the making of payments to States having agreements en-
22 tered into under this title.

23 (b) CERTIFICATION.—The Secretary shall from time
24 to time certify to the Secretary of the Treasury for pay-
25 ment to each State the sums payable to such State under

1 this title. The Secretary of the Treasury, prior to audit
2 or settlement by the General Accounting Office, shall
3 make payments to the State in accordance with such cer-
4 tification, by transfers from the extended unemployment
5 compensation account (as so established) to the account
6 of such State in the Unemployment Trust Fund (as so
7 established).

8 (c) ASSISTANCE TO STATES.—There are appro-
9 priated out of the employment security administration ac-
10 count (as established by section 901(a) of the Social Secu-
11 rity Act (42 U.S.C. 1101(a)) of the Unemployment Trust
12 Fund, without fiscal year limitation, such funds as may
13 be necessary for purposes of assisting States (as provided
14 in title III of the Social Security Act (42 U.S.C. 501 et
15 seq.)) in meeting the costs of administration of agree-
16 ments under this title.

17 (d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—
18 There are appropriated from the general fund of the
19 Treasury, without fiscal year limitation, to the extended
20 unemployment compensation account (as so established)
21 of the Unemployment Trust Fund (as so established) such
22 sums as the Secretary estimates to be necessary to make
23 the payments under this section in respect of—

24 (1) compensation payable under chapter 85 of
25 title 5, United States Code; and

1 (2) compensation payable on the basis of serv-
2 ices to which section 3309(a)(1) of the Internal Rev-
3 enue Code of 1986 applies.

4 Amounts appropriated pursuant to the preceding sentence
5 shall not be required to be repaid.

6 **SEC. 706. FRAUD AND OVERPAYMENTS.**

7 (a) IN GENERAL.—If an individual knowingly has
8 made, or caused to be made by another, a false statement
9 or representation of a material fact, or knowingly has
10 failed, or caused another to fail, to disclose a material fact,
11 and as a result of such false statement or representation
12 or of such nondisclosure such individual has received an
13 amount of temporary extended unemployment compensa-
14 tion under this title to which he was not entitled, such
15 individual—

16 (1) shall be ineligible for further temporary ex-
17 tended unemployment compensation under this title
18 in accordance with the provisions of the applicable
19 State unemployment compensation law relating to
20 fraud in connection with a claim for unemployment
21 compensation; and

22 (2) shall be subject to prosecution under section
23 1001 of title 18, United States Code.

24 (b) REPAYMENT.—In the case of individuals who
25 have received amounts of temporary extended unemploy-

1 ment compensation under this title to which they were not
2 entitled, the State shall require such individuals to repay
3 the amounts of such temporary extended unemployment
4 compensation to the State agency, except that the State
5 agency may waive such repayment if it determines that—

6 (1) the payment of such temporary extended
7 unemployment compensation was without fault on
8 the part of any such individual; and

9 (2) such repayment would be contrary to equity
10 and good conscience.

11 (c) RECOVERY BY STATE AGENCY.—

12 (1) IN GENERAL.—The State agency may re-
13 cover the amount to be repaid, or any part thereof,
14 by deductions from any temporary extended unem-
15 ployment compensation payable to such individual
16 under this title or from any unemployment com-
17 pensation payable to such individual under any Fed-
18 eral unemployment compensation law administered
19 by the State agency or under any other Federal law
20 administered by the State agency which provides for
21 the payment of any assistance or allowance with re-
22 spect to any week of unemployment, during the 3-
23 year period after the date such individuals received
24 the payment of the temporary extended unemploy-
25 ment compensation to which they were not entitled,

1 except that no single deduction may exceed 50 per-
2 cent of the weekly benefit amount from which such
3 deduction is made.

4 (2) OPPORTUNITY FOR HEARING.—No repay-
5 ment shall be required, and no deduction shall be
6 made, until a determination has been made, notice
7 thereof and an opportunity for a fair hearing has
8 been given to the individual, and the determination
9 has become final.

10 (d) REVIEW.—Any determination by a State agency
11 under this section shall be subject to review in the same
12 manner and to the same extent as determinations under
13 the State unemployment compensation law, and only in
14 that manner and to that extent.

15 **SEC. 707. DEFINITIONS.**

16 In this title, the terms “compensation”, “regular
17 compensation”, “extended compensation”, “additional
18 compensation”, “benefit year”, “base period”, “State”,
19 “State agency”, “State law”, and “week” have the respec-
20 tive meanings given such terms under section 205 of the
21 Federal-State Extended Unemployment Compensation Act
22 of 1970 (26 U.S.C. 3304 note).

23 **SEC. 708. APPLICABILITY.**

24 An agreement entered into under this title shall apply
25 to weeks of unemployment—

1 (1) beginning after the date on which such
2 agreement is entered into; and

3 (2) ending before January 1, 2003.

4 **SEC. 709. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
5 **2002.**

6 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY
7 THE BALANCED BUDGET ACT OF 1997.—

8 (1) IN GENERAL.—The following provisions of
9 section 903 of the Social Security Act (42 U.S.C.
10 1103) are repealed:

11 (A) Paragraph (3) of subsection (a).

