

107TH CONGRESS  
1ST SESSION

# H. R. 627

To provide tax and regulatory relief for farmers and to improve the competitiveness of American agricultural commodities and products in global markets.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2001

Mr. BOEHNER (for himself, Mr. COOKSEY, Mr. PENCE, Mr. JOHNSON of Illinois, Mr. OSBORNE, Mr. NETHERCUTT, Mr. FLETCHER, Mr. LAHOOD, and Mr. HAYES) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Agriculture, Rules, and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide tax and regulatory relief for farmers and to improve the competitiveness of American agricultural commodities and products in global markets.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Rural America Prosperity Act of 2001”.

6 (b) TABLE OF CONTENTS.—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

## TITLE I—TAX RELIEF FOR FARMERS

### Subtitle A—General Tax Provisions

- Sec. 101. Deduction for 100 percent of health insurance costs of self-employed individuals.
- Sec. 102. Exclusion of gain from sale of farmland.
- Sec. 103. Income averaging for farmers not to increase alternative minimum tax liability.
- Sec. 104. Farm and ranch risk management accounts.

### Subtitle B—Estate and Gift Tax Relief

- Sec. 111. Repeal of estate, gift, and generation-skipping taxes.
- Sec. 112. Termination of step up in basis at death.
- Sec. 113. Carryover basis at death.
- Sec. 114. Additional reductions of estate and gift tax rates.
- Sec. 115. Unified credit against estate and gift taxes replaced with unified exemption amount.
- Sec. 116. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
- Sec. 117. Severing of trusts.
- Sec. 118. Modification of certain valuation rules.
- Sec. 119. Relief provisions.
- Sec. 120. Expansion of estate tax rule for conservation easements.

## TITLE II—STUDY OF COSTS OF REGULATIONS ON FARMERS, RANCHERS, AND FORESTERS

- Sec. 201. Definitions.
- Sec. 202. Comptroller General study of regulations.
- Sec. 203. Response of Secretary of Agriculture.

## TITLE III—EXTENSION OF TRADE AUTHORITIES PROCEDURES FOR RECIPROCAL TRADE AGREEMENTS

- Sec. 301. Short title.
- Sec. 302. Trade negotiating objectives.
- Sec. 303. Trade agreements authority.
- Sec. 304. Consultations.
- Sec. 305. Implementation of trade agreements.
- Sec. 306. Treatment of certain trade agreements.
- Sec. 307. Conforming amendments.
- Sec. 308. Definitions.

## TITLE IV—AGRICULTURAL TRADE FREEDOM

- Sec. 401. Short title.
- Sec. 402. Definitions.
- Sec. 403. Agricultural commodities, livestock, and products exempt from unilateral agricultural sanctions.
- Sec. 404. Sale or barter of food assistance.

1           **TITLE I—TAX RELIEF FOR**  
2                           **FARMERS**

3   **Subtitle A—General Tax Provisions**

4   **SEC. 101. DEDUCTION FOR 100 PERCENT OF HEALTH IN-**  
5                           **SURANCE COSTS OF SELF-EMPLOYED INDI-**  
6                           **VIDUALS.**

7           (a) IN GENERAL.—Paragraph (1) of section 162(l)  
8 of the Internal Revenue Code of 1986 (relating to special  
9 rules for health insurance costs of self-employed individ-  
10 uals) is amended to read as follows:

11                   “(1) ALLOWANCE OF DEDUCTION.—In the case  
12 of an individual who is an employee within the  
13 meaning of section 401(c)(1), there shall be allowed  
14 as a deduction under this section an amount equal  
15 to 100 percent of the amount paid during the tax-  
16 able year for insurance which constitutes medical  
17 care for the taxpayer, his spouse, and dependents.”.

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

21   **SEC. 102. EXCLUSION OF GAIN FROM SALE OF FARMLAND.**

22           (a) IN GENERAL.—Part III of subchapter B of chap-  
23 ter 1 of the Internal Revenue Code of 1986 (relating to  
24 items specifically excluded from gross income) is amended  
25 by inserting after section 121 the following:

1 **“SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED**  
 2 **FARM PROPERTY.**

3 “(a) EXCLUSION.—In the case of a natural person,  
 4 gross income shall not include gain from the sale or ex-  
 5 change of qualified farm property.

