

107TH CONGRESS
2^D SESSION

H.R. 622

**HOUSE AMENDMENTS TO
SENATE AMENDMENTS**

In the House of Representatives, U. S.,

February 14, 2002.

Resolved, That the House agree to the amendments of the Senate to the bill (H.R. 622) entitled “An Act to amend the Internal Revenue Code of 1986 to expand the adoption credit, and for other purposes”, with the following

HOUSE AMENDMENTS TO SENATE AMENDMENTS:

In lieu of the matter proposed to be inserted by the amendment of the Senate, insert the following:

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 2002”.*

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

10 (c) *TABLE OF CONTENTS.*—

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 minimum tax liability.*
- Sec. 302. Credit for qualified electric vehicles.*
- Sec. 303. Credit for electricity produced from certain 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 INCENTIVES FOR NEW YORK CITY AND DISTRESSED AREAS

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

TITLE V—MISCELLANEOUS AND TECHNICAL PROVISIONS

Subtitle A—General Miscellaneous Provisions

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- Sec. 502. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.*
- Sec. 503. Limitation on use of nonaccrual experience method of accounting.*
- Sec. 504. Exclusion for foster care payments to apply to payments by qualified placement agencies.*
- Sec. 505. Interest rate range for additional funding requirements.*
- Sec. 506. Adjusted gross income determined by taking into account certain expenses of elementary and secondary school teachers.*

Subtitle B—Technical Corrections

- Sec. 511. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.*
- Sec. 512. Amendments related to Community Renewal Tax Relief Act of 2000.*
- Sec. 513. Amendments related to the Tax Relief Extension Act of 1999.*
- Sec. 514. Amendments related to the Taxpayer Relief Act of 1997.*
- Sec. 515. Amendment related to the Balanced Budget Act of 1997.*
- Sec. 516. Other technical corrections.*
- Sec. 517. Clerical amendments.*
- Sec. 518. Additional corrections.*

TITLE VI—UNEMPLOYMENT ASSISTANCE

- Sec. 601. Short title.*
- Sec. 602. Federal-State agreements.*
- Sec. 603. Temporary extended unemployment compensation account.*
- Sec. 604. Payments to States having agreements for the payment of temporary extended unemployment compensation.*
- Sec. 605. Financing provisions.*
- Sec. 606. Fraud and overpayments.*
- Sec. 607. Definitions.*
- Sec. 608. Applicability.*
- Sec. 609. Special Reed Act transfer in fiscal year 2002.*

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

- Sec. 701. Displaced worker health insurance credit.*
- Sec. 702. Advance payment of displaced worker health insurance credit.*

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

- Sec. 801. Employment and training assistance and temporary health care coverage assistance.*

TITLE IX—TEMPORARY STATE HEALTH CARE ASSISTANCE

- Sec. 901. Temporary State health care assistance.*

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

- Sec. 1001. No impact on social security trust funds.*
- Sec. 1002. Emergency designation.*

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

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

- 4 (a) *IN GENERAL.*—Section 6428 (relating to accelera-
 5 *tion of 10 percent income tax rate bracket benefit for 2001)*

1 *is amended by adding at the end the following new sub-*
2 *section:*

3 “(f) *SUPPLEMENTAL STIMULUS PAYMENTS.*—

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

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

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

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

19 “(iii) *\$300 in the case of taxpayers to*
20 *whom subsections (c) or (d) of section 1 applies,*
21 *over*

22 “(B) *the taxpayer’s advance refund amount*
23 *under subsection (e).*

24 “(3) *TIMING OF PAYMENTS.*—*In the case of any*
25 *overpayment attributable to this subsection, the Sec-*

1 *retary shall, subject to the provisions of this title, re-*
 2 *fund or credit such overpayment as rapidly as pos-*
 3 *sible.*

4 *“(4) NO INTEREST.—No interest shall be allowed*
 5 *on any overpayment attributable to this subsection.”.*

6 *(b) CONFORMING AMENDMENTS.—*

7 *(1) Subparagraph (A) of section 6428(d)(1) is*
 8 *amended by striking “subsection (e)” and inserting*
 9 *“subsections (e) and (f)”.*

10 *(2) Subparagraph (B) of section 6428(d)(1) is*
 11 *amended by striking “subsection (e)” and inserting*
 12 *“subsection (e) or (f)”.*

13 *(c) EFFECTIVE DATE.—The amendments made by this*
 14 *section shall take effect on the date of the enactment of this*
 15 *Act.*

16 **SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-**
 17 **COME TAX RATE.**

18 *(a) IN GENERAL.—The table contained in paragraph*
 19 *(2) of section 1(i) (relating to reductions in rates after June*
 20 *30, 2001) is amended—*

21 *(1) by striking “27.0%” and inserting “25.0%”,*

22 *and*

23 *(2) by striking “26.0%” and inserting “25.0%”.*

24 *(b) REDUCTION NOT TO INCREASE MINIMUM TAX.—*

1 (1) *Subparagraph (A) of section 55(d)(1) is*
2 *amended by striking “(\$49,000 in the case of taxable*
3 *years beginning in 2001, 2002, 2003, and 2004)” and*
4 *inserting “(\$49,000 in the case of taxable years begin-*
5 *ning in 2001, \$52,200 in the case of taxable years be-*
6 *ginning in 2002 or 2003, and \$50,700 in the case of*
7 *taxable years beginning in 2004)”.*

8 (2) *Subparagraph (B) of section 55(d)(1) is*
9 *amended by striking “(\$35,750 in the case of taxable*
10 *years beginning in 2001, 2002, 2003, and 2004)” and*
11 *inserting “(\$35,750 in the case of taxable years begin-*
12 *ning in 2001, \$37,350 in the case of taxable years be-*
13 *ginning in 2002 or 2003, and \$36,600 in the case of*
14 *taxable years beginning in 2004)”.*

15 (c) *EFFECTIVE DATE.*—*The amendments made by this*
16 *section shall apply to taxable years beginning after Decem-*
17 *ber 31, 2001.*

18 (d) *SECTION 15 NOT TO APPLY.*—*No amendment*
19 *made by this section shall be treated as a change in a rate*
20 *of tax for purposes of section 15 of the Internal Revenue*
21 *Code of 1986.*

1 **TITLE II—BUSINESS PROVISIONS**

2 **SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CER-**
3 **TAIN PROPERTY ACQUIRED AFTER SEP-**
4 **TEMBER 10, 2001, AND BEFORE SEPTEMBER**
5 **11, 2004.**

6 (a) *IN GENERAL.*—Section 168 (relating to accelerated
7 cost recovery system) is amended by adding at the end the
8 following new subsection:

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

12 “(1) *ADDITIONAL ALLOWANCE.*—*In the case of*
13 *any qualified property—*

14 “(A) *the depreciation deduction provided by*
15 *section 167(a) for the taxable year in which such*
16 *property is placed in service shall include an al-*
17 *lowance equal to 30 percent of the adjusted basis*
18 *of the qualified property, and*

19 “(B) *the adjusted basis of the qualified*
20 *property shall be reduced by the amount of such*
21 *deduction before computing the amount otherwise*
22 *allowable as a depreciation deduction under this*
23 *chapter for such taxable year and any subsequent*
24 *taxable year.*

1 “(2) *QUALIFIED PROPERTY.*—*For purposes of*
2 *this subsection—*

3 “(A) *IN GENERAL.*—*The term ‘qualified*
4 *property’ means property—*

5 “(i)(I) *to which this section applies*
6 *which has a recovery period of 20 years or*
7 *less or which is water utility property, or*

8 “(II) *which is computer software (as*
9 *defined in section 167(f)(1)(B)) for which a*
10 *deduction is allowable under section 167(a)*
11 *without regard to this subsection,*

12 “(ii) *the original use of which com-*
13 *mences with the taxpayer after September*
14 *10, 2001,*

15 “(iii) *which is—*

16 “(I) *acquired by the taxpayer*
17 *after September 10, 2001, and before*
18 *September 11, 2004, but only if no*
19 *written binding contract for the acqui-*
20 *sition was in effect before September*
21 *11, 2001, or*

22 “(II) *acquired by the taxpayer*
23 *pursuant to a written binding contract*
24 *which was entered into after September*

1 10, 2001, and before September 11,
2 2004, and

3 “(iv) which is placed in service by the
4 taxpayer before January 1, 2005, or, in the
5 case of property described in subparagraph
6 (B), before January 1, 2006.

7 “(B) CERTAIN PROPERTY HAVING LONGER
8 PRODUCTION PERIODS TREATED AS QUALIFIED
9 PROPERTY.—

10 “(i) IN GENERAL.—The term ‘qualified
11 property’ includes property—

12 “(I) which meets the requirements
13 of clauses (i), (ii), and (iii) of sub-
14 paragraph (A),

15 “(II) which has a recovery period
16 of at least 10 years or is transpor-
17 tation property, and

18 “(III) which is subject to section
19 263A by reason of clause (ii) or (iii) of
20 subsection (f)(1)(B) thereof.

21 “(ii) ONLY PRE-SEPTEMBER 11, 2004,
22 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-
23 ANCE.—In the case of property which is
24 qualified property solely by reason of clause
25 (i), paragraph (1) shall apply only to the

1 *extent of the adjusted basis thereof attrib-*
2 *utable to manufacture, construction, or pro-*
3 *duction before September 11, 2004.*

4 “(iii) *TRANSPORTATION PROPERTY.—*
5 *For purposes of this subparagraph, the term*
6 *‘transportation property’ means tangible*
7 *personal property used in the trade or busi-*
8 *ness of transporting persons or property.*

9 “(C) *EXCEPTIONS.—*

10 “(i) *ALTERNATIVE DEPRECIATION*
11 *PROPERTY.—The term ‘qualified property’*
12 *shall not include any property to which the*
13 *alternative depreciation system under sub-*
14 *section (g) applies, determined—*

15 “(I) *without regard to paragraph*
16 *(7) of subsection (g) (relating to elec-*
17 *tion to have system apply), and*

18 “(II) *after application of section*
19 *280F(b) (relating to listed property*
20 *with limited business use).*

21 “(ii) *ELECTION OUT.—If a taxpayer*
22 *makes an election under this clause with re-*
23 *spect to any class of property for any tax-*
24 *able year, this subsection shall not apply to*

1 *all property in such class placed in service*
2 *during such taxable year.*

3 “(iii) *QUALIFIED LEASEHOLD IM-*
4 *PROVEMENT PROPERTY.—The term ‘quali-*
5 *fied property’ shall not include any quali-*
6 *fied leasehold improvement property (as de-*
7 *defined in section 168(e)(6)).*

8 “(D) *SPECIAL RULES.—*

9 “(i) *SELF-CONSTRUCTED PROPERTY.—*
10 *In the case of a taxpayer manufacturing,*
11 *constructing, or producing property for the*
12 *taxpayer’s own use, the requirements of*
13 *clause (iii) of subparagraph (A) shall be*
14 *treated as met if the taxpayer begins manu-*
15 *facturing, constructing, or producing the*
16 *property after September 10, 2001, and be-*
17 *fore September 11, 2004.*

18 “(ii) *SALE-LEASEBACKS.—For pur-*
19 *poses of subparagraph (A)(ii), if property—*

20 “(I) *is originally placed in service*
21 *after September 10, 2001, by a person,*
22 *and*

23 “(II) *sold and leased back by such*
24 *person within 3 months after the date*

1 *such property was originally placed in*
 2 *service,*

3 *such property shall be treated as originally*
 4 *placed in service not earlier than the date*
 5 *on which such property is used under the*
 6 *leaseback referred to in subclause (II).*

7 “(E) *COORDINATION WITH SECTION 280F.—*
 8 *For purposes of section 280F—*

9 “(i) *AUTOMOBILES.—In the case of a*
 10 *passenger automobile (as defined in section*
 11 *280F(d)(5)) which is qualified property, the*
 12 *Secretary shall increase the limitation*
 13 *under section 280F(a)(1)(A)(i) by \$4,600.*

14 “(ii) *LISTED PROPERTY.—The deduc-*
 15 *tion allowable under paragraph (1) shall be*
 16 *taken into account in computing any recap-*
 17 *ture amount under section 280F(b)(2).”.*

18 (b) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
 19 *TAX.—*

20 (1) *IN GENERAL.—Section 56(a)(1)(A) (relating*
 21 *to depreciation adjustment for alternative minimum*
 22 *tax) is amended by adding at the end the following*
 23 *new clause:*

24 “(iii) *ADDITIONAL ALLOWANCE FOR*
 25 *CERTAIN PROPERTY ACQUIRED AFTER SEP-*

1 *TEMBER 10, 2001, AND BEFORE SEPTEMBER*
 2 *11, 2004.—The deduction under section*
 3 *168(k) shall be allowed.”.*

4 (2) *CONFORMING AMENDMENT.—Clause (i) of*
 5 *section 56(a)(1)(A) is amended by striking “clause*
 6 *(ii)” both places it appears and inserting “clauses (ii)*
 7 *and (iii)”.*

8 (c) *EFFECTIVE DATE.—The amendments made by this*
 9 *section shall apply to property placed in service after Sep-*
 10 *tember 10, 2001, in taxable years ending after such date.*

11 **SEC. 202. TEMPORARY INCREASE IN EXPENSING UNDER**
 12 **SECTION 179.**

13 (a) *IN GENERAL.—The table contained in section*
 14 *179(b)(1) (relating to dollar limitation) is amended to read*
 15 *as follows:*

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$40,000
2004 or thereafter	\$25,000.”.

16 (b) *TEMPORARY INCREASE IN AMOUNT OF PROPERTY*
 17 *TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Para-*
 18 *graph (2) of section 179(b) is amended by inserting before*
 19 *the period “(\$325,000 in the case of taxable years beginning*
 20 *during 2002 or 2003)”.*

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

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

2 (a) *REPEAL OF PREFERENCE FOR DEPRECIATION.*—

3 (1) *Paragraph (1) of section 56(a) is amended*
4 *by adding at the end the following new subparagraph:*

5 “(E) *TERMINATION.*—*This paragraph shall*
6 *not apply to property placed in service in tax-*
7 *able years beginning after December 31, 2001.”.*

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

12 (b) *REPEAL OF 90 PERCENT LIMITATION ON FOREIGN*
13 *TAX CREDITS.*—

14 (1) *Subsection (a) of section 59 is amended by*
15 *striking paragraph (2) and by redesignating para-*
16 *graphs (3) and (4) as paragraphs (2) and (3), respec-*
17 *tively.*

18 (2) *Subclause (II) of section 53(d)(1)(B)(i) is*
19 *amended by striking “and if section 59(a)(2) did not*
20 *apply”.*

21 (c) *REPEAL OF 90 PERCENT LIMITATION ON NET OP-*
22 *ERATING LOSS DEDUCTION.*—*Subparagraph (A) of section*
23 *56(d)(1), as amended by section 204, is amended to read*
24 *as follows:*

25 “(A) *the amount of such deduction shall not*
26 *exceed alternative minimum taxable income de-*

1 *terminated without regard to such deduction,*
2 *and”.*

3 *(d) EFFECTIVE DATE.—The amendments made by this*
4 *section shall apply to taxable years beginning after Decem-*
5 *ber 31, 2001.*

6 **SEC. 204. CARRYBACK OF CERTAIN NET OPERATING LOSSES**
7 **ALLOWED FOR 5 YEARS.**

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

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

16 *(b) ELECTION TO DISREGARD 5-YEAR CARRYBACK.—*
17 *Section 172 (relating to net operating loss deduction) is*
18 *amended by redesignating subsection (j) as subsection (k)*
19 *and by inserting after subsection (i) the following new sub-*
20 *section:*

21 *“(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK*
22 *FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer en-*
23 *titled to a 5-year carryback under subsection (b)(1)(H)*
24 *from any loss year may elect to have the carryback period*
25 *with respect to such loss year determined without regard*

1 *to subsection (b)(1)(H). Such election shall be made in such*
2 *manner as may be prescribed by the Secretary and shall*
3 *be made by the due date (including extensions of time) for*
4 *filing the taxpayer's return for the taxable year of the net*
5 *operating loss. Such election, once made for any taxable*
6 *year, shall be irrevocable for such taxable year.”.*

7 *(c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT*
8 *ON CERTAIN NOL CARRYBACKS.—*

9 *(1) IN GENERAL.—Subparagraph (A) of section*
10 *56(d)(1) (relating to general rule defining alternative*
11 *tax net operating loss deduction) is amended to read*
12 *as follows:*

13 *“(A) the amount of such deduction shall not*
14 *exceed the sum of—*

15 *“(i) the lesser of—*

16 *“(I) the amount of such deduction*
17 *attributable to net operating losses*
18 *(other than the deduction attributable*
19 *to carrybacks described in clause*
20 *(ii)(I)), or*

21 *“(II) 90 percent of alternative*
22 *minimum taxable income determined*
23 *without regard to such deduction, plus*

24 *“(ii) the lesser of—*

1 “(I) the amount of such deduction
2 attributable to carrybacks of net oper-
3 ating losses for taxable years ending
4 during 2001 or 2002, or

5 “(II) alternative minimum tax-
6 able income determined without regard
7 to such deduction reduced by the
8 amount determined under clause (i),
9 and”.

10 (2) *EFFECTIVE DATE.*—The amendment made by
11 this subsection shall apply to taxable years beginning
12 before January 1, 2002.

13 (d) *EFFECTIVE DATE.*—Except as provided in sub-
14 section (c), the amendments made by this section shall
15 apply to net operating losses for taxable years ending after
16 December 31, 2000.