12 (B) The last sentence of subsection (c)(2).

13 (2) SAVINGS PROVISION.—Any amounts trans-
14 ferred before the date of enactment of this Act
15 under the provision repealed by paragraph (1)(A)
16 shall remain subject to section 903 of the Social Se-
17 curity Act, as last in effect before such date of en-
18 actment.

19 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—
20 Section 903 of the Social Security Act is amended by add-
21 ing at the end the following:

22 “Special Transfer in Fiscal Year 2002

23 “(d)(1) The Secretary of the Treasury shall transfer
24 (as of the date determined under paragraph (5)) from the
25 Federal unemployment account to the account of each

1 State in the Unemployment Trust Fund the amount deter-
2 mined with respect to such State under paragraph (2).

3 “(2) The amount to be transferred under this sub-
4 section to a State account shall (as determined by the Sec-
5 retary of Labor and certified by such Secretary to the Sec-
6 retary of the Treasury) be equal to—

7 “(A) the amount which would have been re-
8 quired to have been transferred under this section to
9 such account at the beginning of fiscal year 2002
10 if—

11 “(i) section 709(a)(1) of the Temporary
12 Extended Unemployment Compensation Act of
13 2001 had been enacted before the close of fiscal
14 year 2001, and

15 “(ii) section 5402 of Public Law 105–33
16 (relating to increase in Federal unemployment
17 account ceiling) had not been enacted,

18 minus

19 “(B) the amount which was in fact transferred
20 under this section to such account at the beginning
21 of fiscal year 2002.

22 “(3)(A) Except as provided in paragraph (4),
23 amounts transferred to a State account pursuant to this
24 subsection may be used only in the payment of cash
25 benefits—

1 “(i) to individuals with respect to their unem-
2 ployment, and

3 “(ii) which are allowable under subparagraph
4 (B) or (C).

5 “(B)(i) At the option of the State, cash benefits
6 under this paragraph may include amounts which shall be
7 payable as—

8 “(I) regular compensation, or

9 “(II) additional compensation, upon the exhaus-
10 tion of any temporary extended unemployment com-
11 pensation (if such State has entered into an agree-
12 ment under the Temporary Extended Unemployment
13 Compensation Act of 2001), for individuals eligible
14 for regular compensation under the unemployment
15 compensation law of such State.

16 “(ii) Any additional compensation under clause (i)
17 may not be taken into account for purposes of any deter-
18 mination relating to the amount of any extended com-
19 pensation for which an individual might be eligible.

20 “(C)(i) At the option of the State, cash benefits
21 under this paragraph may include amounts which shall be
22 payable to 1 or more categories of individuals not other-
23 wise eligible for regular compensation under the unem-
24 ployment compensation law of such State, including those
25 described in clause (iii).

1 “(ii) The benefits paid under this subparagraph to
2 any individual may not, for any period of unemployment,
3 exceed the maximum amount of regular compensation au-
4 thorized under the unemployment compensation law of
5 such State for that same period, plus any additional com-
6 pensation (described in subparagraph (B)(i)) which could
7 have been paid with respect to that amount.

8 “(iii) The categories of individuals described in this
9 clause include the following:

10 “(I) Individuals who are seeking, or available
11 for, only part-time (and not full-time) work.

12 “(II) Individuals who would be eligible for reg-
13 ular compensation under the unemployment com-
14 pensation law of such State under an alternative
15 base period.

16 “(D) Amounts transferred to a State account under
17 this subsection may be used in the payment of cash bene-
18 fits to individuals only for weeks of unemployment begin-
19 ning after the date of enactment of this subsection.

20 “(4) Amounts transferred to a State account under
21 this subsection may be used for the administration of its
22 unemployment compensation law and public employment
23 offices (including in connection with benefits described in
24 paragraph (3) and any recipients thereof), subject to the
25 same conditions as set forth in subsection (c)(2) (exclud-

1 ing subparagraph (B) thereof, and deeming the reference
2 to ‘subsections (a) and (b)’ in subparagraph (D) thereof
3 to include this subsection).

4 “(5) Transfers under this subsection shall be made
5 by December 31, 2001, unless this paragraph is not en-
6 acted until after that date, in which case such transfers
7 shall be made within 10 days after the date of enactment
8 of this paragraph.”

9 (c) LIMITATIONS ON TRANSFERS.—Section 903(b) of
10 the Social Security Act shall apply to transfers under sec-
11 tion 903(d) of such Act (as amended by this section). For
12 purposes of the preceding sentence, such section 903(b)
13 shall be deemed to be amended as follows:

14 (1) By substituting “the transfer date described
15 in subsection (d)(5)” for “October 1 of any fiscal
16 year”.

17 (2) By substituting “remain in the Federal un-
18 employment account” for “be transferred to the
19 Federal unemployment account as of the beginning
20 of such October 1”.

21 (3) By substituting “fiscal year 2002 (after the
22 transfer date described in subsection (d)(5))” for
23 “the fiscal year beginning on such October 1”.

24 (4) By substituting “under subsection (d)” for
25 “as of October 1 of such fiscal year”.

1 (5) By substituting “(as of the close of fiscal
2 year 2002)” for “(as of the close of such fiscal
3 year)”.

4 (d) TECHNICAL AMENDMENTS.—(1) Sections
5 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue
6 Code of 1986 are amended by inserting “or 903(d)(4)”
7 before “of the Social Security Act”.

8 (2) Section 303(a)(5) of the Social Security Act is
9 amended in the second proviso by inserting “or 903(d)(4)”
10 after “903(c)(2)”.

11 (e) REGULATIONS.—The Secretary of Labor may
12 prescribe any operating instructions or regulations nec-
13 essary to carry out this section and the amendments made
14 by this section.

15 **TITLE VIII—DISPLACED WORK-**
16 **ER HEALTH INSURANCE**
17 **CREDIT**

18 **SEC. 801. DISPLACED WORKER HEALTH INSURANCE CRED-**

19 **IT.**

20 (a) IN GENERAL.—Subchapter B of chapter 65 is
21 amended by inserting after section 6428 the following new
22 section:

1 **“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE**
2 **CREDIT.**

3 “(a) IN GENERAL.—In the case of an individual,
4 there shall be allowed as a credit against the tax imposed
5 by subtitle A an amount equal to 60 percent of the amount
6 paid during the taxable year for coverage for the taxpayer,
7 the taxpayer’s spouse, and dependents of the taxpayer
8 under qualified health insurance during eligible coverage
9 months.

10 “(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The
11 number of eligible coverage months taken into account
12 under subsection (a) for all taxable years shall not exceed
13 12.

14 “(c) ELIGIBLE COVERAGE MONTH.—For purposes of
15 this section—

16 “(1) IN GENERAL.—The term ‘eligible coverage
17 month’ means any month during 2002 or 2003 if,
18 as of the first day of such month—

19 “(A) the taxpayer is unemployed,

20 “(B) the taxpayer is covered by qualified
21 health insurance,

22 “(C) the premium for coverage under such
23 insurance for such month is paid by the tax-
24 payer, and

25 “(D) the taxpayer does not have other
26 specified coverage.

1 “(2) SPECIAL RULES.—

2 “(A) TREATMENT OF FIRST MONTH OF
3 EMPLOYMENT.—The taxpayer shall be treated
4 as meeting the requirement of paragraph (1)(A)
5 for the first month beginning on or after the
6 date that the taxpayer ceases to be unemployed
7 by reason of beginning work for an employer.

8 “(B) INITIAL CLAIM MUST BE AFTER
9 MARCH 15, 2001.—The taxpayer shall not be
10 treated as meeting the requirement of para-
11 graph (1)(A) with respect to any unemployment
12 if the initial claim for regular compensation for
13 such unemployment is filed on or before March
14 15, 2001.

15 “(C) JOINT RETURNS.—In the case of a
16 joint return, the requirements of paragraph (1)
17 shall be treated as met if at least 1 spouse sat-
18 isfies such requirements.

19 “(3) OTHER SPECIFIED COVERAGE.—For pur-
20 poses of this subsection, an individual has other
21 specified coverage for any month if, as of the first
22 day of such month—

23 “(A) SUBSIDIZED COVERAGE.—

24 “(i) IN GENERAL.—Such individual is
25 covered under any qualified health insur-

1 ance under which at least 50 percent of
2 the cost of coverage (determined under sec-
3 tion 4980B) is paid or incurred by an em-
4 ployer (or former employer) of the tax-
5 payer or the taxpayer's spouse.

6 “(ii) TREATMENT OF CAFETERIA
7 PLANS AND FLEXIBLE SPENDING AC-
8 COUNTS.—For purposes of clause (i), the
9 cost of benefits—

10 “(I) which are chosen under a
11 cafeteria plan (as defined in section
12 125(d)), or provided under a flexible
13 spending or similar arrangement, of
14 such an employer, and

15 “(II) which are not includible in
16 gross income under section 106,
17 shall be treated as borne by such employer.

18 “(B) COVERAGE UNDER MEDICARE, MED-
19 ICAID, OR SCHIP.—Such individual—

20 “(i) is entitled to benefits under part
21 A of title XVIII of the Social Security Act
22 or is enrolled under part B of such title, or

23 “(ii) is enrolled in the program under
24 title XIX or XXI of such Act.

1 “(C) CERTAIN OTHER COVERAGE.—Such
2 individual—

3 “(i) is enrolled in a health benefits
4 plan under chapter 89 of title 5, United
5 States Code, or

6 “(ii) is entitled to receive benefits
7 under chapter 55 of title 10, United States
8 Code.

9 “(4) DETERMINATION OF UNEMPLOYMENT.—
10 For purposes of paragraph (1), an individual shall
11 be treated as unemployed during any period—

12 “(A) for which such individual is receiving
13 unemployment compensation (as defined in sec-
14 tion 85(b)), or

15 “(B) for which such individual is certified
16 by a State agency (or by any other entity des-
17 ignated by the Secretary) as otherwise being en-
18 titled to receive unemployment compensation
19 (as so defined) but for—

20 “(i) the termination of the period dur-
21 ing which such compensation was payable,
22 or

23 “(ii) an exhaustion of such individ-
24 ual’s rights to such compensation.