17 **SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
18 **TAIN LEASEHOLD IMPROVEMENTS.**

19 (a) *15-YEAR RECOVERY PERIOD.*—Subparagraph (E)
20 of section 168(e)(3) (relating to 15-year property) is amend-
21 ed by striking “and” at the end of clause (ii), by striking
22 the period at the end of clause (iii) and inserting “, and”,
23 and by adding at the end the following new clause:

24 “(iv) any qualified leasehold improve-
25 ment property.”.

1 (b) *QUALIFIED LEASEHOLD IMPROVEMENT PROP-*
 2 *ERTY.*—*Subsection (e) of section 168 is amended by adding*
 3 *at the end the following new paragraph:*

4 “(6) *QUALIFIED LEASEHOLD IMPROVEMENT*
 5 *PROPERTY.*—

6 “(A) *IN GENERAL.*—*The term ‘qualified*
 7 *leasehold improvement property’ means any im-*
 8 *provement to an interior portion of a building*
 9 *which is nonresidential real property if—*

10 “(i) *such improvement is made under*
 11 *or pursuant to a lease (as defined in sub-*
 12 *section (h)(7))—*

13 “(I) *by the lessee (or any subles-*
 14 *see) of such portion, or*

15 “(II) *by the lessor of such portion,*
 16 “(ii) *such portion is to be occupied ex-*
 17 *clusively by the lessee (or any sublessee) of*
 18 *such portion, and*

19 “(iii) *such improvement is placed in*
 20 *service more than 3 years after the date the*
 21 *building was first placed in service.*

22 “(B) *CERTAIN IMPROVEMENTS NOT IN-*
 23 *CLUDED.*—*Such term shall not include any im-*
 24 *provement for which the expenditure is attrib-*
 25 *utable to—*

1 “(i) the enlargement of the building,

2 “(ii) any elevator or escalator,

3 “(iii) any structural component bene-
4 fitting a common area, and

5 “(iv) the internal structural framework
6 of the building.

7 “(C) DEFINITIONS AND SPECIAL RULES.—

8 For purposes of this paragraph—

9 “(i) COMMITMENT TO LEASE TREATED
10 AS LEASE.—A commitment to enter into a
11 lease shall be treated as a lease, and the
12 parties to such commitment shall be treated
13 as lessor and lessee, respectively.

14 “(ii) RELATED PERSONS.—A lease be-
15 tween related persons shall not be considered
16 a lease. For purposes of the preceding sen-
17 tence, the term ‘related persons’ means—

18 “(I) members of an affiliated
19 group (as defined in section 1504), and

20 “(II) persons having a relation-
21 ship described in subsection (b) of sec-
22 tion 267; except that, for purposes of
23 this clause, the phrase ‘80 percent or
24 more’ shall be substituted for the

1 *phrase ‘more than 50 percent’ each*
2 *place it appears in such subsection.*

3 “(D) *IMPROVEMENTS MADE BY LESSOR.*—

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

12 “(ii) *EXCEPTION FOR CHANGES IN*
13 *FORM OF BUSINESS.*—*Property shall not*
14 *cease to be qualified leasehold improvement*
15 *property under clause (i) by reason of—*

16 “(I) *death,*

17 “(II) *a transaction to which sec-*
18 *tion 381(a) applies, or*

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

1 “(iii) *TREATMENT OF FAILURES TO*
 2 *MAINTAIN SUBSTANTIAL INTEREST IN TRADE*
 3 *OR BUSINESS.—In the case of property to*
 4 *which clause (ii)(III) would apply but for*
 5 *the failure of the taxpayer to retain a sub-*
 6 *stantial interest in a trade or business, the*
 7 *remaining adjusted basis of such property*
 8 *shall be depreciated under this section over*
 9 *39 years.”.*

10 (c) *REQUIREMENT TO USE STRAIGHT LINE METH-*
 11 *OD.—Paragraph (3) of section 168(b) is amended by adding*
 12 *at the end the following new subparagraph:*

13 “(G) *Qualified leasehold improvement prop-*
 14 *erty described in subsection (e)(6).”.*

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

 “(E)(iv) 15”.

18 (e) *EFFECTIVE DATE.—The amendments made by this*
 19 *section shall apply to qualified leasehold improvement*
 20 *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 2003.—*
11 *”, 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, 2001,*
17 *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 this*
23 *section shall apply to taxable years beginning after Decem-*
24 *ber 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 Taxpayer*
21 *Relief Act of 1997 is amended by striking “and before*
22 *January 1, 2005”.*

23 (c) *EFFECTIVE DATE.*—*The amendments made by this*
24 *section shall apply to property placed in service after De-*
25 *cember 31, 2001.*

1 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM CER-**
2 **TAIN RENEWABLE RESOURCES.**

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

6 (b) *EFFECTIVE DATE.*—The amendments made by sub-
7 section (a) shall apply to facilities placed in service after
8 December 31, 2001.

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 sub-
14 section (a) shall apply to individuals who begin work for
15 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 sub-
20 section (a) shall apply to individuals who begin work for
21 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 sub-
10 section (a) shall apply to property placed in service after
11 December 31, 2001.

12 **SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETE-**
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 sub-
19 section (a) shall apply to taxable years beginning after De-
20 cember 31, 2001.

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

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

1 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 2 *section (a) shall apply to obligations issued after the date*
 3 *of the enactment of this Act.*

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

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

8 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 9 *section (a) shall apply to articles brought into the United*
 10 *States after December 31, 2001.*

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 Human*
 15 *Services, and Education, and Related Agencies Appropria-*
 16 *tions Act, 2002, is amended to read as follows:*

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

19 “(1) *on or after September 30, 2001, and before*
 20 *January 10, 2002, and*

21 “(2) *after December 31, 2003.”.*

22 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 23 *section (a) shall apply to plan years beginning after Decem-*
 24 *ber 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 of*
6 *material life insurance companies) is amended by adding*
7 *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 as*
11 *zero for purposes of computing both the differential earnings*
12 *amount and the recomputed differential earnings amount*
13 *for a mutual life insurance company’s taxable years begin-*
14 *ning in 2001, 2002, or 2003.”.*

15 (b) *EFFECTIVE DATE.—The amendment made by this*
16 *section shall apply to taxable years beginning after Decem-*
17 *ber 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 this*
5 *section shall take effect on January 1, 2002.*

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

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

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

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

15 (a) *IN GENERAL.—*

16 (1) *Section 953(e)(10) is amended—*

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

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

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

23 (b) *LIFE INSURANCE AND ANNUITY CONTRACTS.—*

24 (1) *IN GENERAL.—Subparagraph (B) of section*
25 *954(i)(4) is amended to read as follows:*

1 “(B) *LIFE INSURANCE AND ANNUITY CON-*
2 *TRACTS.—*

3 “(i) *IN GENERAL.—Except as provided*
4 *in clause (ii), the amount of the reserve of*
5 *a qualifying insurance company or quali-*
6 *fying insurance company branch for any*
7 *life insurance or annuity contract shall be*
8 *equal to the greater of—*

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

12 “(II) *the reserve determined under*
13 *paragraph (5).*

14 “(ii) *RULING REQUEST, ETC.—The*
15 *amount of the reserve under clause (i) shall*
16 *be the foreign statement reserve for the con-*
17 *tract (less any catastrophe, deficiency,*
18 *equalization, or similar reserves), if, pursu-*
19 *ant to a ruling request submitted by the*
20 *taxpayer or as provided in published guid-*
21 *ance, the Secretary determines that the fac-*
22 *tors taken into account in determining the*
23 *foreign statement reserve provide an appro-*
24 *priate means of measuring income.”.*

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

4 **SEC. 315. REPEAL OF REQUIREMENT FOR APPROVED DIE-**
5 **SEL OR KEROSENE TERMINALS.**

6 (a) *IN GENERAL.*—*Subsection (e) of section 4101 is*
7 *hereby repealed.*

8 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
9 *section (a) shall take effect on January 1, 2002.*

10 ***Subtitle B—Temporary Assistance***
11 ***for Needy Families***

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

15 Section 403(a)(3) of the Social Security Act (42 U.S.C.
16 603(a)(3)) is amended by adding at the end the following:

17 “(H) *REAUTHORIZATION OF GRANTS FOR*
18 *FISCAL YEAR 2002.*—*Notwithstanding any other*
19 *provision of this paragraph—*

20 “(i) *any State that was a qualifying*
21 *State under this paragraph for fiscal year*
22 *2001 or any prior fiscal year shall be enti-*
23 *tled to receive from the Secretary for fiscal*
24 *year 2002 a grant in an amount equal to*
25 *the amount required to be paid to the State*

1 *under this paragraph for the most recent*
2 *fiscal year in which the State was a quali-*
3 *fying State;*

4 *“(ii) subparagraph (G) shall be ap-*
5 *plied as if ‘2002’ were substituted for*
6 *‘2001’; and*

7 *“(iii) out of any money in the Treas-*
8 *ury of the United States not otherwise ap-*
9 *propriated, there are appropriated for fiscal*
10 *year 2002 such sums as are necessary for*
11 *grants under this subparagraph.”.*

12 **SEC. 322. 1-YEAR EXTENSION OF CONTINGENCY FUND**
13 **UNDER THE TANF PROGRAM.**

14 *Section 403(b) of the Social Security Act (42 U.S.C.*
15 *603(b)) is amended—*

16 *(1) in paragraph (2), by striking “and 2001”*
17 *and inserting “2001, and 2002”; and*

18 *(2) in paragraph (3)(C)(ii), by striking “2001”*
19 *and inserting “2002”.*

1 **TITLE IV—TAX INCENTIVES FOR**
 2 **NEW YORK CITY AND DIS-**
 3 **TRESSED AREAS**

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

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

9 **“Subchapter Y—New York Liberty Zone**
 10 **Benefits**

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

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

12 *“(a) EXPANSION OF WORK OPPORTUNITY TAX CRED-*
 13 *IT.—*

14 *“(1) IN GENERAL.—For purposes of section 51,*
 15 *a New York Liberty Zone business employee shall be*
 16 *treated as a member of a targeted group.*

17 *“(2) NEW YORK LIBERTY ZONE BUSINESS EM-*
 18 *PLOYEE.—For purposes of this subsection—*

19 *“(A) IN GENERAL.—The term ‘New York*
 20 *Liberty Zone business employee’ means, with re-*
 21 *spect to any period, any employee of a New York*
 22 *Liberty Zone business if substantially all the*
 23 *services performed during such period by such*

1 *employee for such business are performed in the*
2 *New York Liberty Zone.*

3 “(B) *INCLUSION OF CERTAIN EMPLOYEES*
4 *OUTSIDE THE NEW YORK LIBERTY ZONE.—*

5 “(i) *IN GENERAL.—In the case of a*
6 *New York Liberty Zone business described*
7 *in subclause (II) of subparagraph (C)(i),*
8 *the term ‘New York Liberty Zone business*
9 *employee’ includes any employee of such*
10 *business (not described in subparagraph*
11 *(A)) if substantially all the services per-*
12 *formed during such period by such employee*
13 *for such business are performed in the City*
14 *of New York, New York.*

15 “(ii) *LIMITATION.—The number of em-*
16 *ployees of such a business that are treated*
17 *as New York Liberty zone business employ-*
18 *ees on any day by reason of clause (i) shall*
19 *not exceed the excess of—*

20 “(I) *the number of employees of*
21 *such business on September 11, 2001,*
22 *in the New York Liberty Zone, over*

23 “(II) *the number of New York*
24 *Liberty Zone business employees (de-*
25 *termined without regard to this sub-*

1 *paragraph) of such business on the day*
2 *to which the limitation is being ap-*
3 *plied.*

4 *The Secretary may require any trade or*
5 *business to have the number determined*
6 *under subclause (I) verified by the New*
7 *York State Department of Labor.*

8 “(C) *NEW YORK LIBERTY ZONE BUSI-*
9 *NESS.—*

10 “(i) *IN GENERAL.—The term ‘New*
11 *York Liberty Zone business’ means any*
12 *trade or business which is—*

13 “(I) *located in the New York Lib-*
14 *erty Zone, or*

15 “(II) *located in the City of New*
16 *York, New York, outside the New York*
17 *Liberty Zone, as a result of the phys-*
18 *ical destruction or damage of such*
19 *place of business by the September 11,*
20 *2001, terrorist attack.*

21 “(ii) *CREDIT NOT ALLOWED FOR*
22 *LARGE BUSINESSES.—The term ‘New York*
23 *Liberty Zone business’ shall not include any*
24 *trade or business for any taxable year if*
25 *such trade or business employed an average*

1 of more than 200 employees on business
2 days during the taxable year.

3 “(D) *SPECIAL RULES FOR DETERMINING*
4 *AMOUNT OF CREDIT.*—For purposes of applying
5 subpart F of part IV of subchapter B of this
6 chapter to wages paid or incurred to any New
7 York Liberty Zone business employee—

8 “(i) section 51(a) shall be applied by
9 substituting ‘qualified wages’ for ‘qualified
10 first-year wages’,

11 “(ii) the rules of section 52 shall apply
12 for purposes of determining the number of
13 employees under subparagraph (B),

14 “(iii) subsections (c)(4) and (i)(2) of
15 section 51 shall not apply, and

16 “(iv) in determining qualified wages,
17 the following shall apply in lieu of section
18 51(b):

19 “(I) *QUALIFIED WAGES.*—The
20 term ‘qualified wages’ means wages
21 paid or incurred by the employer to
22 individuals who are New York Liberty
23 Zone business employees of such em-
24 ployer for work performed during cal-
25 endar year 2002 or 2003.

1 “(II) ONLY FIRST \$6,000 OF
2 WAGES PER CALENDAR YEAR TAKEN
3 INTO ACCOUNT.—The amount of the
4 qualified wages which may be taken
5 into account with respect to any indi-
6 vidual shall not exceed \$6,000 per cal-
7 endar year.

8 “(b) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
9 ACQUIRED AFTER SEPTEMBER 10, 2001.—

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

12 “(A) the depreciation deduction provided by
13 section 167(a) for the taxable year in which such
14 property is placed in service shall include an al-
15 lowance equal to 30 percent of the adjusted basis
16 of such property, and

17 “(B) the adjusted basis of the qualified New
18 York Liberty Zone property shall be reduced by
19 the amount of such deduction before computing
20 the amount otherwise allowable as a depreciation
21 deduction under this chapter for such taxable
22 year and any subsequent taxable year.

23 “(2) QUALIFIED NEW YORK LIBERTY ZONE PROP-
24 ERTY.—For purposes of this subsection—

1 “(A) *IN GENERAL.*—*The term ‘qualified*
2 *New York Liberty Zone property’ means*
3 *property—*

4 “(i)(I) *to which section 168 applies*
5 *which has a recovery period of 20 years or*
6 *less or which is water utility property,*

7 “(II) *which is computer software (as*
8 *defined in section 167(f)(1)(B)) for which a*
9 *deduction is allowable under section 167(a)*
10 *without regard to this subsection, or*

11 “(III) *which is nonresidential real*
12 *property, or residential rental property,*
13 *which is described in subparagraph (B),*

14 “(ii) *substantially all of the use of*
15 *which is in the New York Liberty Zone and*
16 *is in the active conduct of a trade or busi-*
17 *ness by the taxpayer in such Zone,*

18 “(iii) *the original use of which in the*
19 *New York Liberty Zone commences with the*
20 *taxpayer after September 10, 2001,*

21 “(iv) *which is acquired by the tax-*
22 *payer by purchase (as defined in section*
23 *179(d)) after September 10, 2001, but only*
24 *if no written binding contract for the acqui-*

1 *sition was in effect before September 11,*
2 *2001, and*

3 *“(v) which is placed in service by the*
4 *taxpayer on or before the termination date.*

5 *The term ‘termination date’ means December 31,*
6 *2006 (December 31, 2009, in the case of nonresi-*
7 *dential real property and residential rental*
8 *property).*

9 *“(B) ELIGIBLE REAL PROPERTY.—Nonresi-*
10 *dential real property or residential rental prop-*
11 *erty is described in this subparagraph only to*
12 *the extent it rehabilitates real property damaged,*
13 *or replaces real property destroyed or con-*
14 *demned, as a result of the September 11, 2001,*
15 *terrorist attack. For purposes of the preceding*
16 *sentence, property shall be treated as replacing*
17 *real property destroyed or condemned if, as part*
18 *of an integrated plan, such property replaces*
19 *real property which is included in a continuous*
20 *area which includes real property destroyed or*
21 *condemned.*

22 *“(C) EXCEPTIONS.—*

23 *“(i) ALTERNATIVE DEPRECIATION*
24 *PROPERTY.—The term ‘qualified New York*
25 *Liberty Zone property’ shall not include*

1 any property to which the alternative de-
2 preciation system under section 168(g) ap-
3 plies, determined—

4 “(I) without regard to paragraph
5 (7) of section 168(g) (relating to elec-
6 tion to have system apply), and

7 “(II) after application of section
8 280F(b) (relating to listed property
9 with limited business use).

10 “(ii) 30 PERCENT ADDITIONAL ALLOW-
11 ANCE PROPERTY.—Such term shall not in-
12 clude property to which section 168(k) ap-
13 plies.

14 “(iii) QUALIFIED LEASEHOLD IM-
15 PROVEMENT PROPERTY.—Such term shall
16 not include any qualified leasehold improve-
17 ment property (as defined in section
18 168(e)(6)).

19 “(iv) ELECTION OUT.—If a taxpayer
20 makes an election under this clause with re-
21 spect to any class of property for any tax-
22 able year, this subsection shall not apply to
23 all property in such class placed in service
24 during such taxable year.

25 “(D) SPECIAL RULES.—

1 “(i) *SELF-CONSTRUCTED PROPERTY.*—
2 *In the case of a taxpayer manufacturing,*
3 *constructing, or producing property for the*
4 *taxpayer’s own use, the requirements of*
5 *clause (iv) of subparagraph (A) shall be*
6 *treated as met if the taxpayer begins manu-*
7 *facturing, constructing, or producing the*
8 *property after September 10, 2001.*

9 “(ii) *SALE-LEASEBACKS.*—*For pur-*
10 *poses of subparagraph (A)(iii), if*
11 *property—*

12 “(I) *is originally placed in service*
13 *after September 10, 2001, by a person,*
14 *and*

15 “(II) *is sold and leased back by*
16 *such person within 3 months after the*
17 *date such property was originally*
18 *placed in service,*

19 *such property shall be treated as originally*
20 *placed in service not earlier than the date*
21 *on which such property is used under the*
22 *leaseback referred to in subclause (II).*

23 “(E) *ALLOWANCE AGAINST ALTERNATIVE*
24 *MINIMUM TAX.*—*The deduction allowed by this*
25 *subsection shall be allowed in determining alter-*

1 *native minimum taxable income under section*
2 *55.*

3 “(c) *5-YEAR RECOVERY PERIOD FOR DEPRECIATION*
4 *OF CERTAIN LEASEHOLD IMPROVEMENTS.—*

5 “(1) *IN GENERAL.—For purposes of section 168,*
6 *the term ‘5-year property’ includes any qualified New*
7 *York Liberty Zone leasehold improvement property.*

8 “(2) *QUALIFIED NEW YORK LIBERTY ZONE*
9 *LEASEHOLD IMPROVEMENT PROPERTY.—For purposes*
10 *of this section, the term ‘qualified New York Liberty*
11 *Zone leasehold improvement property’ means quali-*
12 *fied leasehold improvement property (as defined in*
13 *section 168(e)(6)) if—*

14 “(A) *such building is located in the New*
15 *York Liberty Zone,*

16 “(B) *such improvement is placed in service*
17 *after September 10, 2001, and before January 1,*
18 *2007, and*

19 “(C) *no written binding contract for such*
20 *improvement was in effect before September 11,*
21 *2001.*

22 “(3) *REQUIREMENT TO USE STRAIGHT LINE*
23 *METHOD.—The applicable depreciation method under*
24 *section 168 shall be the straight line method in the*

1 *case of qualified New York Liberty Zone leasehold im-*
2 *provement property.*

3 “(4) *9-YEAR RECOVERY PERIOD UNDER ALTER-*
4 *NATIVE SYSTEM.—For purposes of section 168(g), the*
5 *class life of qualified New York Liberty Zone leasehold*
6 *improvement property shall be 9 years.*

7 “(d) *TAX-EXEMPT BOND FINANCING.—*

8 “(1) *IN GENERAL.—For purposes of this title,*
9 *any qualified New York Liberty Bond shall be treated*
10 *as an exempt facility bond.*

11 “(2) *QUALIFIED NEW YORK LIBERTY BOND.—For*
12 *purposes of this subsection, the term ‘qualified New*
13 *York Liberty Bond’ means any bond issued as part*
14 *of an issue if—*

15 “(A) *95 percent or more of the net proceeds*
16 *(as defined in section 150(a)(3)) of such issue*
17 *are to be used for qualified project costs,*

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

20 “(C) *the Governor or the Mayor designates*
21 *such bond for purposes of this section, and*

22 “(D) *such bond is issued after the the date*
23 *of the enactment of this section and before Janu-*
24 *ary 1, 2005.*

25 “(3) *LIMITATIONS ON AMOUNT OF BONDS.—*

1 “(A) *AGGREGATE AMOUNT DESIGNATED.*—
2 *The maximum aggregate face amount of bonds*
3 *which may be designated under this subsection*
4 *shall not exceed \$8,000,000,000, of which not to*
5 *exceed \$4,000,000,000 may be designated by the*
6 *Governor and not to exceed \$4,000,000,000 may*
7 *be designated by the Mayor.*

8 “(B) *SPECIFIC LIMITATIONS.*—*The aggre-*
9 *gate face amount of bonds issued which are to be*
10 *used for—*

11 “(i) *costs for property located outside*
12 *the New York Liberty Zone shall not exceed*
13 *\$2,000,000,000,*

14 “(ii) *residential rental property shall*
15 *not exceed \$1,600,000,000, and*

16 “(iii) *costs with respect to property*
17 *used for retail sales of tangible property*
18 *and functionally related and subordinate*
19 *property shall not exceed \$800,000,000.*

20 *The limitations under clauses (i), (ii), and (iii)*
21 *shall be allocated proportionately between the*
22 *bonds designated by the Governor and the bonds*
23 *designated by the Mayor in proportion to the re-*
24 *spective amounts of bonds designated by each.*

1 “(C) *MOVABLE PROPERTY.*—No bonds shall
2 be issued which are to be used for movable fix-
3 tures and equipment.

4 “(4) *QUALIFIED PROJECT COSTS.*—For purposes
5 of this subsection—

6 “(A) *IN GENERAL.*—The term ‘qualified
7 project costs’ means the cost of acquisition, con-
8 struction, reconstruction, and renovation of—

9 “(i) nonresidential real property and
10 residential rental property (including fixed
11 tenant improvements associated with such
12 property) located in the New York Liberty
13 Zone, and

14 “(ii) public utility property (as de-
15 fined in section 168(i)(10)) located in the
16 New York Liberty Zone.

17 “(B) *COSTS FOR CERTAIN PROPERTY OUT-*
18 *SIDE ZONE INCLUDED.*—Such term includes the
19 cost of acquisition, construction, reconstruction,
20 and renovation of nonresidential real property
21 (including fixed tenant improvements associated
22 with such property) located outside the New York
23 Liberty Zone but within the City of New York,
24 New York, if such property is part of a project
25 which consists of at least 100,000 square feet of

1 usable office or other commercial space located in
2 a single building or multiple adjacent buildings.

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

6 “(A) Section 146 (relating to volume cap)
7 shall not apply.

8 “(B) Section 147(d) (relating to acquisition
9 of existing property not permitted) shall be ap-
10 plied by substituting ‘50 percent’ for ‘15 percent’
11 each place it appears.

12 “(C) Section 148(f)(4)(C) (relating to excep-
13 tion from rebate for certain proceeds to be used
14 to finance construction expenditures) shall apply
15 to the available construction proceeds of bonds
16 issued under this section.

17 “(D) Repayments of principal on financing
18 provided by the issue—

19 “(i) may not be used to provide financ-
20 ing, and

21 “(ii) must be used not later than the
22 close of the 1st semiannual period beginning
23 after the date of the repayment to redeem
24 bonds which are part of such issue.

1 *The requirement of clause (ii) shall be treated as*
2 *met with respect to amounts received within 10*
3 *years after the date of issuance of the issue (or,*
4 *in the case of a refunding bond, the date of*
5 *issuance of the original bond) if such amounts*
6 *are used by the close of such 10 years to redeem*
7 *bonds which are part of such issue.*

8 “(E) Section 57(a)(5) shall not apply.

9 “(6) SEPARATE ISSUE TREATMENT OF PORTIONS
10 OF AN ISSUE.—*This subsection shall not apply to the*
11 *portion of an issue which (if issued as a separate*
12 *issue) would be treated as a qualified bond or as a*
13 *bond that is not a private activity bond (determined*
14 *without regard to paragraph (1)), if the issuer elects*
15 *to so treat such portion.*

16 “(e) ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT
17 BONDS.—

18 “(1) IN GENERAL.—*With respect to a bond de-*
19 *scribed in paragraph (2) issued as part of an issue*
20 *90 percent (95 percent in the case of a bond described*
21 *in paragraph (2)(C)) or more of the net proceeds (as*
22 *defined in section 150(a)(3)) of which were used to fi-*
23 *nance facilities located within the City of New York,*
24 *New York (or property which is functionally related*
25 *and subordinate to facilities located within the City*

1 of New York for the furnishing of water), one addi-
2 tional advanced refunding after the date of the enact-
3 ment of this section and before January 1, 2005, shall
4 be allowed under the applicable rules of section 149(d)
5 if—

6 “(A) the Governor or the Mayor designates
7 the advance refunding bond for purposes of this
8 subsection, and

9 “(B) the requirements of paragraph (4) are
10 met.

11 “(2) BONDS DESCRIBED.—A bond is described in
12 this paragraph if such bond was outstanding on Sep-
13 tember 11, 2001, and is—

14 “(A) a State or local bond (as defined in
15 section 103(c)(1)) which is a general obligation
16 of the City of New York, New York,

17 “(B) a State or local bond (as so defined)
18 other than a private activity bond (as defined in
19 section 141(a)) issued by the New York Munic-
20 ipal Water Finance Authority or the Metropoli-
21 tan Transportation Authority of the State of
22 New York, or

23 “(C) a qualified 501(c)(3) bond (as defined
24 in section 145(a)) which is a qualified hospital
25 bond (as defined in section 145(c)) issued by or

1 *on behalf of the State of New York or the City*
2 *of New York, New York.*

3 “(3) *AGGREGATE LIMIT.*—*For purposes of para-*
4 *graph (1), the maximum aggregate face amount of*
5 *bonds which may be designated under this subsection*
6 *by the Governor shall not exceed \$4,500,000,000 and*
7 *the maximum aggregate face amount of bonds which*
8 *may be designated under this subsection by the Mayor*
9 *shall not exceed \$4,500,000,000.*

10 “(4) *ADDITIONAL REQUIREMENTS.*—*The require-*
11 *ments of this paragraph are met with respect to any*
12 *advance refunding of a bond described in paragraph*
13 *(2) if—*

14 “(A) *no advance refundings of such bond*
15 *would be allowed under any provision of law*
16 *after September 11, 2001,*

17 “(B) *the advance refunding bond is the only*
18 *other outstanding bond with respect to the re-*
19 *funded bond, and*

20 “(C) *the requirements of section 148 are met*
21 *with respect to all bonds issued under this sub-*
22 *section.*

23 “(f) *INCREASE IN EXPENSING UNDER SECTION 179.*—

24 “(1) *IN GENERAL.*—*For purposes of section*
25 *179—*

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

3 “(i) *\$35,000, or*

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

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

13 “(2) *QUALIFIED NEW YORK LIBERTY ZONE PROP-*
14 *ERTY.—For purposes of this subsection, the term*
15 *‘qualified New York Liberty Zone property’ has the*
16 *meaning given such term by subsection (b)(2).*

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

21 “(g) *EXTENSION OF REPLACEMENT PERIOD FOR NON-*
22 *RECOGNITION OF GAIN.—Notwithstanding subsections (g)*
23 *and (h) of section 1033, clause (i) of section 1033(a)(2)(B)*
24 *shall be applied by substituting ‘5 years’ for ‘2 years’ with*
25 *respect to property which is compulsorily or involuntarily*

1 converted as a result of the terrorist attacks on September
2 11, 2001, in the New York Liberty Zone but only if substan-
3 tially all of the use of the replacement property is in the
4 City of New York, New York.

5 “(h) *NEW YORK LIBERTY ZONE.*—For purposes of this
6 section, the term ‘New York Liberty Zone’ means the area
7 located on or south of Canal Street, East Broadway (east
8 of its intersection with Canal Street), or Grand Street (east
9 of its intersection with East Broadway) in the Borough of
10 Manhattan in the City of New York, New York.

11 “(i) *REFERENCES TO GOVERNOR AND MAYOR.*—For
12 purposes of this section, the terms ‘Governor’ and ‘Mayor’
13 mean the Governor of the State of New York and the Mayor
14 of the City of New York, New York, respectively.”

15 (b) *CREDIT ALLOWED AGAINST REGULAR AND MIN-*
16 *IMUM TAX.*—

17 (1) *IN GENERAL.*—Subsection (c) of section 38
18 (relating to limitation based on amount of tax) is
19 amended by redesignating paragraph (3) as para-
20 graph (4) and by inserting after paragraph (2) the
21 following new paragraph:

22 “(3) *SPECIAL RULES FOR NEW YORK LIBERTY*
23 *ZONE BUSINESS EMPLOYEE CREDIT.*—

24 “(A) *IN GENERAL.*—In the case of the New
25 York Liberty Zone business employee credit—

1 “(i) this section and section 39 shall be
2 applied separately with respect to such
3 credit, and

4 “(ii) in applying paragraph (1) to
5 such credit—

6 “(I) the tentative minimum tax
7 shall be treated as being zero, and

8 “(II) the limitation under para-
9 graph (1) (as modified by subclause
10 (I)) shall be reduced by the credit al-
11 lowed under subsection (a) for the tax-
12 able year (other than the New York
13 Liberty Zone business employee credit).

14 “(B) NEW YORK LIBERTY ZONE BUSINESS
15 EMPLOYEE CREDIT.—For purposes of this sub-
16 section, the term ‘New York Liberty Zone busi-
17 ness employee credit’ means the portion of work
18 opportunity credit under section 51 determined
19 under section 1400L(a).”.

20 (2) CONFORMING AMENDMENT.—Subclause (II)
21 of section 38(c)(2)(A)(ii) is amended by inserting “or
22 the New York Liberty Zone business employee credit”
23 after “employment credit”.

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

4 (c) *CLERICAL AMENDMENT.*—*The table of subchapters*
5 *for chapter 1 is amended by adding at the end the following*
6 *new item:*

 “*Subchapter Y—New York Liberty Zone Benefits.*”.

7 ***TITLE V—MISCELLANEOUS AND***
8 ***TECHNICAL PROVISIONS***
9 ***Subtitle A—General Miscellaneous***
10 ***Provisions***

11 ***SEC. 501. ALLOWANCE OF ELECTRONIC 1099'S.***

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

1 **SEC. 502. EXCLUDED CANCELLATION OF INDEBTEDNESS IN-**
2 **COME OF S CORPORATION NOT TO RESULT IN**
3 **ADJUSTMENT TO BASIS OF STOCK OF SHARE-**
4 **HOLDERS.**

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 11,
15 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 reor-
19 ganization filed with a bankruptcy court on or before
20 October 11, 2001.

21 **SEC. 503. LIMITATION ON USE OF NONACCRUAL EXPERI-**
22 **ENCE METHOD OF ACCOUNTING.**

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

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

1 “(A) *IN GENERAL.*—*In the case of any per-*
2 *son using an accrual method of accounting with*
3 *respect to amounts to be received for the perform-*
4 *ance of services by such person, such person shall*
5 *not be required to accrue any portion of such*
6 *amounts which (on the basis of such person’s ex-*
7 *perience) will not be collected if—*

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

10 “(ii) *such person meets the gross re-*
11 *ceipts test of subsection (c) for all prior tax-*
12 *able years.*

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

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

1 *ence. A request under the preceding sentence*
2 *shall be approved if such computation or for-*
3 *mula clearly reflects the taxpayer's experience.”.*

4 ***(b) EFFECTIVE DATE.—***

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

8 ***(2) CHANGE IN METHOD OF ACCOUNTING.—****In*
9 *the case of any taxpayer required by the amendments*
10 *made by this section to change its method of account-*
11 *ing for its first taxable year ending after the date of*
12 *the enactment of this Act—*

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

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

18 ***(C)*** *the net amount of the adjustments re-*
19 *quired to be taken into account by the taxpayer*
20 *under section 481 of the Internal Revenue Code*
21 *of 1986 shall be taken into account over a period*
22 *of 4 years (or if less, the number of taxable years*
23 *that the taxpayer used the method permitted*
24 *under section 448(d)(5) of such Code as in effect*

1 *before the date of the enactment of this Act) be-*
 2 *ginning with such first taxable year.*

3 **SEC. 504. EXCLUSION FOR FOSTER CARE PAYMENTS TO**
 4 **APPLY TO PAYMENTS BY QUALIFIED PLACE-**
 5 **MENT AGENCIES.**

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

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

13 “*(A) which is paid by—*

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

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

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

22 “*(B) a qualified foster care placement agen-*
 23 *cy.”.*

24 *(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY*
 25 *DEFINED.—Subsection (b) of section 131 is amended by re-*

1 *designating paragraph (3) as paragraph (4) and by insert-*
 2 *ing after paragraph (2) the following new paragraph:*

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

7 “(A) *a State or political subdivision thereof,*

8 *or*

9 “(B) *an entity designated by a State or po-*
 10 *litical subdivision thereof,*

11 *for the foster care program of such State or political*
 12 *subdivision to make foster care payments to providers*
 13 *of foster care.”.*

14 (d) *EFFECTIVE DATE.—The amendments made by this*
 15 *section shall apply to taxable years beginning after Decem-*
 16 *ber 31, 2001.*

17 **SEC. 505. INTEREST RATE RANGE FOR ADDITIONAL FUND-**
 18 **ING REQUIREMENTS.**

19 (a) *AMENDMENTS TO THE INTERNAL REVENUE CODE*
 20 *OF 1986.—*

21 (1) *SPECIAL RULE.—Clause (i) of section*
 22 *412(l)(7)(C) (relating to interest rate) is amended by*
 23 *adding at the end the following new subclause:*

24 “(III) *SPECIAL RULE FOR 2002*
 25 *AND 2003.—For a plan year beginning*

1 *in 2002 or 2003, notwithstanding sub-*
2 *clause (I), in the case that the rate of*
3 *interest used under subsection (b)(5)*
4 *exceeds the highest rate permitted*
5 *under subclause (I), the rate of interest*
6 *used to determine current liability*
7 *under this subsection may exceed the*
8 *rate of interest otherwise permitted*
9 *under subclause (I); except that such*
10 *rate of interest shall not exceed 120*
11 *percent of the weighted average referred*
12 *to in subsection (b)(5)(B)(ii).”.*

13 (2) *QUARTERLY CONTRIBUTIONS.—Subsection*
14 *(m) of section 412 is amended by adding at the end*
15 *the following new paragraph:*

16 “(7) *SPECIAL RULES FOR 2002 AND 2004.—In*
17 *any case in which the interest rate used to determine*
18 *current liability is determined under subsection*
19 *(l)(7)(C)(i)(III)—*

20 “(A) *2002.—For purposes of applying*
21 *paragraphs (1) and (4)(B)(ii) for plan years be-*
22 *ginning in 2002, the current liability for the*
23 *preceding plan year shall be redetermined using*
24 *120 percent as the specified percentage deter-*
25 *mined under subsection (l)(7)(C)(i)(II).*

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

7 (b) AMENDMENTS TO THE EMPLOYEE RETIREMENT
8 INCOME SECURITY ACT OF 1974.—

9 (1) SPECIAL RULE.—Clause (i) of section
10 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is
11 amended by adding at the end the following new sub-
12 clause:

13 “(III) SPECIAL RULE FOR 2002
14 AND 2003.—For a plan year beginning
15 in 2002 or 2003, notwithstanding sub-
16 clause (I), in the case that the rate of
17 interest used under subsection (b)(5)
18 exceeds the highest rate permitted
19 under subclause (I), the rate of interest
20 used to determine current liability
21 under this subsection may exceed the
22 rate of interest otherwise permitted
23 under subclause (I); except that such
24 rate of interest shall not exceed 120

1 *percent of the weighted average referred*
2 *to in subsection (b)(5)(B)(ii).”.*

3 (2) *QUARTERLY CONTRIBUTIONS.*—*Subsection (e)*
4 *of section 302 of such Act (29 U.S.C. 1082) is amend-*
5 *ed by adding at the end the following new paragraph:*

6 “(7) *SPECIAL RULES FOR 2002 AND 2004.*—*In*
7 *any case in which the interest rate used to determine*
8 *current liability is determined under subsection*
9 *(d)(7)(C)(i)(III)—*

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

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

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

1 “(IV) In the case of plan years beginning after Decem-
2 ber 31, 2001, and before January 1, 2004, subclause (II)
3 shall be applied by substituting ‘100 percent’ for ‘85 per-
4 cent’. Subclause (III) shall be applied for such years with-
5 out regard to the preceding sentence. Any reference to this
6 clause by any other sections or subsections shall be treated
7 as a reference to this clause without regard to this sub-
8 clause.”.