1 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
2 poses of this section, the term ‘qualified health insurance’
3 means insurance which constitutes medical care; except
4 that such term shall not include any insurance if substan-
5 tially all of its coverage is of excepted benefits described
6 in section 9832(c).

7 “(e) COORDINATION WITH ADVANCE PAYMENTS OF
8 CREDIT.—

9 “(1) RECAPTURE OF EXCESS ADVANCE PAY-
10 MENTS.—If any payment is made by the Secretary
11 under section 7527 during any calendar year to a
12 provider of qualified health insurance for an indi-
13 vidual, then the tax imposed by this chapter for the
14 individual’s last taxable year beginning in such cal-
15 endar year shall be increased by the aggregate
16 amount of such payments.

17 “(2) RECONCILIATION OF PAYMENTS AD-
18 VANCED AND CREDIT ALLOWED.—Any increase in
19 tax under paragraph (1) shall not be treated as tax
20 imposed by this chapter for purposes of determining
21 the amount of any credit (other than the credit al-
22 lowed by subsection (a)) allowable under part IV of
23 subchapter A of chapter 1.

24 “(f) SPECIAL RULES.—

1 “(1) COORDINATION WITH OTHER DEDUC-
2 TIONS.—Amounts taken into account under sub-
3 section (a) shall not be taken into account in deter-
4 mining any deduction allowed under section 162(l)
5 or 213.

6 “(2) MSA DISTRIBUTIONS.—Amounts distrib-
7 uted from an Archer MSA (as defined in section
8 220(d)) shall not be taken into account under sub-
9 section (a).

10 “(3) DENIAL OF CREDIT TO DEPENDENTS.—No
11 credit shall be allowed under this section to any indi-
12 vidual with respect to whom a deduction under sec-
13 tion 151 is allowable to another taxpayer for a tax-
14 able year beginning in the calendar year in which
15 such individual’s taxable year begins.

16 “(4) CREDIT TREATED AS REFUNDABLE CRED-
17 IT.—For purposes of this title, the credit allowed
18 under this section shall be treated as a credit allow-
19 able under subpart C of part IV of subchapter A of
20 chapter 1.

21 “(5) REGULATIONS.—The Secretary may pre-
22 scribe such regulations and other guidance as may
23 be necessary or appropriate to carry out this section
24 and section 7527.”.

1 (b) INCREASED ACCESS TO HEALTH INSURANCE FOR
2 INDIVIDUALS ELIGIBLE FOR TAX CREDIT.—Notwith-
3 standing any other provision of law, in applying section
4 2741 of the Public Health Service Act (42 U.S.C. 300gg-
5 41)) and any alternative State mechanism under section
6 2744 of such Act (42 U.S.C.300gg-44)), in determining
7 who is an eligible individual (as defined in section 2741(b)
8 of such Act) in the case of an individual who may be cov-
9 ered by insurance for which credit is allowable under sec-
10 tion 6429 of the Internal Revenue Code of 1986 for an
11 eligible coverage month, if the individual seeks to obtain
12 health insurance coverage under such section during an
13 eligible coverage month under such section—

14 (1) paragraph (1) of such section 2741(b) shall
15 be applied as if any reference to 18 months is
16 deemed a reference to 12 months, and

17 (2) paragraphs (4) and (5) of such section
18 2741(b) shall not apply.

19 (c) INFORMATION REPORTING.—

20 (1) IN GENERAL.—Subpart B of part III of
21 subchapter A of chapter 61 (relating to information
22 concerning transactions with other persons) is
23 amended by inserting after section 6050S the fol-
24 lowing new section:

1 **“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER**
2 **HEALTH INSURANCE CREDIT.**

3 “(a) REQUIREMENT OF REPORTING.—Every
4 person—

5 “(1) who, in connection with a trade or busi-
6 ness conducted by such person, receives payments
7 during any calendar year from any individual for
8 coverage of such individual or any other individual
9 under qualified health insurance (as defined in sec-
10 tion 6429(d)), and

11 “(2) who claims a reimbursement for an ad-
12 vance credit amount,
13 shall, at such time as the Secretary may prescribe, make
14 the return described in subsection (b) with respect to each
15 individual from whom such payments were received or for
16 whom such a reimbursement is claimed.

17 “(b) FORM AND MANNER OF RETURNS.—A return
18 is described in this subsection if such return—

19 “(1) is in such form as the Secretary may pre-
20 scribe, and

21 “(2) contains—

22 “(A) the name, address, and TIN of each
23 individual referred to in subsection (a),

24 “(B) the aggregate of the advance credit
25 amounts provided to such individual and for
26 which reimbursement is claimed,

1 “(C) the number of months for which such
2 advance credit amounts are so provided, and

3 “(D) such other information as the Sec-
4 retary may prescribe.