9 **SEC. 506. ADJUSTED GROSS INCOME DETERMINED BY TAK-**
10 **ING INTO ACCOUNT CERTAIN EXPENSES OF**
11 **ELEMENTARY AND SECONDARY SCHOOL**
12 **TEACHERS.**

13 (a) *IN GENERAL.*—Section 62(a)(2) (relating to cer-
14 tain trade and business deductions of employees) is amend-
15 ed by adding at the end the following:

16 “(D) *CERTAIN EXPENSES OF ELEMENTARY*
17 *AND SECONDARY SCHOOL TEACHERS.*—*In the*
18 *case of taxable years beginning during 2002 or*
19 *2003, the deductions allowed by section 162*
20 *which consist of expenses, not in excess of \$250,*
21 *paid or incurred by an eligible educator in con-*
22 *nection with books, supplies (other than nonath-*
23 *letic supplies for courses of instruction in health*
24 *or physical education), computer equipment (in-*
25 *cluding related software and services) and other*

1 *equipment, and supplementary materials used*
2 *by the eligible educator in the classroom.”.*

3 **(b) ELIGIBLE EDUCATOR.**—*Section 62 is amended by*
4 *adding at the end the following:*

5 **“(d) DEFINITION; SPECIAL RULES.—**

6 **“(1) ELIGIBLE EDUCATOR.—**

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

14 **“(B) SCHOOL.**—*The term ‘school’ means*
15 *any school which provides elementary education*
16 *or secondary education (kindergarten through*
17 *grade 12), as determined under State law.*

18 **“(2) COORDINATION WITH EXCLUSIONS.**—*A de-*
19 *duction shall be allowed under subsection (a)(2)(D)*
20 *for expenses only to the extent the amount of such ex-*
21 *penses exceeds the amount excludable under section*
22 *135, 529(c)(1), or 530(d)(2) for the taxable year.”.*

23 **(c) EFFECTIVE DATE.**—*The amendments made by this*
24 *section shall apply to taxable years beginning after Decem-*
25 *ber 31, 2001.*

1 ***Subtitle B—Technical Corrections***

2 ***SEC. 511. AMENDMENTS RELATED TO ECONOMIC GROWTH***
3 ***AND TAX RELIEF RECONCILIATION ACT OF***
4 ***2001.***

5 *(a) AMENDMENTS RELATED TO SECTION 101 OF THE*
6 *ACT.—*

7 *(1) IN GENERAL.—Subsection (b) of section 6428*
8 *is amended to read as follows:*

9 *“(b) CREDIT TREATED AS NONREFUNDABLE PER-*
10 *SONAL CREDIT.—For purposes of this title, the credit al-*
11 *lowed under this section shall be treated as a credit allow-*
12 *able under subpart A of part IV of subchapter A of chapter*
13 *1.”.*

14 *(2) CONFORMING AMENDMENTS.—*

15 *(A) Subsection (d) of section 6428 is*
16 *amended to read as follows:*

17 *“(d) COORDINATION WITH ADVANCE REFUNDS OF*
18 *CREDIT.—*

19 *“(1) IN GENERAL.—The amount of credit which*
20 *would (but for this paragraph) be allowable under*
21 *this section shall be reduced (but not below zero) by*
22 *the aggregate refunds and credits made or allowed to*
23 *the taxpayer under subsection (e). Any failure to so*
24 *reduce the credit shall be treated as arising out of a*

1 *mathematical or clerical error and assessed according*
2 *to section 6213(b)(1).*

3 *“(2) JOINT RETURNS.—In the case of a refund or*
4 *credit made or allowed under subsection (e) with re-*
5 *spect to a joint return, half of such refund or credit*
6 *shall be treated as having been made or allowed to*
7 *each individual filing such return.”.*

8 *(B) Paragraph (2) of section 6428(e) is*
9 *amended to read as follows:*

10 *“(2) ADVANCE REFUND AMOUNT.—For purposes*
11 *of paragraph (1), the advance refund amount is the*
12 *amount that would have been allowed as a credit*
13 *under this section for such first taxable year if—*

14 *“(A) this section (other than subsections (b)*
15 *and (d) and this subsection) had applied to such*
16 *taxable year, and*

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

19 *“(i) the sum of the regular tax liability*
20 *(as defined in section 26(b)) plus the tax*
21 *imposed by section 55, over*

22 *“(ii) the sum of the credits allowable*
23 *under part IV of subchapter A of chapter 1*
24 *(other than the credits allowable under sub-*

1 *part C thereof, relating to refundable cred-*
2 *its).”.*

3 *(b) AMENDMENT RELATED TO SECTION 201 OF THE*
4 *ACT.—Subparagraph (B) of section 24(d)(1) is amended by*
5 *striking “amount of credit allowed by this section” and in-*
6 *serting “aggregate amount of credits allowed by this sub-*
7 *part”.*

8 *(c) AMENDMENTS RELATED TO SECTION 202 OF THE*
9 *ACT.—*

10 *(1) CORRECTIONS TO CREDIT FOR ADOPTION EX-*
11 *PENSES.—*

12 *(A) Paragraph (1) of section 23(a) is*
13 *amended to read as follows:*

14 *“(1) IN GENERAL.—In the case of an individual,*
15 *there shall be allowed as a credit against the tax im-*
16 *posed by this chapter the amount of the qualified*
17 *adoption expenses paid or incurred by the taxpayer.”.*

18 *(B) Subsection (a) of section 23 is amended*
19 *by adding at the end the following new para-*
20 *graph:*

21 *“(3) \$10,000 CREDIT FOR ADOPTION OF CHILD*
22 *WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—*
23 *In the case of an adoption of a child with special*
24 *needs which becomes final during a taxable year, the*
25 *taxpayer shall be treated as having paid during such*

1 *year qualified adoption expenses with respect to such*
2 *adoption in an amount equal to the excess (if any)*
3 *of \$10,000 over the aggregate qualified adoption ex-*
4 *penditures actually paid or incurred by the taxpayer with*
5 *respect to such adoption during such taxable year and*
6 *all prior taxable years.”.*

7 *(C) Paragraph (2) of section 23(a) is*
8 *amended by striking the last sentence.*

9 *(D) Paragraph (1) of section 23(b) is*
10 *amended by striking “subsection (a)(1)(A)” and*
11 *inserting “subsection (a)”.*

12 *(E) Subsection (i) of section 23 is amended*
13 *by striking “the dollar limitation in subsection*
14 *(b)(1)” and inserting “the dollar amounts in*
15 *subsections (a)(3) and (b)(1)”.*

16 *(F) Expenses paid or incurred during any*
17 *taxable year beginning before January 1, 2002,*
18 *may be taken into account in determining the*
19 *credit under section 23 of the Internal Revenue*
20 *Code of 1986 only to the extent the aggregate of*
21 *such expenses does not exceed the applicable limi-*
22 *tation under section 23(b)(1) of such Code as in*
23 *effect on the day before the date of the enactment*
24 *of the Economic Growth and Tax Relief Rec-*
25 *onciliation Act of 2001.*

1 (2) *CORRECTIONS TO EXCLUSION FOR EM-*
2 *PLOYER-PROVIDED ADOPTION ASSISTANCE.—*

3 (A) *Subsection (a) of section 137 is amend-*
4 *ed to read as follows:*

5 “(a) *EXCLUSION.—*

6 “(1) *IN GENERAL.—Gross income of an employee*
7 *does not include amounts paid or expenses incurred*
8 *by the employer for qualified adoption expenses in*
9 *connection with the adoption of a child by an em-*
10 *ployee if such amounts are furnished pursuant to an*
11 *adoption assistance program.*

12 “(2) *\$10,000 EXCLUSION FOR ADOPTION OF CHILD*
13 *WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—*

14 *In the case of an adoption of a child with special*
15 *needs which becomes final during a taxable year, the*
16 *qualified adoption expenses with respect to such adop-*
17 *tion for such year shall be increased by an amount*
18 *equal to the excess (if any) of \$10,000 over the actual*
19 *aggregate qualified adoption expenses with respect to*
20 *such adoption during such taxable year and all prior*
21 *taxable years.”.*

22 (B) *Paragraph (2) of section 137(b) is*
23 *amended by striking “subsection (a)(1)” and in-*
24 *serting “subsection (a)”.*

1 (3) *EFFECTIVE DATE.*—*The amendments made*
2 *by this subsection shall apply to taxable years begin-*
3 *ning after December 31, 2002; except that the amend-*
4 *ments made by paragraphs (1)(C), (1)(D), and (2)(B)*
5 *shall apply to taxable years beginning after December*
6 *31, 2001.*

7 (d) *AMENDMENTS RELATED TO SECTION 205 OF THE*
8 *ACT.*—

9 (1) *Section 45F(d)(4)(B) is amended by striking*
10 *“subpart A, B, or D of this part” and inserting “this*
11 *chapter or for purposes of section 55”.*

12 (2) *Section 38(b)(15) is amended by striking*
13 *“45F” and inserting “45F(a)”.*

14 (e) *AMENDMENTS RELATED TO SECTION 301 OF THE*
15 *ACT.*—

16 (1) *Section 63(c)(2) is amended—*

17 (A) *in subparagraph (A), by striking “sub-*
18 *paragraph (C)” and inserting “subparagraph*
19 *(D)”;*

20 (B) *by striking “or” at the end of subpara-*
21 *graph (B),*

22 (C) *by redesignating subparagraph (C) as*
23 *subparagraph (D),*

24 (D) *by inserting after subparagraph (B) the*
25 *following new subparagraph:*

1 “(C) one-half of the amount allowable under
2 subparagraph (A) in the case of a married indi-
3 vidual filing a separate return, or”, and

4 (E) by inserting the following flush sentence
5 at the end:

6 “If any amount determined under subparagraph
7 (A) is not a multiple of \$50, such amount shall
8 be rounded to the next lowest multiple of \$50.”.

9 (2)(A) Section 63(c)(4) is amended by striking
10 “paragraph (2) or (5)” and inserting “paragraph
11 (2)(B), (2)(D), or (5)”.

12 (B) Section 63(c)(4)(B)(i) is amended by strik-
13 ing “paragraph (2)” and inserting “paragraph
14 (2)(B), (2)(D),”.

15 (C) Section 63(c)(4) is amended by striking the
16 flush sentence at the end (as added by section
17 301(c)(2) of Public Law 107–17).

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

23 (g) AMENDMENTS RELATED TO SECTION 511 OF THE
24 ACT.—

1 (1) *Section 2511(c) is amended by striking “tax-*
2 *able gift under section 2503,” and inserting “transfer*
3 *of property by gift,”.*

4 (2) *Section 2101(b) is amended by striking the*
5 *last sentence.*

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

10 (i) *AMENDMENTS RELATING TO SECTION 602 OF THE*
11 *ACT.—*

12 (1) *Subparagraph (A) of section 408(q)(3) is*
13 *amended to read as follows:*

14 “(A) *QUALIFIED EMPLOYER PLAN.—The*
15 *term ‘qualified employer plan’ has the meaning*
16 *given such term by section 72(p)(4)(A)(i); except*
17 *that such term shall also include an eligible de-*
18 *ferred compensation plan (as defined in section*
19 *457(b)) of an eligible employer described in sec-*
20 *tion 457(e)(1)(A).”.*

21 (2) *Section 4(c) of Employee Retirement Income*
22 *Security Act of 1974 is amended—*

23 (A) *by inserting “and part 5 (relating to*
24 *administration and enforcement)” before the pe-*
25 *riod at the end, and*

1 (B) by adding at the end the following new
2 sentence: “Such provisions shall apply to such
3 accounts and annuities in a manner similar to
4 their application to a simplified employee pen-
5 sion under section 408(k) of the Internal Rev-
6 enue Code of 1986.”.

7 (j) AMENDMENTS RELATING TO SECTION 611 OF THE
8 ACT.—

9 (1) Section 408(k) is amended—

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

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

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

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

17 (B) by striking “\$100,000” and inserting
18 “\$160,000”.

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

22 “(3) SPECIAL RULE.—In the case of plan that,
23 on June 7, 2001, incorporated by reference the limita-
24 tion of section 415(b)(1)(A) of the Internal Revenue
25 Code of 1986, section 411(d)(6) of such Code and sec-

1 *tion 204(g)(1) of the Employee Retirement Income*
2 *Security Act of 1974 do not apply to a plan amend-*
3 *ment that—*

4 *“(A) is adopted on or before June 30, 2002,*

5 *“(B) reduces benefits to the level that would*
6 *have applied without regard to the amendments*
7 *made by subsection (a) of this section, and*

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

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

12 *(1) Section 416(c)(1)(C)(iii) is amended by*
13 *striking “EXCEPTION FOR FROZEN PLAN” and insert-*
14 *ing “EXCEPTION FOR PLAN UNDER WHICH NO KEY*
15 *EMPLOYEE (OR FORMER KEY EMPLOYEE) BENEFITS*
16 *FOR PLAN YEAR”.*

17 *(2) Section 416(g)(3)(B) is amended by striking*
18 *“separation from service” and inserting “severance*
19 *from employment”.*

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

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

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

4 (3) Section 402(h)(2)(A) is amended by striking
5 “15 percent” and inserting “25 percent”.

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

8 “(C) PARAGRAPH NOT TO APPLY IN CER-
9 TAIN CASES.—

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

16 “(ii) ELECTIVE DEFERRALS.—If, in
17 connection with 1 or more defined contribu-
18 tion plans and 1 or more defined benefit
19 plans, no amounts (other than elective de-
20 ferrals (as defined in section 402(g)(3))) are
21 contributed to any of the defined contribu-
22 tion plans for the taxable year, then sub-
23 paragraph (A) shall not apply with respect
24 to any of such defined contribution plans
25 and defined benefit plans.”.

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

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

14 (n) *AMENDMENTS RELATING TO SECTION 619 OF THE*
15 *ACT.—*

16 (1) *Section 45E(e)(1) is amended by striking*
17 *“(n)” and inserting “(m)”.*

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

21 (o) *AMENDMENTS RELATING TO SECTION 631 OF THE*
22 *ACT.—*

23 (1) *Section 402(g)(1) is amended by adding at*
24 *the end the following:*

1 “(C) *CATCH-UP CONTRIBUTIONS.*—*In addi-*
2 *tion to subparagraph (A), in the case of an eligi-*
3 *ble participant (as defined in section 414(v)),*
4 *gross income shall not include elective deferrals*
5 *in excess of the applicable dollar amount under*
6 *subparagraph (B) to the extent that the amount*
7 *of such elective deferrals does not exceed the ap-*
8 *licable dollar amount under section*
9 *414(v)(2)(B)(i) for the taxable year (without re-*
10 *gard to the treatment of the elective deferrals by*
11 *an applicable employer plan under section*
12 *414(v)).”.*

13 (2) *Section 401(a)(30) is amended by striking*
14 *“402(g)(1)” and inserting “402(g)(1)(A)”.*

15 (3) *Section 414(v)(2) is amended by adding at*
16 *the end the following:*

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

1 (4) Section 414(v)(3)(A)(i) is amended by strik-
2 ing “section 402(g), 402(h), 403(b), 404(a), 404(h),
3 408(k), 408(p), 415, or 457” and inserting “section
4 401(a)(30), 402(h), 403(b), 408, 415(c), and 457(b)(2)
5 (determined without regard to section 457(b)(3))”.

6 (5) Section 414(v)(3)(B) is amended by striking
7 “section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11),
8 401(k)(12), 403(b)(12), 408(k), 408(p), 408B, 410(b),
9 or 416” and inserting “section 401(a)(4), 401(k)(3),
10 401(k)(11), 403(b)(12), 408(k), 410(b), or 416”.

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

18 (7) Section 414(v)(5) is amended—

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

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

24 “(A) who would attain age 50 by the end of
25 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 PLANS.*—
7 This subsection shall not apply to a participant
8 for any year for which a higher limitation ap-
9 plies 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 CONTRIBU-*
14 *TIONS FOR INDIVIDUALS AGE 50 OR OLDER.*— In the
15 case of an individual who is an eligible participant
16 (as defined by section 414(v)) and who is a partici-
17 pant in an eligible deferred compensation plan of an
18 employer described in paragraph (1)(A), subsections
19 (b)(3) and (c) shall be applied by substituting for the
20 amount otherwise determined under the applicable
21 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 “(i) 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 THE
8 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 insert-
12 ing 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 taxable
16 year to the extent that the aggregate of such contribu-
17 tions and additions (when expressed as an annual ad-
18 dition (within the meaning of section 415(c)(2))) does
19 not exceed the applicable limit under section 415. The
20 amount actually distributed to any distributee under
21 such contract shall be taxable to the distributee (in the
22 year in which so distributed) under section 72 (relat-
23 ing to annuities). For purposes of applying the rules
24 of this subsection to contributions and other additions
25 by an employer for a taxable year, amounts trans-

1 ferred to a contract described in this paragraph by
2 reason of a rollover contribution described in para-
3 graph (8) of this subsection or section
4 408(d)(3)(A)(ii) shall not be considered contributed
5 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 fol-
10 lowing before the period at the end: “, and which
11 precedes the taxable year by no more than five
12 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 LIMITA-*
22 *TION.*—

23 “(i) *IN GENERAL.*—Notwithstanding
24 any other provision of this subsection, at the
25 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 as*
8 *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 *annual 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 sub-*
16 *paragraph 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 or
3 association of churches, including an orga-
4 nization 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 annu-
8 ity contracts by each such church (or con-
9 vention or association of churches) or such
10 organization during such years for such
11 minister or lay person shall be considered to
12 have been contributed by 1 employer.

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

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

4 “(E) *CHURCH, CONVENTION OR ASSOCIA-*
5 *TION OF CHURCHES.*—*For purposes of this para-*
6 *graph, the terms ‘church’ and ‘convention or as-*
7 *sociation of churches’ have the same meaning as*
8 *when used in section 414(e).”.*”

9 (5) *Section 457(e)(5) is amended to read as fol-*
10 *lows:*

11 “(5) *INCLUDIBLE COMPENSATION.*—*The term ‘in-*
12 *cludible compensation’ has the meaning given to the*
13 *term ‘participant’s compensation’ by section*
14 *415(c)(3).”.*”

15 (6) *Section 402(g)(7)(B) is amended by striking*
16 *“2001.” and inserting “2001).”.*”

17 (q) *AMENDMENTS RELATING TO SECTION 643 OF THE*
18 *ACT.*—

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

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

1 *“In the case of a transfer described in subparagraph*
2 *(A) or (B), the amount transferred shall be treated as*
3 *consisting first of the portion of such distribution that*
4 *is includible in gross income (determined without re-*
5 *gard to paragraph (1)).”.*

6 *(r) AMENDMENTS RELATING TO SECTION 648 OF THE*
7 *ACT.—*

8 *(1) Section 417(e) is amended—*

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

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

19 *(2) Section 205(g) of the Employee Retirement*
20 *Income Security Act of 1974 is amended—*

21 *(A) in paragraph (1) by striking “exceed*
22 *the dollar limit under section 203(e)(1)” and in-*
23 *serting “exceed the amount that can be distrib-*
24 *uted without the participant’s consent under sec-*
25 *tion 203(e)”, and*

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

6 (s) AMENDMENT RELATING TO SECTION 652 OF THE
7 ACT.—Section 404(a)(1)(D)(iv) is amended by striking
8 “PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOY-
9 ERS” and inserting “SPECIAL RULE FOR TERMINATING
10 PLANS”.

11 (t) AMENDMENTS RELATING TO SECTION 657 OF THE
12 ACT.—Section 404(c)(3) of the Employee Retirement In-
13 come Security Act of 1974 is amended—

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

16 (2) by striking “if the transfer” and inserting “a
17 transfer that”.

18 (u) AMENDMENTS RELATING TO SECTION 659 OF THE
19 ACT.—

20 (1) Section 4980F is amended—

21 (A) in subsection (e)(1) by striking “written
22 notice” and inserting “the notice described in
23 paragraph (2)”,

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

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

4 (C) in subsection (f)(3) by striking “signifi-
5 cantly” both places it appears.

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

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

12 (v) AMENDMENTS RELATING TO SECTION 661 OF THE
13 ACT.—

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

15 (A) in clause (i) by striking “125 percent”
16 and inserting “100 percent”, and

17 (B) by adding at the end the following new
18 clause:

19 “(iv) LIMITATION.—A change in fund-
20 ing method to use a prior year valuation,
21 as provided in clause (i), may not be made
22 unless as of the valuation date within the
23 prior plan year, the value of the assets of
24 the plan are not less than 125 percent of the

1 *plan's current liability (as defined in para-*
2 *graph (7)(B)).”.*

3 (2) *Section 302(c)(9)(B) of the Employee Retire-*
4 *ment Income Security Act of 1974 is amended—*

5 (A) *in clause (ii) by striking “125 percent”*
6 *and inserting “100 percent”, and*

7 (B) *by adding at the end the following new*
8 *clause:*

9 “(iv) *A change in funding method to use a prior year*
10 *valuation, as provided in clause (ii), may not be made un-*
11 *less as of the valuation date within the prior plan year,*
12 *the value of the assets of the plan are not less than 125*
13 *percent of the plan's current liability (as defined in para-*
14 *graph (7)(B)).”.*

15 (w) *AMENDMENTS RELATING TO SECTION 662 OF THE*
16 *ACT.—*

17 (1) *Section 404(k) is amended—*

18 (A) *in paragraph (1) by striking “during*
19 *the taxable year”,*

20 (B) *in paragraph (2)(B) by striking*
21 *“(A)(iii)” and inserting “(A)(iv)”,*

22 (C) *in paragraph (4)(B) by striking “(iii)”*
23 *and inserting “(iv)”, and*

24 (D) *by redesignating subparagraph (B) of*
25 *paragraph (4) (as amended by subparagraph*

1 (C)) as subparagraph (C) of paragraph (4) and
2 by inserting after subparagraph (A) the fol-
3 lowing new subparagraph:

4 “(B) *REINVESTMENT DIVIDENDS.*—For pur-
5 poses of subparagraph (A), an applicable divi-
6 dend reinvested pursuant to clause (iii)(II) of
7 paragraph (2)(A) shall be treated as paid in the
8 taxable year of the corporation in which such
9 dividend is reinvested in qualifying employer se-
10 curities or in which the election under clause
11 (iii) of paragraph (2)(A) is made, whichever is
12 later.”.

13 (2) Section 404(k) is amended by adding at the
14 end the following new paragraph:

15 “(7) *FULL VESTING.*—In accordance with section
16 411, an applicable dividend described in clause
17 (iii)(II) of paragraph (2)(A) shall be subject to the re-
18 quirements of section 411(a)(1).”.

19 (x) *EFFECTIVE DATE.*—Except as provided in sub-
20 section (c), the amendments made by this section shall take
21 effect as if included in the provisions of the Economic
22 Growth and Tax Relief Reconciliation Act of 2001 to which
23 they relate.

1 **SEC. 512. 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 clauses*
5 *(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 cred-*
12 *it to which subparagraph (B) applies, and”.*

13 (b) *AMENDMENT RELATED TO SECTION 306 OF THE*
14 *ACT.—Section 151(c)(6)(C) is amended—*

15 (1) *by striking “FOR EARNED INCOME CREDIT.—*
16 *For purposes of section 32, an” and inserting “FOR*
17 *PRINCIPAL PLACE OF ABODE REQUIREMENTS.—An”,*
18 *and*

19 (2) *by striking “requirement of section*
20 *32(c)(3)(A)(ii)” and inserting “principal place of*
21 *abode requirements of section 2(a)(1)(B), section*
22 *2(b)(1)(A), and section 32(c)(3)(A)(ii)”.*

23 (c) *AMENDMENT RELATED TO SECTION 309 OF THE*
24 *ACT.—Subparagraph (A) of section 358(h)(1) is amended*
25 *to read as follows:*

1 “(A) which is assumed by another person as
2 part of the exchange, and”.

3 (d) *AMENDMENTS RELATED TO SECTION 401 OF THE*
4 *ACT.*—

5 (1)(A) *Section 1234A is amended by inserting*
6 *“or” after the comma at the end of paragraph (1), by*
7 *striking “or” at the end of paragraph (2), and by*
8 *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 SECU-*
19 *RITIES 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 futures*
6 *contract’ has the meaning provided by section 1234B(c).*”.

7 (3) Section 1233(e)(2) is amended by striking
8 “and” at the end of subparagraph (C), by striking the
9 period and inserting “; and” at the end of subpara-
10 graph (D), and by adding at the end the following:

11 “(E) entering into a securities futures con-
12 tract (as so defined) to sell shall be treated as en-
13 tering into a short sale, and the sale, exchange,
14 or termination of a securities futures contract to
15 sell shall be treated as the closing of a short
16 sale.”.

17 (e) *EFFECTIVE DATE.*—The amendments made by this
18 section shall take effect as if included in the provisions of
19 the Community Renewal Tax Relief Act of 2000 to which
20 they relate.

21 **SEC. 513. AMENDMENTS RELATED TO THE TAX RELIEF EX-**
22 **TENSION ACT OF 1999.**

23 (a) *AMENDMENTS RELATED TO SECTION 545 OF THE*
24 *ACT.*—Section 857(b)(7) is amended—

1 (1) in clause (i) of subparagraph (B), by strik-
2 ing “the amount of which” and inserting “to the ex-
3 tent the amount of the rents”, and

4 (2) in subparagraph (C), by striking “if the
5 amount” and inserting “to the extent the amount”.

6 (b) *EFFECTIVE DATE.*—The amendments made by this
7 section shall take effect as if included in section 545 of the
8 *Tax Relief Extension Act of 1999.*

9 **SEC. 514. AMENDMENTS RELATED TO THE TAXPAYER RE-**
10 **LIEF ACT OF 1997.**

11 (a) *AMENDMENTS RELATED TO SECTION 311 OF THE*
12 *ACT.*—Section 311(e) of the *Taxpayer Relief Act of 1997*
13 *(Public Law 105–34; 111 Stat. 836)* is amended—

14 (1) in paragraph (2)(A), by striking “recog-
15 nized” and inserting “included in gross income”, and

16 (2) by adding at the end the following new para-
17 graph:

18 “(5) *DISPOSITION OF INTEREST IN PASSIVE AC-*
19 *TIVITY.*—Section 469(g)(1)(A) of the *Internal Revenue*
20 *Code of 1986* shall not apply by reason of an election
21 made under paragraph (1).”.

22 (b) *EFFECTIVE DATE.*—The amendments made by this
23 section shall take effect as if included in section 311 of the
24 *Taxpayer Relief Act of 1997.*

1 **SEC. 515. AMENDMENT RELATED TO THE BALANCED BUDG-**
2 **ET ACT OF 1997.**

3 (a) *AMENDMENT RELATED TO SECTION 4006 OF THE*
4 *ACT.*—Section 26(b)(2) is amended by striking “and” at
5 the end of subparagraph (P), by striking the period and
6 inserting “, and” at the end of subparagraph (Q), and by
7 adding at the end the following new subparagraph:

8 “(R) section 138(c)(2) (relating to penalty
9 for distributions from Medicare+Choice MSA
10 not used for qualified medical expenses if min-
11 imum balance not maintained).”.

12 (b) *EFFECTIVE DATE.*—The amendment made by this
13 section shall take effect as if included in section 4006 of
14 the Balanced Budget Act of 1997.

15 **SEC. 516. OTHER TECHNICAL CORRECTIONS.**

16 (a) *COORDINATION OF ADVANCED PAYMENTS OF*
17 *EARNED INCOME CREDIT.*—

18 (1) Section 32(g)(2) is amended by striking
19 “subpart” and inserting “part”.

20 (2) The amendment made by this subsection
21 shall take effect as if included in section 474 of the
22 Tax Reform Act of 1984.

23 (b) *DISCLOSURE BY SOCIAL SECURITY ADMINISTRA-*
24 *TION TO FEDERAL CHILD SUPPORT AGENCIES.*—

25 (1) Section 6103(l)(8) is amended—

1 (A) *in the heading, by striking “STATE AND*
2 *LOCAL” and inserting “FEDERAL, STATE, AND*
3 *LOCAL”, and*

4 (B) *in subparagraph (A), by inserting*
5 *“Federal or” before “State or local”.*

6 (2) *The amendments made by this subsection*
7 *shall take effect on the date of the enactment of this*
8 *Act.*

9 (c) *TREATMENT OF SETTLEMENTS UNDER PARTNER-*
10 *SHIP AUDIT RULES.—*

11 (1) *The following provisions are each amended*
12 *by inserting “or the Attorney General (or his dele-*
13 *gate)” after “Secretary” each place it appears:*

14 (A) *Paragraphs (1) and (2) of section*
15 *6224(c).*

16 (B) *Section 6229(f)(2).*

17 (C) *Section 6231(b)(1)(C).*

18 (D) *Section 6234(g)(4)(A).*

19 (2) *The amendments made by this subsection*
20 *shall apply with respect to settlement agreements en-*
21 *tered into after the date of the enactment of this Act.*

22 (d) *AMENDMENT RELATED TO PROCEDURE AND AD-*
23 *MINISTRATION.—*

1 (1) *Section 6331(k)(3) (relating to no levy while*
2 *certain offers pending or installment agreement pend-*
3 *ing or in effect) is amended to read as follows:*

4 “*(3) CERTAIN RULES TO APPLY.—Rules similar*
5 *to the rules of—*

6 “*(A) paragraphs (3) and (4) of subsection*
7 *(i), and*

8 “*(B) except in the case of paragraph (2)(C),*
9 *paragraph (5) of subsection (i),*
10 *shall apply for purposes of this subsection.”.*

11 (2) *The amendment made by this subsection*
12 *shall take effect on the date of the enactment of this*
13 *Act.*

14 *(e) MODIFIED ENDOWMENT CONTRACTS.—Paragraph*
15 *(2) of section 318(a) of the Community Renewal Tax Relief*
16 *Act of 2000 (114 Stat. 2763A–645) is repealed, and clause*
17 *(ii) of section 7702A(c)(3)(A) shall read and be applied as*
18 *if the amendment made by such paragraph had not been*
19 *enacted.*

20 **SEC. 517. CLERICAL AMENDMENTS.**

21 (1) *The subsection (g) of section 25B that relates*
22 *to termination is redesignated as subsection (h).*

23 (2) *Section 51A(c)(1) is amended by striking*
24 *“51(d)(10)” and inserting “51(d)(11)”.*

25 (3) *Section 172(b)(1)(F)(i) is amended—*

1 (A) by striking “3 years” and inserting “3
2 taxable years”, and

3 (B) by striking “2 years” and inserting “2
4 taxable years”.

5 (4) Section 351(h)(1) is amended by inserting a
6 comma after “liability”.

7 (5) Section 741 is amended by striking “which
8 have appreciated substantially in value”.

9 (6) Section 857(b)(7)(B)(i) is amended by strik-
10 ing “subsection 856(d)” and inserting “section
11 856(d)”.

12 (7) Section 1394(c)(2) is amended by striking
13 “subparagraph (A)” and inserting “paragraph (1)”.

14 (8)(A) Section 6227(d) is amended by striking
15 “subsection (b)” and inserting “subsection (c)”.

16 (B) Section 6228 is amended—

17 (i) in subsection (a)(1), by striking “sub-
18 section (b) of section 6227” and inserting “sub-
19 section (c) of section 6227”,

20 (ii) in subsection (a)(3)(A), by striking
21 “subsection (b) of”, and

22 (iii) in subsections (b)(1) and (b)(2)(A), by
23 striking “subsection (c) of section 6227” and in-
24 serting “subsection (d) of section 6227”.

1 (C) Section 6231(b)(2)(B)(i) is amended by
2 striking “section 6227(c)” and inserting “section
3 6227(d)”.

4 (9) Section 1221(b)(1)(B)(i) is amended by strik-
5 ing “1256(b))” and inserting “1256(b))”.

6 (10) Section 618(b)(2) of the Economic Growth
7 and Tax Relief Reconciliation Act of 2001 (Public
8 Law 107–16; 115 Stat. 108) is amended—

9 (A) in subparagraph (A) by striking
10 “203(d)” and inserting “202(f)”, and

11 (B) in subparagraphs (C), (D), and (E) by
12 striking “203” and inserting “202(f)”.

13 (11)(A) Section 525 of the Ticket to Work and
14 Work Incentives Improvement Act of 1999 (Public
15 Law 106–170; 113 Stat. 1928) is amended by striking
16 “7200” and inserting “7201”.