5 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
6 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
7 QUIRED.—Every person required to make a return under
8 subsection (a) shall furnish to each individual whose name
9 is required to be set forth in such return a written state-
10 ment showing—

11 “(1) the name and address of the person re-
12 quired to make such return and the phone number
13 of the information contact for such person, and

14 “(2) the information required to be shown on
15 the return with respect to such individual.

16 The written statement required under the preceding sen-
17 tence shall be furnished on or before January 31 of the
18 year following the calendar year for which the return
19 under subsection (a) is required to be made.

20 “(d) ADVANCE CREDIT AMOUNT.—For purposes of
21 this section, the term ‘advance credit amount’ means an
22 amount for which the person can claim a reimbursement
23 pursuant to a program established by the Secretary under
24 section 7527.”

25 (2) ASSESSABLE PENALTIES.—

1 (A) Subparagraph (B) of section
2 6724(d)(1) (relating to definitions) is amended
3 by redesignating clauses (xi) through (xvii) as
4 clauses (xii) through (xviii), respectively, and by
5 inserting after clause (x) the following new
6 clause:

7 “(xi) section 6050T (relating to re-
8 turns relating to displaced worker health
9 insurance credit),”.

10 (B) Paragraph (2) of section 6724(d) is
11 amended by striking “or” at the end of sub-
12 paragraph (Z), by striking the period at the end
13 of subparagraph (AA) and inserting “, or”, and
14 by adding after subparagraph (AA) the fol-
15 lowing new subparagraph:

16 “(BB) section 6050T (relating to returns
17 relating to displaced worker health insurance
18 credit).”returns relating to payments for quali-
19 fied health insurance).”

20 (3) CLERICAL AMENDMENT.—The table of sec-
21 tions for subpart B of part III of subchapter A of
22 chapter 61 is amended by inserting after the item
23 relating to section 6050S the following new item:

 “Sec. 6050T. Returns relating to displaced worker health insur-
 ance credit.”

24 (d) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 1324(b) of title
2 31, United States Code, is amended by inserting be-
3 fore the period “, or from section 6429 of such
4 Code”.

5 (2) The table of sections for subchapter B of
6 chapter 65 is amended by adding at the end the fol-
7 lowing new item:

 “Sec. 6429. Displaced worker health insurance credit.”

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

11 **SEC. 802. ADVANCE PAYMENT OF DISPLACED WORKER**
12 **HEALTH INSURANCE CREDIT.**

13 (a) IN GENERAL.—Chapter 77 (relating to miscella-
14 neous provisions) is amended by adding at the end the
15 following new section:

16 **“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER**
17 **HEALTH INSURANCE CREDIT.**

18 “(a) GENERAL RULE.—The Secretary shall establish
19 a program for making payments on behalf of eligible indi-
20 viduals to providers of health insurance for such individ-
21 uals.

22 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
23 section, the term ‘eligible individual’ means any individual
24 for whom a qualified health insurance credit eligibility cer-
25 tificate is in effect.

1 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
2 BILITY CERTIFICATE.—For purposes of this section, a
3 qualified health insurance credit eligibility certificate is a
4 statement certified by a State agency (or by any other en-
5 tity designated by the Secretary) which—

6 “(1) certifies that the individual was unem-
7 ployed (within the meaning of section 6429) as of
8 the first day of any month, and

9 “(2) provides such other information as the
10 Secretary may require for purposes of this section.”

11 (c) CLERICAL AMENDMENT.—The table of sections
12 for chapter 77 is amended by adding at the end the fol-
13 lowing new item:

“Sec. 7527. Advance payment of displaced worker health insur-
ance credit.”

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect on the date of the enactment
16 of this Act.

1 **TITLE IX—EMPLOYMENT AND**
2 **TRAINING ASSISTANCE AND**
3 **TEMPORARY HEALTH CARE**
4 **COVERAGE ASSISTANCE**

5 **SEC. 901. EMPLOYMENT AND TRAINING ASSISTANCE AND**
6 **TEMPORARY HEALTH CARE COVERAGE AS-**
7 **SISTANCE.**

8 (a) IN GENERAL.—Section 173(a) of the Workforce
9 Investment Act of 1998 (29 U.S.C. 2918(a)) is
10 amended—

11 (1) in paragraph (2), by striking “and” at the
12 end;

13 (2) in paragraph (3), by striking the period at
14 the end and inserting “; and”; and

15 (3) by adding at the end the following:

16 “(4) to the Governor of any State or outlying
17 area who applies for assistance under subsection (f)
18 to provide employment and training assistance and
19 temporary health care coverage assistance to work-
20 ers affected by major economic dislocations, such as
21 plant closures, mass layoffs, or multiple layoffs, in-
22 cluding those dislocations caused by the terrorist at-
23 tacks of September 11, 2001.”.