17 (B) Section 532(c)(2) of such Act (113 Stat.
18 1930) is amended—

19 (i) in subparagraph (D), by striking
20 “341(d)(3)” and inserting “341(d)”, and

21 (ii) in subparagraph (Q), by striking
22 “954(c)(1)(B)(iii) and inserting “954(c)(1)(B)”.

1 **SEC. 518. ADDITIONAL CORRECTIONS.**

2 (a) *AMENDMENTS RELATED TO SECTION 202 OF THE*
3 *ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION*
4 *ACT OF 2001.*—

5 (1) *Subsection (h) of section 23 is amended—*

6 (A) *by striking “subsection (a)(1)(B)” and*
7 *inserting “subsection (a)(3)”, and*

8 (B) *by adding at the end the following new*
9 *flush sentence:*

10 *“If any amount as increased under the preceding sentence*
11 *is not a multiple of \$10, such amount shall be rounded to*
12 *the nearest multiple of \$10.”.*

13 (2) *Subsection (f) of section 137 is amended by*
14 *adding at the end the following new flush sentence:*

15 *“If any amount as increased under the preceding sentence*
16 *is not a multiple of \$10, such amount shall be rounded to*
17 *the nearest multiple of \$10.”.*

18 (b) *AMENDMENTS RELATED TO SECTION 204 OF THE*
19 *ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION*
20 *ACT OF 2001.*—*Section 21(d)(2) is amended—*

21 (1) *in subparagraph (A) by striking “\$200” and*
22 *inserting “\$250”, and*

23 (2) *in subparagraph (B) by striking “\$400” and*
24 *inserting “\$500”.*

25 (c) *EFFECTIVE DATE.*—*The amendments made by this*
26 *section shall take effect as if included in the provisions of*

1 *the Economic Growth and Tax Relief Reconciliation Act*
 2 *of 2001 to which they relate.*

3 **TITLE VI—UNEMPLOYMENT**
 4 **ASSISTANCE**

5 **SEC. 601. SHORT TITLE.**

6 *This title may be cited as the “Temporary Extended*
 7 *Unemployment Compensation Act of 2002”.*

8 **SEC. 602. FEDERAL-STATE AGREEMENTS.**

9 *(a) IN GENERAL.—Any State which desires to do so*
 10 *may enter into and participate in an agreement under this*
 11 *title with the Secretary of Labor (in this title referred to*
 12 *as the “Secretary”). Any State which is a party to an*
 13 *agreement under this title may, upon providing 30 days’*
 14 *written notice to the Secretary, terminate such agreement.*

15 *(b) PROVISIONS OF AGREEMENT.—Any agreement*
 16 *under subsection (a) shall provide that the State agency of*
 17 *the State will make payments of temporary extended unem-*
 18 *ployment compensation to individuals who—*

19 *(1) have exhausted all rights to regular com-*
 20 *pen-sation under the State law or under Federal law*
 21 *with respect to a benefit year (excluding any benefit*
 22 *year that ended before March 15, 2001);*

23 *(2) have no rights to regular compensation or ex-*
 24 *tended compensation with respect to a week under*
 25 *such law or any other State unemployment compensa-*

1 *tion law or to compensation under any other Federal*
2 *law;*

3 (3) *are not receiving compensation with respect*
4 *to such week under the unemployment compensation*
5 *law of Canada; and*

6 (4) *filed an initial claim for regular compensa-*
7 *tion on or after March 15, 2001.*

8 (c) *EXHAUSTION OF BENEFITS.*—*For purposes of sub-*
9 *section (b)(1), an individual shall be deemed to have ex-*
10 *hausted such individual's rights to regular compensation*
11 *under a State law when—*

12 (1) *no payments of regular compensation can be*
13 *made under such law because such individual has re-*
14 *ceived all regular compensation available to such in-*
15 *dividual based on employment or wages during such*
16 *individual's base period; or*

17 (2) *such individual's rights to such compensation*
18 *have been terminated by reason of the expiration of*
19 *the benefit year with respect to which such rights ex-*
20 *isted.*

21 (d) *WEEKLY BENEFIT AMOUNT, ETC.*—*For purposes*
22 *of any agreement under this title—*

23 (1) *the amount of temporary extended unemploy-*
24 *ment compensation which shall be payable to any in-*
25 *dividual for any week of total unemployment shall be*

1 *equal to the amount of the regular compensation (in-*
2 *cluding dependents' allowances) payable to such indi-*
3 *vidual during such individual's benefit year under*
4 *the State law for a week of total unemployment;*

5 *(2) the terms and conditions of the State law*
6 *which apply to claims for regular compensation and*
7 *to the payment thereof shall apply to claims for tem-*
8 *porary extended unemployment compensation and the*
9 *payment thereof, except—*

10 *(A) that an individual shall not be eligible*
11 *for temporary extended unemployment com-*
12 *penetration under this title unless, in the base pe-*
13 *riod with respect to which the individual ex-*
14 *hausted all rights to regular compensation under*
15 *the State law, the individual had 20 weeks of*
16 *full-time insured employment or the equivalent*
17 *in insured wages, as determined under the provi-*
18 *sions of the State law implementing section*
19 *202(a)(5) of the Federal-State Extended Unem-*
20 *ployment Compensation Act of 1970 (26 U.S.C.*
21 *3304 note); and*

22 *(B) where otherwise inconsistent with the*
23 *provisions of this title or with the regulations or*
24 *operating instructions of the Secretary promul-*
25 *gated to carry out this title; and*

1 (3) *the maximum amount of temporary extended*
2 *unemployment compensation payable to any indi-*
3 *vidual for whom a temporary extended unemployment*
4 *compensation account is established under section 603*
5 *shall not exceed the amount established in such ac-*
6 *count for such individual.*

7 (e) *ELECTION BY STATES.*—*Notwithstanding any*
8 *other provision of Federal law (and if State law permits),*
9 *the Governor of a State that is in an extended benefit period*
10 *may provide for the payment of temporary extended unem-*
11 *ployment compensation in lieu of extended compensation*
12 *to individuals who otherwise meet the requirements of this*
13 *section. Such an election shall not require a State to trigger*
14 *off an extended benefit period.*

15 **SEC. 603. TEMPORARY EXTENDED UNEMPLOYMENT COM-**
16 **PENSATION ACCOUNT.**

17 (a) *IN GENERAL.*—*Any agreement under this title*
18 *shall provide that the State will establish, for each eligible*
19 *individual who files an application for temporary extended*
20 *unemployment compensation, a temporary extended unem-*
21 *ployment compensation account with respect to such indi-*
22 *vidual's benefit year.*

23 (b) *AMOUNT IN ACCOUNT.*—

1 (1) *IN GENERAL.*—*The amount established in an*
2 *account under subsection (a) shall be equal to the less-*
3 *er of—*

4 (A) *50 percent of the total amount of reg-*
5 *ular compensation (including dependents' allow-*
6 *ances) payable to the individual during the indi-*
7 *vidual's benefit year under such law, or*

8 (B) *13 times the individual's average week-*
9 *ly benefit amount for the benefit year.*

10 (2) *WEEKLY BENEFIT AMOUNT.*—*For purposes of*
11 *this subsection, an individual's weekly benefit amount*
12 *for any week is the amount of regular compensation*
13 *(including dependents' allowances) under the State*
14 *law payable to such individual for such week for total*
15 *unemployment.*

16 (c) *SPECIAL RULE.*—

17 (1) *IN GENERAL.*—*Notwithstanding any other*
18 *provision of this section, if, at the time that the indi-*
19 *vidual's account is exhausted, such individual's State*
20 *is in an extended benefit period (as determined under*
21 *paragraph (2)), then, such account shall be aug-*
22 *mented by an amount equal to the amount originally*
23 *established in such account (as determined under sub-*
24 *section (b)(1)).*

1 (2) *EXTENDED BENEFIT PERIOD.*—For purposes
 2 of paragraph (1), a State shall be considered to be in
 3 an extended benefit period if, at the time of exhaus-
 4 tion (as described in paragraph (1))—

5 (A) such a period is then in effect for such
 6 State under the Federal-State Extended Unem-
 7 ployment Compensation Act of 1970; or

8 (B) such a period would then be in effect for
 9 such State under such Act if section 203(d) of
 10 such Act were applied as if it had been amended
 11 by striking “5” each place it appears and insert-
 12 ing “4”.

13 **SEC. 604. PAYMENTS TO STATES HAVING AGREEMENTS FOR**
 14 **THE PAYMENT OF TEMPORARY EXTENDED**
 15 **UNEMPLOYMENT COMPENSATION.**

16 (a) *GENERAL RULE.*—There shall be paid to each
 17 State that has entered into an agreement under this title
 18 an amount equal to 100 percent of the temporary extended
 19 unemployment compensation paid to individuals by the
 20 State pursuant to such agreement.

21 (b) *TREATMENT OF REIMBURSABLE COMPENSA-*
 22 *TION.*—No payment shall be made to any State under this
 23 section in respect of any compensation to the extent the
 24 State is entitled to reimbursement in respect of such com-
 25 pensation under the provisions of any Federal law other

1 *than this title or chapter 85 of title 5, United States Code.*
2 *A State shall not be entitled to any reimbursement under*
3 *such chapter 85 in respect of any compensation to the extent*
4 *the State is entitled to reimbursement under this title in*
5 *respect of such compensation.*

6 (c) *DETERMINATION OF AMOUNT.*—*Sums payable to*
7 *any State by reason of such State having an agreement*
8 *under this title shall be payable, either in advance or by*
9 *way of reimbursement (as may be determined by the Sec-*
10 *retary), in such amounts as the Secretary estimates the*
11 *State will be entitled to receive under this title for each cal-*
12 *endar month, reduced or increased, as the case may be, by*
13 *any amount by which the Secretary finds that the Sec-*
14 *retary's estimates for any prior calendar month were great-*
15 *er or less than the amounts which should have been paid*
16 *to the State. Such estimates may be made on the basis of*
17 *such statistical, sampling, or other method as may be agreed*
18 *upon by the Secretary and the State agency of the State*
19 *involved.*

20 **SEC. 605. FINANCING PROVISIONS.**

21 (a) *IN GENERAL.*—*Funds in the extended unemploy-*
22 *ment compensation account (as established by section*
23 *905(a) of the Social Security Act (42 U.S.C. 1105(a)) of*
24 *the Unemployment Trust Fund (as established by section*
25 *904(a) of such Act (42 U.S.C. 1104(a)) shall be used for*

1 *the making of payments to States having agreements en-*
2 *tered into under this title.*

3 (b) *CERTIFICATION.*—*The Secretary shall from time to*
4 *time certify to the Secretary of the Treasury for payment*
5 *to each State the sums payable to such State under this*
6 *title. The Secretary of the Treasury, prior to audit or settle-*
7 *ment by the General Accounting Office, shall make pay-*
8 *ments to the State in accordance with such certification,*
9 *by transfers from the extended unemployment compensation*
10 *account (as so established) to the account of such State in*
11 *the Unemployment Trust Fund (as so established).*

12 (c) *ASSISTANCE TO STATES.*—*There are appropriated*
13 *out of the employment security administration account (as*
14 *established by section 901(a) of the Social Security Act (42*
15 *U.S.C. 1101(a)) of the Unemployment Trust Fund, without*
16 *fiscal year limitation, such funds as may be necessary for*
17 *purposes of assisting States (as provided in title III of the*
18 *Social Security Act (42 U.S.C. 501 et seq.)) in meeting the*
19 *costs of administration of agreements under this title.*

20 (d) *APPROPRIATIONS FOR CERTAIN PAYMENTS.*—
21 *There are appropriated from the general fund of the Treas-*
22 *ury, without fiscal year limitation, to the extended unem-*
23 *ployment compensation account (as so established) of the*
24 *Unemployment Trust Fund (as so established) such sums*

1 *as the Secretary estimates to be necessary to make the pay-*
2 *ments under this section in respect of—*

3 *(1) compensation payable under chapter 85 of*
4 *title 5, United States Code; and*

5 *(2) compensation payable on the basis of services*
6 *to which section 3309(a)(1) of the Internal Revenue*
7 *Code of 1986 applies.*

8 *Amounts appropriated pursuant to the preceding sentence*
9 *shall not be required to be repaid.*

10 **SEC. 606. FRAUD AND OVERPAYMENTS.**

11 *(a) IN GENERAL.—If an individual knowingly has*
12 *made, or caused to be made by another, a false statement*
13 *or representation of a material fact, or knowingly has*
14 *failed, or caused another to fail, to disclose a material fact,*
15 *and as a result of such false statement or representation*
16 *or of such nondisclosure such individual has received an*
17 *amount of temporary extended unemployment compensa-*
18 *tion under this title to which he was not entitled, such*
19 *individual—*

20 *(1) shall be ineligible for further temporary ex-*
21 *tended unemployment compensation under this title*
22 *in accordance with the provisions of the applicable*
23 *State unemployment compensation law relating to*
24 *fraud in connection with a claim for unemployment*
25 *compensation; and*

1 (2) shall be subject to prosecution under section
2 1001 of title 18, United States Code.

3 (b) *REPAYMENT.*—In the case of individuals who have
4 received amounts of temporary extended unemployment
5 compensation under this title to which they were not enti-
6 tled, the State shall require such individuals to repay the
7 amounts of such temporary extended unemployment com-
8 pensation to the State agency, except that the State agency
9 may waive such repayment if it determines that—

10 (1) the payment of such temporary extended un-
11 employment compensation was without fault on the
12 part of any such individual; and

13 (2) such repayment would be contrary to equity
14 and good conscience.

15 (c) *RECOVERY BY STATE AGENCY.*—

16 (1) *IN GENERAL.*—The State agency may recover
17 the amount to be repaid, or any part thereof, by de-
18 ductions from any temporary extended unemployment
19 compensation payable to such individual under this
20 title or from any unemployment compensation pay-
21 able to such individual under any Federal unemploy-
22 ment compensation law administered by the State
23 agency or under any other Federal law administered
24 by the State agency which provides for the payment
25 of any assistance or allowance with respect to any

1 *week of unemployment, during the 3-year period after*
2 *the date such individuals received the payment of the*
3 *temporary extended unemployment compensation to*
4 *which they were not entitled, except that no single de-*
5 *duction may exceed 50 percent of the weekly benefit*
6 *amount from which such deduction is made.*

7 (2) *OPPORTUNITY FOR HEARING.*—*No repayment*
8 *shall be required, and no deduction shall be made,*
9 *until a determination has been made, notice thereof*
10 *and an opportunity for a fair hearing has been given*
11 *to the individual, and the determination has become*
12 *final.*

13 (d) *REVIEW.*—*Any determination by a State agency*
14 *under this section shall be subject to review in the same*
15 *manner and to the same extent as determinations under*
16 *the State unemployment compensation law, and only in*
17 *that manner and to that extent.*

18 **SEC. 607. DEFINITIONS.**

19 *In this title, the terms “compensation”, “regular com-*
20 *pensation”, “extended compensation”, “additional com-*
21 *pensation”, “benefit year”, “base period”, “State”, “State*
22 *agency”, “State law”, and “week” have the respective mean-*
23 *ings given such terms under section 205 of the Federal-State*
24 *Extended Unemployment Compensation Act of 1970 (26*
25 *U.S.C. 3304 note).*

1 **SEC. 608. APPLICABILITY.**

2 *An agreement entered into under this title shall apply*
 3 *to weeks of unemployment—*

4 *(1) beginning after the date on which such agree-*
 5 *ment is entered into; and*

6 *(2) ending before January 1, 2003.*

7 **SEC. 609. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
 8 **2002.**

9 *(a) REPEAL OF CERTAIN PROVISIONS ADDED BY THE*
 10 *BALANCED BUDGET ACT OF 1997.—*

11 *(1) IN GENERAL.—The following provisions of*
 12 *section 903 of the Social Security Act (42 U.S.C.*
 13 *1103) are repealed:*

14 *(A) Paragraph (3) of subsection (a).*

15 *(B) The last sentence of subsection (c)(2).*

16 *(2) SAVINGS PROVISION.—Any amounts trans-*
 17 *ferred before the date of enactment of this Act under*
 18 *the provision repealed by paragraph (1)(A) shall re-*
 19 *main subject to section 903 of the Social Security Act,*
 20 *as last in effect before such date of enactment.*

21 *(b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—Sec-*
 22 *tion 903 of the Social Security Act is amended by adding*
 23 *at the end the following:*

24 *“Special Transfer in Fiscal Year 2002*

25 *“(d)(1) The Secretary of the Treasury shall transfer*
 26 *(as of the date determined under paragraph (5)) from the*

1 *Federal unemployment account to the account of each State*
2 *in the Unemployment Trust Fund the amount determined*
3 *with respect to such State under paragraph (2).*

4 “(2)(A) *The amount to be transferred under this sub-*
5 *section to a State account shall (as determined by the Sec-*
6 *retary of Labor and certified by such Secretary to the Sec-*
7 *retary of the Treasury) be equal to—*

8 “(i) *the amount which would have been required*
9 *to have been transferred under this section to such ac-*
10 *count at the beginning of fiscal year 2002 if—*

11 “(I) *section 609(a)(1) of the Temporary Ex-*
12 *tended Unemployment Compensation Act of 2002*
13 *had been enacted before the close of fiscal year*
14 *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 “(ii) *the amount which was in fact transferred*
20 *under this section to such account at the beginning of*
21 *fiscal year 2002.*

22 “(B) *Notwithstanding the provisions of subparagraph*
23 *(A)—*

1 “(i) the aggregate amount transferred to the
2 States under this subsection may not exceed a total
3 of \$8,000,000,000; and

4 “(ii) all amounts determined under subpara-
5 graph (A) shall be reduced ratably, if and to the ex-
6 tent necessary in order to comply with the limitation
7 under clause (i).

8 “(3)(A) Except as provided in paragraph (4), amounts
9 transferred to a State account pursuant to this subsection
10 may be used only in the payment of cash benefits—

11 “(i) to individuals with respect to their unem-
12 ployment, and

13 “(ii) which are allowable under subparagraph
14 (B) or (C).

15 “(B)(i) At the option of the State, cash benefits under
16 this paragraph may include amounts which shall be pay-
17 able as—

18 “(I) regular compensation, or

19 “(II) additional compensation, upon the exhaus-
20 tion of any temporary extended unemployment com-
21 pensation (if such State has entered into an agree-
22 ment under the Temporary Extended Unemployment
23 Compensation Act of 2002), for individuals eligible
24 for regular compensation under the unemployment
25 compensation law of such State.

1 “(ii) Any additional compensation under clause (i)
2 may not be taken into account for purposes of any deter-
3 mination relating to the amount of any extended compensa-
4 tion for which an individual might be eligible.

5 “(C)(i) At the option of the State, cash benefits under
6 this paragraph may include amounts which shall be pay-
7 able to 1 or more categories of individuals not otherwise
8 eligible for regular compensation under the unemployment
9 compensation law of such State, including those described
10 in clause (iii).

11 “(ii) The benefits paid under this subparagraph to any
12 individual may not, for any period of unemployment, ex-
13 ceed the maximum amount of regular compensation author-
14 ized under the unemployment compensation law of such
15 State for that same period, plus any additional compensa-
16 tion (described in subparagraph (B)(i)) which could have
17 been paid with respect to that amount.

18 “(iii) The categories of individuals described in this
19 clause include the following:

20 “(I) Individuals who are seeking, or available
21 for, only part-time (and not full-time) work.

22 “(II) Individuals who would be eligible for reg-
23 ular compensation under the unemployment com-
24 pensation law of such State under an alternative base
25 period.

1 “(D) Amounts transferred to a State account under
2 this subsection may be used in the payment of cash benefits
3 to individuals only for weeks of unemployment beginning
4 after the date of enactment of this subsection.

5 “(4) Amounts transferred to a State account under this
6 subsection may be used for the administration of its unem-
7 ployment compensation law and public employment offices
8 (including in connection with benefits described in para-
9 graph (3) and any recipients thereof), subject to the same
10 conditions as set forth in subsection (c)(2) (excluding sub-
11 paragraph (B) thereof, and deeming the reference to ‘sub-
12 sections (a) and (b)’ in subparagraph (D) thereof to include
13 this subsection).

14 “(5) Transfers under this subsection shall be made
15 within 10 days after the date of enactment of this para-
16 graph.”.

17 (c) *LIMITATIONS ON TRANSFERS.*—Section 903(b) of
18 the Social Security Act shall apply to transfers under sec-
19 tion 903(d) of such Act (as amended by this section). For
20 purposes of the preceding sentence, such section 903(b) shall
21 be deemed to be amended as follows:

22 (1) By substituting “the transfer date described
23 in subsection (d)(5)” for “October 1 of any fiscal
24 year”.

1 (2) *By substituting “remain in the Federal un-*
2 *employment account” for “be transferred to the Fed-*
3 *eral unemployment account as of the beginning of*
4 *such October 1”.*

5 (3) *By substituting “fiscal year 2002 (after the*
6 *transfer date described in subsection (d)(5))” for “the*
7 *fiscal year beginning on such October 1”.*

8 (4) *By substituting “under subsection (d)” for*
9 *“as of October 1 of such fiscal year”.*

10 (5) *By substituting “(as of the close of fiscal year*
11 *2002)” for “(as of the close of such fiscal year)”.*

12 (d) *TECHNICAL AMENDMENTS.—(1) Sections*
13 *3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code*
14 *of 1986 are amended by inserting “or 903(d)(4)” before “of*
15 *the Social Security Act”.*

16 (2) *Section 303(a)(5) of the Social Security Act is*
17 *amended in the second proviso by inserting “or 903(d)(4)”*
18 *after “903(c)(2)”.*

19 (e) *REGULATIONS.—The Secretary of Labor may pre-*
20 *scribe any operating instructions or regulations necessary*
21 *to carry out this section and the amendments made by this*
22 *section.*

1 **TITLE VII—DISPLACED WORKER**
 2 **HEALTH INSURANCE CREDIT**

3 **SEC. 701. DISPLACED WORKER HEALTH INSURANCE CRED-**

4 **IT.**

5 (a) *IN GENERAL.*—Subchapter B of chapter 65 is
 6 amended by inserting after section 6428 the following new
 7 section:

8 **“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE**
 9 **CREDIT.**

10 “(a) *IN GENERAL.*—In the case of an individual, there
 11 shall be allowed as a credit against the tax imposed by sub-
 12 title A an amount equal to 60 percent of the amount paid
 13 during the taxable year for coverage for the taxpayer, the
 14 taxpayer’s spouse, and dependents of the taxpayer under
 15 qualified health insurance during eligible coverage months.

16 “(b) *ONLY 12 ELIGIBLE COVERAGE MONTHS.*—The
 17 number of eligible coverage months taken into account
 18 under subsection (a) for all taxable years shall not exceed
 19 12.

20 “(c) *ELIGIBLE COVERAGE MONTH.*—For purposes of
 21 this section—

22 “(1) *IN GENERAL.*—The term ‘eligible coverage
 23 month’ means any month during 2002 or 2003 if, as
 24 of the first day of such month—

25 “(A) the taxpayer is unemployed,

1 “(B) the taxpayer is covered by qualified
2 health insurance,

3 “(C) the premium for coverage under such
4 insurance for such month is paid by the tax-
5 payer, and

6 “(D) the taxpayer does not have other speci-
7 fied coverage.

8 “(2) SPECIAL RULES.—

9 “(A) TREATMENT OF FIRST MONTH OF EM-
10 PLOYMENT.—The taxpayer shall be treated as
11 meeting the requirement of paragraph (1)(A) for
12 the first month beginning on or after the date
13 that the taxpayer ceases to be unemployed by
14 reason of beginning work for an employer.

15 “(B) INITIAL CLAIM MUST BE AFTER MARCH
16 15, 2001.—The taxpayer shall not be treated as
17 meeting the requirement of paragraph (1)(A)
18 with respect to any unemployment if the initial
19 claim for regular compensation for such unem-
20 ployment is filed on or before March 15, 2001.

21 “(C) JOINT RETURNS.—In the case of a
22 joint return, the requirements of paragraph (1)
23 shall be treated as met if at least 1 spouse satis-
24 fies such requirements.

1 “(3) *OTHER SPECIFIED COVERAGE.*—*For pur-*
2 *poses of this subsection, an individual has other speci-*
3 *fied coverage for any month if, as of the first day of*
4 *such month—*

5 “(A) *SUBSIDIZED COVERAGE.*—

6 “(i) *IN GENERAL.*—*Such individual is*
7 *covered under any qualified health insur-*
8 *ance under which at least 50 percent of the*
9 *cost of coverage (determined under section*
10 *4980B) is paid or incurred by an employer*
11 *(or former employer) of the taxpayer or the*
12 *taxpayer’s spouse.*

13 “(ii) *TREATMENT OF CAFETERIA*
14 *PLANS AND FLEXIBLE SPENDING AC-*
15 *COUNTS.*—*For purposes of clause (i), the*
16 *cost of benefits—*

17 “(I) *which are chosen under a caf-*
18 *eteria plan (as defined in section*
19 *125(d)), or provided under a flexible*
20 *spending or similar arrangement, of*
21 *such an employer, and*

22 “(II) *which are not includible in*
23 *gross income under section 106,*
24 *shall be treated as borne by such employer.*

1 “(B) *COVERAGE UNDER MEDICARE, MED-*
2 *ICAID, OR SCHIP.—Such individual—*

3 “(i) *is entitled to benefits under part A*
4 *of title XVIII of the Social Security Act or*
5 *is enrolled under part B of such title, or*

6 “(ii) *is enrolled in the program under*
7 *title XIX or XXI of such Act.*

8 “(C) *CERTAIN OTHER COVERAGE.—Such*
9 *individual—*

10 “(i) *is enrolled in a health benefits*
11 *plan under chapter 89 of title 5, United*
12 *States Code, or*

13 “(ii) *is entitled to receive benefits*
14 *under chapter 55 of title 10, United States*
15 *Code.*

16 “(4) *DETERMINATION OF UNEMPLOYMENT.—For*
17 *purposes of paragraph (1), an individual shall be*
18 *treated as unemployed during any period—*

19 “(A) *for which such individual is receiving*
20 *unemployment compensation (as defined in sec-*
21 *tion 85(b)), or*

22 “(B) *for which such individual is certified*
23 *by a State agency (or by any other entity des-*
24 *ignated by the Secretary) as otherwise being en-*

1 *titled to receive unemployment compensation (as*
2 *so defined) but for—*

3 *“(i) the termination of the period dur-*
4 *ing which such compensation was payable,*
5 *or*

6 *“(ii) an exhaustion of such individ-*
7 *ual’s rights to such compensation.*

8 *“(d) QUALIFIED HEALTH INSURANCE.—For purposes*
9 *of this section, the term ‘qualified health insurance’ means*
10 *insurance which constitutes medical care; except that such*
11 *term shall not include any insurance if substantially all*
12 *of its coverage is of excepted benefits described in section*
13 *9832(c).*

14 *“(e) COORDINATION WITH ADVANCE PAYMENTS OF*
15 *CREDIT.—*

16 *“(1) RECAPTURE OF EXCESS ADVANCE PAY-*
17 *MENTS.—If any payment is made by the Secretary*
18 *under section 7527 during any calendar year to a*
19 *provider of qualified health insurance for an indi-*
20 *vidual, then the tax imposed by this chapter for the*
21 *individual’s last taxable year beginning in such cal-*
22 *endar year shall be increased by the aggregate*
23 *amount of such payments.*

24 *“(2) RECONCILIATION OF PAYMENTS ADVANCED*
25 *AND CREDIT ALLOWED.—Any increase in tax under*

1 paragraph (1) shall not be treated as tax imposed by
2 this chapter for purposes of determining the amount
3 of any credit (other than the credit allowed by sub-
4 section (a)) allowable under part IV of subchapter A
5 of chapter 1.

6 “(f) SPECIAL RULES.—

7 “(1) COORDINATION WITH OTHER DEDUC-
8 TIONS.—Amounts taken into account under subsection
9 (a) shall not be taken into account in determining
10 any deduction allowed under section 162(l) or 213.

11 “(2) MSA DISTRIBUTIONS.—Amounts distributed
12 from an Archer MSA (as defined in section 220(d))
13 shall not be taken into account under subsection (a).

14 “(3) DENIAL OF CREDIT TO DEPENDENTS.—No
15 credit shall be allowed under this section to any indi-
16 vidual with respect to whom a deduction under sec-
17 tion 151 is allowable to another taxpayer for a tax-
18 able year beginning in the calendar year in which
19 such individual’s taxable year begins.

20 “(4) CREDIT TREATED AS REFUNDABLE CRED-
21 IT.—For purposes of this title, the credit allowed
22 under this section shall be treated as a credit allow-
23 able under subpart C of part IV of subchapter A of
24 chapter 1.

1 “(5) *REGULATIONS.*—*The Secretary may pre-*
2 *scribe such regulations and other guidance as may be*
3 *necessary or appropriate to carry out this section and*
4 *section 7527.”.*

5 ***(b) INCREASED ACCESS TO HEALTH INSURANCE FOR***
6 ***INDIVIDUALS ELIGIBLE FOR TAX CREDIT THROUGH USE***
7 ***OF GUARANTEED ISSUE, QUALIFIED HIGH RISK POOLS,***
8 ***AND OTHER APPROPRIATE STATE MECHANISMS.—***

9 ***(1) IN GENERAL.***—*Notwithstanding any other*
10 *provision of law, in applying section 2741 of the Pub-*
11 *lic Health Service Act (42 U.S.C. 300gg–41)) and*
12 *any alternative State mechanism under section 2744*
13 *of such Act (42 U.S.C.300gg–44)), in determining*
14 *who is an eligible individual (as defined in section*
15 *2741(b) of such Act) in the case of an individual who*
16 *may be covered by insurance for which credit is al-*
17 *lowable under section 6429 of the Internal Revenue*
18 *Code of 1986 for an eligible coverage month, if the in-*
19 *dividual seeks to obtain health insurance coverage*
20 *under such section during an eligible coverage month*
21 *under such section—*

22 ***(A) paragraph (1) of such section 2741(b)***
23 *shall be applied as if any reference to 18 months*
24 *is deemed a reference to 12 months, and*

1 (B) paragraphs (4) and (5) of such section
2 2741(b) shall not apply.

3 (2) *PROMOTION OF STATE HIGH RISK POOLS.*—
4 Title XXVII of the Public Health Service Act is
5 amended by inserting after section 2744 the following
6 new section:

7 “**SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.**

8 “(a) *SEED GRANTS TO STATES.*—The Secretary shall
9 provide from the funds appropriated under subsection (c)(1)
10 a grant of up to \$1,000,000 to each State that has not cre-
11 ated a qualified high risk pool as of the date of the enact-
12 ment of this section for the State’s costs of creation and
13 initial operation of such a pool.

14 “(b) *MATCHING FUNDS FOR OPERATION OF POOLS.*—

15 “(1) *IN GENERAL.*—In the case of a State that
16 has established a qualified high risk pool that restricts
17 premiums charged under the pool to no more than
18 150 percent of the premium for applicable standard
19 risk rates and that offers a choice of two or more cov-
20 erage options through the pool, from the funds appro-
21 priated under subsection (c)(2) and allotted to the
22 State under paragraph (2), the Secretary shall pro-
23 vide a grant of up to 50 percent of the losses incurred
24 by the State in connection with the operation of the
25 pool.

1 “(2) ALLOTMENT.—The amounts appropriated
2 under subsection (c)(2) for a fiscal year shall be made
3 available to the States in accordance with a formula
4 that is based upon the number of uninsured individ-
5 uals in the States.

6 “(3) CONSTRUCTION.—Nothing in this subsection
7 shall be construed as preventing a State from
8 supplementing the funds made available under this
9 subsection for the support and operation of qualified
10 high risk pools.

11 “(c) FUNDING.—Out of any money in the Treasury of
12 the United States not otherwise appropriated, there are
13 appropriated—

14 “(1) \$20,000,000 for fiscal year 2002 to carry
15 out subsection (a); and

16 “(2) \$40,000,000 for each of fiscal years 2002
17 and 2003.

18 Funds appropriated under this subsection for a fiscal year
19 shall remain available for obligation through the end of the
20 following fiscal year. Nothing in this section shall be con-
21 strued as providing a State with an entitlement to a grant
22 under this section.

23 “(d) QUALIFIED HIGH RISK POOL AND STATE DE-
24 FINED.—For purposes of this section, the term ‘qualified
25 high risk pool’ has the meaning given such term in section

1 2744(c)(2) and the term ‘State’ means any of the 50 States
2 and the District of Columbia.”

3 (3) CONSTRUCTION.—Nothing in this subsection
4 shall be construed as affecting the ability of a State
5 to use mechanisms, described in sections 2741(c) and
6 2744 of the Public Health Service Act, as an alter-
7 native to applying the guaranteed availability provi-
8 sions of section 2741(a) of such Act.

9 (c) INFORMATION REPORTING.—

10 (1) IN GENERAL.—Subpart B of part III of sub-
11 chapter A of chapter 61 (relating to information con-
12 cerning transactions with other persons) is amended
13 by inserting after section 6050S the following new
14 section:

15 **“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER**
16 **HEALTH INSURANCE CREDIT.**

17 “(a) REQUIREMENT OF REPORTING.—Every person—

18 “(1) who, in connection with a trade or business
19 conducted by such person, receives payments during
20 any calendar year from any individual for coverage
21 of such individual or any other individual under
22 qualified health insurance (as defined in section
23 6429(d)), and

24 “(2) who claims a reimbursement for an advance
25 credit amount,

1 shall, at such time as the Secretary may prescribe, make
2 the return described in subsection (b) with respect to each
3 individual from whom such payments were received or for
4 whom such a reimbursement is claimed.

5 “(b) *FORM AND MANNER OF RETURNS.*—A return is
6 described in this subsection if such return—

7 “(1) is in such form as the Secretary may pre-
8 scribe, and

9 “(2) contains—

10 “(A) the name, address, and TIN of each
11 individual referred to in subsection (a),

12 “(B) the aggregate of the advance credit
13 amounts provided to such individual and for
14 which reimbursement is claimed,

15 “(C) the number of months for which such
16 advance credit amounts are so provided, and

17 “(D) such other information as the Sec-
18 retary may prescribe.

19 “(c) *STATEMENTS TO BE FURNISHED TO INDIVIDUALS*
20 *WITH RESPECT TO WHOM INFORMATION IS REQUIRED.*—

21 Every person required to make a return under subsection
22 (a) shall furnish to each individual whose name is required
23 to be set forth in such return a written statement showing—

1 “(1) the name and address of the person required
2 to make such return and the phone number of the in-
3 formation contact for such person, and

4 “(2) the information required to be shown on the
5 return with respect to such individual.

6 The written statement required under the preceding sen-
7 tence shall be furnished on or before January 31 of the year
8 following the calendar year for which the return under sub-
9 section (a) is required to be made.