1 (b) REQUIREMENTS.—Section 173 of the Workforce
2 Investment Act of 1998 (29 U.S.C. 2918) is amended by
3 adding at the end the following:

4 “(f) ADDITIONAL RELIEF FOR MAJOR ECONOMIC
5 DISLOCATIONS.—

6 “(1) GRANT RECIPIENT ELIGIBILITY.—

7 “(A) IN GENERAL.—To be eligible to re-
8 ceive a grant under subsection (a)(4), a Gov-
9 ernor shall submit an application, for assistance
10 described in subparagraph (B), to the Secretary
11 at such time, in such manner, and containing
12 such information as the Secretary may require.

13 “(B) TYPES OF ASSISTANCE.—

14 “(i) IN GENERAL.—Assistance de-
15 scribed in this subparagraph is—

16 “(I) employment and training as-
17 sistance, including employment and
18 training activities described in section
19 134; and

20 “(II) temporary health care cov-
21 erage assistance described in para-
22 graph (4).

23 “(ii) MINIMUM ALLOCATION TO TEM-
24 PORARY HEALTH CARE COVERAGE ASSIST-
25 ANCE.—Not less than 30 percent of the

1 cost of assistance requested in any applica-
2 tion submitted under this subsection shall
3 consist of the cost for temporary health
4 care coverage assistance described in para-
5 graph (4).

6 “(iii) ENCOURAGEMENT OF CERTAIN
7 TYPES OF HEALTH CARE COVERAGE.—In
8 publishing requirements for applications
9 under this subsection, the Secretary shall
10 encourage the use of private health cov-
11 erage alternatives.

12 “(C) MINIMUM AWARD REQUIREMENT FOR
13 ELIGIBLE STATES AND OUTLYING AREAS.—

14 “(i) REQUIREMENTS.—In any case in
15 which the requirements of this section are
16 met in connection with one or more appli-
17 cations of the Governor of any State or
18 outlying area for assistance described in
19 subparagraph (B), the Governor—

20 “(I) shall be awarded at least 1
21 grant under subsection (a)(4) pursu-
22 ant to such applications, and

23 “(II) except as provided in clause
24 (ii), shall be awarded not less than

1 \$5,000,000 in total grants awarded
2 under (a)(4).

3 “(ii) EXCEPTION TO MINIMUM GRANT
4 REQUIREMENTS.—The Secretary may
5 award to a Governor a total amount less
6 than the minimum total amount specified
7 in clause (i)(II), as appropriate, if the
8 Governor—

9 “(I) requests less than such min-
10 imum total amount, or

11 “(II) fails to demonstrate to the
12 Secretary that there are a sufficient
13 number of eligible recipients to justify
14 the awarding of grants in such min-
15 imum total amount.

16 “(2) STATE ADMINISTRATION.—The Governor
17 may designate one or more local workforce invest-
18 ment boards or other entities with the capability to
19 respond to the circumstances relating to the par-
20 ticular closure, layoff, or other dislocation to admin-
21 ister the grant under subsection (a)(4).

22 “(3) PARTICIPANT ELIGIBILITY.—An individual
23 shall be eligible to receive assistance described in
24 paragraph (1)(B) under a grant awarded under sub-
25 section (a)(4) if such individual is a dislocated work-

1 er and the Governor has certified that a major eco-
2 nomic dislocation, such as a plant closure, mass lay-
3 off, or multiple layoff, including a dislocation caused
4 by the terrorist attacks of September 11, 2001, con-
5 tributed importantly to the dislocation.

6 “(4) TEMPORARY HEALTH CARE COVERAGE AS-
7 SISTANCE.—

8 “(A) IN GENERAL.—Temporary health
9 care coverage assistance described in this para-
10 graph consists of health care coverage premium
11 assistance provided to qualified individuals
12 under this paragraph with respect to premiums
13 for coverage for themselves, for their spouses,
14 for their dependents, or for any combination
15 thereof, other than premiums for excluded
16 health insurance coverage.

17 “(B) QUALIFIED INDIVIDUALS.—For pur-
18 poses of this paragraph—

19 “(i) IN GENERAL.—Subject to clause
20 (ii), a qualified individual is an individual
21 who—

22 “(I) is a dislocated worker re-
23 ferred to in paragraph (3) with re-
24 spect to whom the Governor has made
25 the certification regarding the disloca-

1 tion as required under such para-
2 graph, and

3 “(II) is receiving or has received
4 employment and training assistance
5 as described in paragraph
6 (1)(B)(i)(I).

7 “(ii) LIMITATION.—An individual
8 shall not be treated as a qualified indi-
9 vidual if—

10 “(I) such individual is eligible for
11 coverage under the program under
12 title XIX of the Social Security Act
13 applicable in the State or outlying
14 area, or

15 “(II) such individual is eligible
16 for coverage under the program under
17 title XXI of such Act applicable in the
18 State or outlying area,

19 unless such eligibility is effective solely in
20 connection with eligibility for health care
21 coverage premium assistance under a pro-
22 gram established by the Governor in con-
23 nection with temporary health care cov-
24 erage assistance received under this sub-
25 section.