10 “(d) *ADVANCE CREDIT AMOUNT.*—For purposes of this
11 section, the term ‘advance credit amount’ means an amount
12 for which the person can claim a reimbursement pursuant
13 to a program established by the Secretary under section
14 7527.”.

15 (2) *ASSESSABLE PENALTIES.*—

16 (A) Subparagraph (B) of section 6724(d)(1)
17 (relating to definitions) is amended by redesign-
18 ating clauses (xi) through (xvii) as clauses (xii)
19 through (xviii), respectively, and by inserting
20 after clause (x) the following new clause:

21 “(xi) section 6050T (relating to returns
22 relating to displaced worker health insur-
23 ance credit),”.

24 (B) Paragraph (2) of section 6724(d) is
25 amended by striking “or” at the end of subpara-

1 graph (Z), by striking the period at the end of
2 subparagraph (AA) and inserting “, or”, and by
3 adding after subparagraph (AA) the following
4 new subparagraph:

5 “(BB) section 6050T (relating to returns re-
6 lating to displaced worker health insurance cred-
7 it).”.

8 (3) *CLERICAL AMENDMENT.*—The table of sec-
9 tions for subpart B of part III of subchapter A of
10 chapter 61 is amended by inserting after the item re-
11 lating to section 6050S the following new item:

 “Sec. 6050T. Returns relating to displaced worker health insurance
 credit.”.

12 (d) *CONFORMING AMENDMENTS.*—

13 (1) Paragraph (2) of section 1324(b) of title 31,
14 United States Code, is amended by inserting before
15 the period “, or from section 6429 of such Code”.

16 (2) The table of sections for subchapter B of
17 chapter 65 is amended by adding at the end the fol-
18 lowing new item:

 “Sec. 6429. Displaced worker health insurance credit.”.

19 (e) *EFFECTIVE DATE.*—The amendments made by this
20 section shall apply to taxable years beginning after Decem-
21 ber 31, 2001.

1 **SEC. 702. ADVANCE PAYMENT OF DISPLACED WORKER**
2 **HEALTH INSURANCE CREDIT.**

3 (a) *IN GENERAL.*—Chapter 77 (relating to miscella-
4 neous provisions) is amended by adding at the end the fol-
5 lowing new section:

6 **“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER**
7 **HEALTH INSURANCE CREDIT.**

8 “(a) *GENERAL RULE.*—The Secretary shall establish
9 a program for making payments on behalf of eligible indi-
10 viduals to providers of health insurance for such individ-
11 uals.

12 “(b) *ELIGIBLE INDIVIDUAL.*—For purposes of this sec-
13 tion, the term ‘eligible individual’ means any individual
14 for whom a qualified health insurance credit eligibility cer-
15 tificate is in effect.

16 “(c) *QUALIFIED HEALTH INSURANCE CREDIT ELIGI-*
17 *BILITY CERTIFICATE.*—For purposes of this section, a
18 qualified health insurance credit eligibility certificate is a
19 statement certified by a State agency (or by any other enti-
20 ty designated by the Secretary) which—

21 “(1) certifies that the individual was unem-
22 ployed (within the meaning of section 6429) as of the
23 first day of any month, and

24 “(2) provides such other information as the Sec-
25 retary may require for purposes of this section.”.

1 (b) *CLERICAL AMENDMENT.*—*The table of sections for*
 2 *chapter 77 is amended by adding at the end the following*
 3 *new item:*

“Sec. 7527. Advance payment of displaced worker health insurance credit.”.

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

7 **TITLE VIII—EMPLOYMENT AND**
 8 **TRAINING ASSISTANCE AND**
 9 **TEMPORARY HEALTH CARE**
 10 **COVERAGE ASSISTANCE**

11 **SEC. 801. EMPLOYMENT AND TRAINING ASSISTANCE AND**
 12 **TEMPORARY HEALTH CARE COVERAGE AS-**
 13 **SISTANCE.**

14 (a) *IN GENERAL.*—*Section 173(a) of the Workforce In-*
 15 *vestment Act of 1998 (29 U.S.C. 2918(a)) is amended—*

16 (1) *in paragraph (2), by striking “and” at the*
 17 *end;*

18 (2) *in paragraph (3), by striking the period at*
 19 *the end and inserting “; and”; and*

20 (3) *by adding at the end the following:*

21 *“(4) to the Governor of any State or outlying*
 22 *area who applies for assistance under subsection (f)*
 23 *to provide employment and training assistance and*
 24 *temporary health care coverage assistance to workers*

1 *affected by major economic dislocations, such as plant*
2 *closures, mass layoffs, or multiple layoffs, including*
3 *those dislocations caused by the terrorist attacks of*
4 *September 11, 2001.”.*

5 **(b) REQUIREMENTS.**—*Section 173 of the Workforce In-*
6 *vestment Act of 1998 (29 U.S.C. 2918) is amended by add-*
7 *ing at the end the following:*

8 **“(f) ADDITIONAL RELIEF FOR MAJOR ECONOMIC DIS-**
9 **LOCATIONS.**—

10 **“(1) GRANT RECIPIENT ELIGIBILITY.**—

11 **“(A) IN GENERAL.**—*To be eligible to receive*
12 *a grant under subsection (a)(4), a Governor shall*
13 *submit an application, for assistance described*
14 *in subparagraph (B), to the Secretary at such*
15 *time, in such manner, and containing such in-*
16 *formation as the Secretary may require.*

17 **“(B) TYPES OF ASSISTANCE.**—

18 **“(i) IN GENERAL.**—*Assistance de-*
19 *scribed in this subparagraph is—*

20 **“(I) employment and training as-**
21 *stance, including employment and*
22 *training activities described in section*
23 *134; and*

1 “(II) *temporary health care cov-*
2 *erage assistance described in para-*
3 *graph (4).*

4 “(ii) *MINIMUM ALLOCATION TO TEM-*
5 *PORARY HEALTH CARE COVERAGE ASSIST-*
6 *ANCE.—Not less than 30 percent of the cost*
7 *of assistance requested in any application*
8 *submitted under this subsection shall consist*
9 *of the cost for temporary health care cov-*
10 *erage assistance described in paragraph (4).*

11 “(iii) *ENCOURAGEMENT OF CERTAIN*
12 *TYPES OF HEALTH CARE COVERAGE.—In*
13 *publishing requirements for applications*
14 *under this subsection, the Secretary shall*
15 *encourage the use of private health coverage*
16 *alternatives.*

17 “(C) *MINIMUM AWARD REQUIREMENT FOR*
18 *ELIGIBLE STATES AND OUTLYING AREAS.—*

19 “(i) *REQUIREMENTS.—In any case in*
20 *which the requirements of this section are*
21 *met in connection with one or more appli-*
22 *cations of the Governor of any State or out-*
23 *lying area for assistance described in sub-*
24 *paragraph (B), the Governor—*

1 “(I) shall be awarded at least 1
2 grant under subsection (a)(4) pursuant
3 to such applications, and

4 “(II) except as provided in clause
5 (ii), shall be awarded not less than
6 \$5,000,000 in total grants awarded
7 under (a)(4).

8 “(ii) *EXCEPTION TO MINIMUM GRANT*
9 *REQUIREMENTS.—The Secretary may*
10 *award to a Governor a total amount less*
11 *than the minimum total amount specified*
12 *in clause (i)(II), as appropriate, if the*
13 *Governor—*

14 “(I) requests less than such min-
15 imum total amount, or

16 “(II) fails to demonstrate to the
17 Secretary that there are a sufficient
18 number of eligible recipients to justify
19 the awarding of grants in such min-
20 imum total amount.

21 “(2) *STATE ADMINISTRATION.—The Governor*
22 *may designate one or more local workforce investment*
23 *boards or other entities with the capability to respond*
24 *to the circumstances relating to the particular closure,*

1 *layoff, or other dislocation to administer the grant*
2 *under subsection (a)(4).*

3 “(3) *PARTICIPANT ELIGIBILITY.*—*An individual*
4 *shall be eligible to receive assistance described in*
5 *paragraph (1)(B) under a grant awarded under sub-*
6 *section (a)(4) if such individual is a dislocated work-*
7 *er and the Governor has certified that a major eco-*
8 *nomie dislocation, such as a plant closure, mass lay-*
9 *off, or multiple layoff, including a dislocation caused*
10 *by the terrorist attacks of September 11, 2001, con-*
11 *tributed importantly to the dislocation.*

12 “(4) *TEMPORARY HEALTH CARE COVERAGE AS-*
13 *SISTANCE.*—

14 “(A) *IN GENERAL.*—*Temporary health care*
15 *coverage assistance described in this paragraph*
16 *consists of health care coverage premium assist-*
17 *ance provided to qualified individuals under this*
18 *paragraph with respect to premiums for coverage*
19 *for themselves, for their spouses, for their depend-*
20 *ents, or for any combination thereof, other than*
21 *premiums for excluded health insurance cov-*
22 *erage.*

23 “(B) *QUALIFIED INDIVIDUALS.*—*For pur-*
24 *poses of this paragraph—*

1 “(i) *IN GENERAL.*—*Subject to clause*
2 *(ii), a qualified individual is an individual*
3 *who—*

4 “(I) *is a dislocated worker re-*
5 *ferred to in paragraph (3) with respect*
6 *to whom the Governor has made the*
7 *certification regarding the dislocation*
8 *as required under such paragraph, and*

9 “(II) *is receiving or has received*
10 *employment and training assistance as*
11 *described in paragraph (1)(B)(i)(I).*

12 “(ii) *LIMITATION.*—*An individual*
13 *shall not be treated as a qualified indi-*
14 *vidual if—*

15 “(I) *such individual is eligible for*
16 *coverage under the program under title*
17 *XIX of the Social Security Act appli-*
18 *cable in the State or outlying area, or*

19 “(II) *such individual is eligible*
20 *for coverage under the program under*
21 *title XXI of such Act applicable in the*
22 *State or outlying area,*

23 *unless such eligibility is effective solely in*
24 *connection with eligibility for health care*
25 *coverage premium assistance under a pro-*

1 *gram established by the Governor in connec-*
2 *tion with temporary health care coverage*
3 *assistance received under this subsection.*

4 “(iii) CONSTRUCTION.—

5 “(I) PERMITTING COVERAGE
6 THROUGH ENROLLMENT IN MEDICAID
7 OR SCHIP.—Nothing in this subsection
8 shall be construed as preventing a
9 State from using funds made available
10 by reason of subsection (a)(4) to pro-
11 vide health care coverage through en-
12 rollment in the program under title
13 XIX (relating to medicaid) or in the
14 program under title XXI (relating to
15 SCHIP) of the Social Security Act, but
16 only in the case of individuals who are
17 not otherwise eligible for coverage
18 under either such program.

19 “(II) NOT AFFECTING ELIGIBILITY
20 FOR ASSISTANCE.—An individual shall
21 not be treated for purposes of this sub-
22 section as being eligible for coverage
23 under either such program (and there-
24 by not eligible for assistance under this
25 subsection) merely on the basis that the

1 *State provides assistance under this*
2 *subsection through coverage under ei-*
3 *ther such program.*

4 “(C) *LIMITATION ON ENTITLEMENT.—*Nothing
5 *in this subsection shall be construed as estab-*
6 *lishing any entitlement of qualified individuals*
7 *to premium assistance under this subsection.*

8 “(D) *CONCURRENCE AND CONSULTATION.—*
9 *In connection with any temporary health care*
10 *coverage assistance provided pursuant to this*
11 *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 such*
23 *assistance affects programs administered by*
24 *or under the Secretary of Health and*
25 *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, United*
20 *States Code (other than coverage which*
21 *is comparable to continuation coverage*
22 *under section 4980B of the Internal*
23 *Revenue Code of 1986), or*

24 “(V) *the Indian Health Care Im-*
25 *provement Act.*

1 *Such term also includes coverage under a*
2 *qualified long-term care insurance contract*
3 *and excepted benefits described in section*
4 *733(c) of the Employee Retirement Income*
5 *Security Act of 1974.*

6 “(ii) *PREMIUM.*—*The term ‘premium’*
7 *means, in connection with health care cov-*
8 *erage, the premium which would (but for*
9 *this section) be charged for the cost of cov-*
10 *erage.*

11 “(5) *APPROPRIATIONS.*—

12 “(A) *IN GENERAL.*—*There is hereby appro-*
13 *priated, from any amounts in the Treasury not*
14 *otherwise appropriated, \$3,900,000,000 for the*
15 *period consisting of fiscal years 2002, 2003, and*
16 *2004 for the award of grants under subsection*
17 *(a)(4) in accordance with this section.*

18 “(B) *AVAILABILITY.*—*Amounts appro-*
19 *priated pursuant to subparagraph (A) for each*
20 *fiscal year—*

21 “(i) *are in addition to amounts made*
22 *available under section 132(a)(2)(A) or any*
23 *other provision of law to carry out this sec-*
24 *tion; and*

1 “(ii) notwithstanding section
2 189(g)(1), shall remain available for obliga-
3 tion by the Secretary from the date of the
4 enactment of this subsection through each
5 succeeding fiscal year, except that, notwith-
6 standing section 189(g)(2), no funds are
7 hereby available for expenditure after June
8 30, 2004.”.

9 **TITLE IX—TEMPORARY STATE**
10 **HEALTH CARE ASSISTANCE**

11 **SEC. 901. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

12 (a) *IN GENERAL.*—Title XXI of the Social Security
13 Act is amended by adding at the end the following new sec-
14 tion:

15 **“SEC. 2111. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

16 “(a) *IN GENERAL.*—For the purpose of providing al-
17 lotments to States under this section, there are hereby ap-
18 propriated, out of any funds in the Treasury not otherwise
19 appropriated, \$4,599,667,448. Such funds shall be available
20 for expenditure by the State through the end of 2002. This
21 section constitutes budget authority in advance of appro-
22 priations Acts and represents the obligation of the Federal
23 Government to provide for the payment to States of
24 amounts provided under this section.

1 “(b) ALLOTMENT.—Funds appropriated under sub-
 2 section (a) shall be allotted by the Secretary among the
 3 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

4 “(c) USE OF FUNDS.—

5 “(1) IN GENERAL.—Funds appropriated under
 6 this section may be used by a State only to provide
 7 health care items and services (other than types of

1 *items and services for which Federal financial par-*
2 *ticipation is prohibited under this title or title XIX).*

3 “(2) *LIMITATION.—Funds so appropriated may*
4 *not be used to match other Federal expenditures or in*
5 *any other manner that results in the expenditure of*
6 *Federal funds in excess of the amounts provided*
7 *under this section.*

8 “(d) *PAYMENT TO STATES.—Funds made available*
9 *under this section shall be paid to the States in a form*
10 *and manner and time specified by the Secretary, based*
11 *upon the submission of such information as the Secretary*
12 *may require. There is no requirement for the expenditure*
13 *of any State funds in order to qualify for receipt of funds*
14 *under this section. The previous sections of this title shall*
15 *not apply with respect to funds provided under this section.*

16 “(e) *DEFINITION.—For purposes of this section, the*
17 *term ‘State’ means the 50 States and the District of Colum-*
18 *bia.’.*”

19 (b) *REPEAL.—Effective as of January 1, 2003, section*
20 *2111 of the Social Security Act, as inserted by subsection*
21 *(a), is repealed.*

1 **TITLE X—SOCIAL SECURITY**
2 **HELD HARMLESS; BUDG-**
3 **ETARY TREATMENT OF ACT**

4 **SEC. 1001. 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 amend
7 title II of the Social Security Act (or any regulation pro-
8 mulgated under that Act).

9 (b) *TRANSFERS.*—

10 (1) *ESTIMATE OF SECRETARY.*—The Secretary of
11 the Treasury shall annually estimate the impact that
12 the enactment of this Act has on the income and
13 balances of the trust funds established under section
14 201 of the Social Security Act (42 U.S.C. 401).

15 (2) *TRANSFER OF FUNDS.*—If, under paragraph
16 (1), the Secretary of the Treasury estimates that the
17 enactment of this Act has a negative impact on the
18 income and balances of the trust funds established
19 under section 201 of the Social Security Act (42
20 U.S.C. 401), the Secretary shall transfer, not less fre-
21 quently than quarterly, from the general revenues of
22 the Federal Government an amount sufficient so as to
23 ensure that the income and balances of such trust
24 funds are not reduced as a result of the enactment of
25 this Act.

1 **SEC. 1002. EMERGENCY DESIGNATION.**

2 *Congress designates as emergency requirements pursu-*
3 *ant to section 252(e) of the Balanced Budget and Emer-*
4 *gency Deficit Control Act of 1985 the following amounts:*

5 *(1) An amount equal to the amount by which*
6 *revenues are reduced by this Act below the rec-*
7 *ommended levels of Federal revenues for fiscal year*
8 *2002, the total of fiscal years 2002 through 2006, and*
9 *the total of fiscal years 2002 through 2011, provided*
10 *in the conference report accompanying H. Con. Res.*
11 *83, the concurrent resolution on the budget for fiscal*
12 *year 2002.*

13 *(2) Amounts equal to the amounts of new budget*
14 *authority and outlays provided in this Act in excess*
15 *of the allocations under section 302(a) of the Congres-*
16 *sional Budget Act of 1974 to the Committee on Fi-*
17 *nance of the Senate for fiscal year 2002, the total of*
18 *fiscal years 2002 through 2006, and the total of fiscal*
19 *years 2002 through 2011.*

In lieu of the matter proposed to be inserted by the amendment of the Senate to the title of the bill, insert the following: “An Act to provide tax incentives for economic recovery and assistance to displaced workers.”.

Attest:

Clerk.