1 “(iii) CONSTRUCTION.—

2 “(I) PERMITTING COVERAGE
3 THROUGH ENROLLMENT IN MEDICAID
4 OR SCHIP.—Nothing in this subsection
5 shall be construed as preventing a
6 State from using funds made available
7 by reason of subsection (a)(4) to pro-
8 vide health care coverage through en-
9 rollment in the program under title
10 XIX (relating to medicaid) or in the
11 program under title XXI (relating to
12 SCHIP) of the Social Security Act,
13 but only in the case of individuals who
14 are not otherwise eligible for coverage
15 under either such program.

16 “(II) NOT AFFECTING ELIGI-
17 BILITY FOR ASSISTANCE.—An indi-
18 vidual shall not be treated for pur-
19 poses of this subsection as being eligi-
20 ble for coverage under either such
21 program (and thereby not eligible for
22 assistance under this subsection)
23 merely on the basis that the State
24 provides assistance under this sub-

1 section through coverage under either
2 such program.

3 “(C) LIMITATION ON ENTITLEMENT.—
4 Nothing in this subsection shall be construed as
5 establishing any entitlement of qualified individ-
6 uals to premium assistance under this sub-
7 section.

8 “(D) CONCURRENCE AND CONSULTA-
9 TION.—In connection with any temporary
10 health care coverage assistance provided pursu-
11 ant to this paragraph—

12 “(i) if the Secretary determines that
13 health care coverage premium assistance
14 provided through title XIX or XXI of the
15 Social Security Act is a substantial compo-
16 nent of the assistance provided, the Sec-
17 retary shall act in concurrence with the
18 Secretary of Health and Human Services,
19 and

20 “(ii) in any other case, the Secretary
21 shall consult with the Secretary of Health
22 and Human Services to the extent that
23 such assistance affects programs adminis-
24 tered by or under the Secretary of Health
25 and Human Services.

1 “(E) USE OF FUNDS.—Temporary health
2 care coverage assistance provided pursuant to
3 this subsection shall supplement and may not
4 supplant any other State or local funds used to
5 provide health care coverage and may not be in-
6 cluded in determining the amount of non-Fed-
7 eral contributions required under any program.

8 “(F) DEFINITIONS.—For purposes of this
9 paragraph—

10 “(i) EXCLUDED HEALTH CARE COV-
11 ERAGE.—The term ‘excluded health care
12 coverage’ means coverage under—

13 “(I) title XVIII of the Social Se-
14 curity Act,

15 “(II) chapter 55 of title 10,
16 United States Code,

17 “(III) chapter 17 of title 38,
18 United States Code,

19 “(IV) chapter 89 of title 5,
20 United States Code (other than cov-
21 erage which is comparable to continu-
22 ation coverage under section 4980B of
23 the Internal Revenue Code of 1986),
24 or

1 “(V) the Indian Health Care Im-
2 provement Act.

3 Such term also includes coverage under a
4 qualified long-term care insurance contract
5 and excepted benefits described in section
6 733(c) of the Employee Retirement Income
7 Security Act of 1974.

8 “(ii) PREMIUM.—The term ‘premium’
9 means, in connection with health care cov-
10 erage, the premium which would (but for
11 this section) be charged for the cost of cov-
12 erage.

13 “(5) APPROPRIATIONS.—

14 “(A) IN GENERAL.—There is hereby ap-
15 propriated, from any amounts in the Treasury
16 not otherwise appropriated, \$4,000,000,000 for
17 the period consisting of fiscal years 2002, 2003,
18 and 2004 for the award of grants under sub-
19 section (a)(4) in accordance with this section.

20 “(B) AVAILABILITY.—Amounts appro-
21 priated pursuant to subparagraph (A) for each
22 fiscal year—

23 “(i) are in addition to amounts made
24 available under section 132(a)(2)(A) or

1 any other provision of law to carry out this
2 section; and

3 “(ii) notwithstanding section
4 189(g)(1), shall remain available for obli-
5 gation by the Secretary from the date of
6 the enactment of this subsection through
7 each succeeding fiscal year, except that,
8 notwithstanding section 189(g)(2), no
9 funds are hereby available for expenditure
10 after June 30, 2004.”.

11 **TITLE X—TEMPORARY STATE**
12 **HEALTH CARE ASSISTANCE**

13 **SEC. 1001. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

14 (a) IN GENERAL.—Title XXI of the Social Security
15 Act is amended by adding at the end the following new
16 section:

17 **“SEC. 2111. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

18 “(a) IN GENERAL.—For the purpose of providing al-
19 lotments to States under this section, there are hereby ap-
20 propriated, out of any funds in the Treasury not otherwise
21 appropriated, \$4,599,667,448. Such funds shall be avail-
22 able for expenditure by the State through the end of 2002.
23 This section constitutes budget authority in advance of ap-
24 propriations Acts and represents the obligation of the Fed-

1 eral Government to provide for the payment to States of
2 amounts provided under this section.

3 “(b) ALLOTMENT.—Funds appropriated under sub-
4 section (a) shall be allotted by the Secretary among the
5 States in accordance with the following table:

“State	Allotment (in dollars)
Alabama	50,746,770
Alaska	31,934,026
Arizona	68,594,677
Arkansas	38,203,601
California	482,591,746
Colorado	37,469,775
Connecticut	60,039,005
Delaware	10,355,807
District of Columbia	18,321,834
Florida	164,619,369
Georgia	118,754,564
Hawaii	12,827,163
Idaho	13,031,700
Illinois	175,505,956
Indiana	66,067,368
Iowa	31,521,201
Kansas	27,288,967
Kentucky	82,759,133
Louisiana	83,907,301
Maine	22,650,838
Maryland	60,347,066
Massachusetts	121,971,140
Michigan	156,479,213
Minnesota	113,966,453
Mississippi	55,335,225
Missouri	74,675,436
Montana	10,224,652
Nebraska	31,582,786
Nevada	14,695,973
New Hampshire	15,482,962
New Jersey	115,880,093
New Mexico	39,204,714
New York	573,999,663
North Carolina	189,333,723
North Dakota	8,915,675
Ohio	166,006,936
Oklahoma	48,914,626
Oregon	71,160,353
Pennsylvania	227,183,255
Rhode Island	45,001,680
South Carolina	94,789,740
South Dakota	19,951,788
Tennessee	102,845,128
Texas	289,526,532
Utah	30,860,915
Vermont	10,291,090
Virginia	67,232,217
Washington	110,377,264
West Virginia	31,120,804
Wisconsin	93,089,086
Wyoming	12,030,459

6 “(c) USE OF FUNDS.—

7 “(1) IN GENERAL.—Funds appropriated under
8 this section may be used by a State only to provide

1 health care items and services (other than types of
2 items and services for which Federal financial par-
3 ticipation is prohibited under this title or title XIX).

4 “(2) LIMITATION.—Funds so appropriated may
5 not be used to match other Federal expenditures or
6 in any other manner that results in the expenditure
7 of Federal funds in excess of the amounts provided
8 under this section.

9 “(d) PAYMENT TO STATES.—Funds made available
10 under this section shall be paid to the States in a form
11 and manner and time specified by the Secretary, based
12 upon the submission of such information as the Secretary
13 may require. There is no requirement for the expenditure
14 of any State funds in order to qualify for receipt of funds
15 under this section. The previous sections of this title shall
16 not apply with respect to funds provided under this sec-
17 tion.

18 “(e) DEFINITION.—For purposes of this section, the
19 term ‘State’ means the 50 States and the District of Co-
20 lumbia.”.

21 (b) REPEAL.—Effective as of January 1, 2003, sec-
22 tion 2111 of the Social Security Act, as inserted by sub-
23 section (a), is repealed.

1 **TITLE XI—SOCIAL SECURITY**
2 **HELD HARMLESS; BUDG-**
3 **ETARY TREATMENT OF ACT**

4 **SEC. 1101. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

5 (a) IN GENERAL.—Nothing in this Act (or an amend-
6 ment made by this Act) shall be construed to alter or
7 amend title II of the Social Security Act (or any regulation
8 promulgated under that Act).

9 (b) TRANSFERS.—

10 (1) ESTIMATE OF SECRETARY.—The Secretary
11 of the Treasury shall annually estimate the impact
12 that the enactment of this Act has on the income
13 and balances of the trust funds established under
14 section 201 of the Social Security Act (42 U.S.C.
15 401).

16 (2) TRANSFER OF FUNDS.—If, under para-
17 graph (1), the Secretary of the Treasury estimates
18 that the enactment of this Act has a negative impact
19 on the income and balances of the trust funds estab-
20 lished under section 201 of the Social Security Act
21 (42 U.S.C. 401), the Secretary shall transfer, not
22 less frequently than quarterly, from the general reve-
23 nues of the Federal Government an amount suffi-
24 cient so as to ensure that the income and balances

1 of such trust funds are not reduced as a result of
2 the enactment of this Act.

3 **SEC. 1102. EMERGENCY DESIGNATION.**

4 Congress designates as emergency requirements pur-
5 suant to section 252(e) of the Balanced Budget and Emer-
6 gency Deficit Control Act of 1985 the following amounts:

7 (1) An amount equal to the amount by which
8 revenues are reduced by this Act below the rec-
9 ommended levels of Federal revenues for fiscal year
10 2002, the total of fiscal years 2002 through 2006,
11 and the total of fiscal years 2002 through 2011, pro-
12 vided in the conference report accompanying H.
13 Con. Res. 83, the concurrent resolution on the budg-
14 et for fiscal year 2002.

15 (2) Amounts equal to the amounts of new budg-
16 et authority and outlays provided in this Act in ex-
17 cess of the allocations under section 302(a) of the
18 Congressional Budget Act of 1974 to the Committee
19 on Finance of the Senate for fiscal year 2002, the

- 1 total of fiscal years 2002 through 2006, and the
- 2 total of fiscal years 2002 through 2011.

Passed the House of Representatives December 20
(legislative day, December 19), 2001.

Attest:

Clerk.

107TH CONGRESS
1ST SESSION

H. R. 3529

AN ACT

To provide tax incentives for economic recovery and
assistance to displaced workers.