6 “(b) LIMITATION.—

7 “(1) IN GENERAL.—The amount of gain ex-  
 8 cluded from gross income under subsection (a) with  
 9 respect to any taxable year shall not exceed  
 10 \$500,000 (\$250,000 in the case of a married indi-  
 11 vidual filing a separate return), reduced by the ag-  
 12 gregate amount of gain excluded under subsection  
 13 (a) for all preceding taxable years.

14 “(2) SPECIAL RULE FOR JOINT RETURNS.—The  
 15 amount of the exclusion under subsection (a) on a  
 16 joint return for any taxable year shall be allocated  
 17 equally between the spouses for purposes of applying  
 18 the limitation under paragraph (1) for any suc-  
 19 ceeding taxable year.

20 “(c) QUALIFIED FARM PROPERTY.—For purposes of  
 21 this section—

22 “(1) IN GENERAL.—The term ‘qualified farm  
 23 property’ means real property located in the United  
 24 States if, during periods aggregating 3 years or  
 25 more of the 5-year period ending on the date of the  
 26 sale or exchange of such real property—

1           “(A) such real property was used by the  
2           taxpayer or a member of the family of the tax-  
3           payer as a farm for farming purposes, and

4           “(B) there was material participation by  
5           the taxpayer (or such a member) in the oper-  
6           ation of the farm.

7           “(2) OTHER DEFINITIONS.—The terms ‘mem-  
8           ber of the family’, ‘farm’, and ‘farming purposes’  
9           have the respective meanings given such terms by  
10          paragraphs (2), (4), and (5) of section 2032A(e).

11          “(3) SPECIAL RULES.—Rules similar to the  
12          rules of paragraphs (4) and (5) of section 2032A(b)  
13          and paragraphs (3) and (6) of section 2032A(e)  
14          shall apply.

15          “(d) OTHER RULES.—For purposes of this section,  
16          rules similar to the rules of subsection (e) and subsection  
17          (f) of section 121 shall apply.”

18          (b) CONFORMING AMENDMENT.—The table of sec-  
19          tions for part III of subchapter B of chapter 1 of the In-  
20          ternal Revenue Code of 1986 is amended by inserting  
21          after the item relating to section 121 the following:

“Sec. 121A. Exclusion of gain from sale of qualified farm prop-  
erty.”

22          (c) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to any sale or exchange after the

1 date of the enactment of this Act in taxable years ending  
 2 after such date.

3 **SEC. 103. INCOME AVERAGING FOR FARMERS NOT TO IN-**  
 4 **CREASE ALTERNATIVE MINIMUM TAX LIABIL-**  
 5 **ITY.**

6 (a) IN GENERAL.—Section 55(c) of the Internal Rev-  
 7 enue Code of 1986 (defining regular tax) is amended by  
 8 redesignating paragraph (2) as paragraph (3) and by in-  
 9 serting after paragraph (1) the following:

10 “(2) COORDINATION WITH INCOME AVERAGING  
 11 FOR FARMERS.—Solely for purposes of this section,  
 12 section 1301 (relating to averaging of farm income)  
 13 shall not apply in computing the regular tax.”

14 (b) EFFECTIVE DATE.—The amendment made by  
 15 this section shall apply to taxable years beginning after  
 16 December 31, 1997.

17 **SEC. 104. FARM AND RANCH RISK MANAGEMENT AC-**  
 18 **COUNTS.**

19 (a) IN GENERAL.—Subpart C of part II of sub-  
 20 chapter E of chapter 1 of the Internal Revenue Code of  
 21 1986 (relating to taxable year for which deductions taken)  
 22 is amended by inserting after section 468B the following:

1   **“SEC. 468C. FARM AND RANCH RISK MANAGEMENT AC-**  
2                           **COUNTS.**

3           “(a) DEDUCTION ALLOWED.—In the case of an indi-  
4   vidual engaged in an eligible farming business, there shall  
5   be allowed as a deduction for any taxable year the amount  
6   paid in cash by the taxpayer during the taxable year to  
7   a Farm and Ranch Risk Management Account (herein-  
8   after referred to as the ‘FARRM Account’).

9           “(b) LIMITATION.—The amount which a taxpayer  
10   may pay into the FARRM Account for any taxable year  
11   shall not exceed 20 percent of so much of the taxable in-  
12   come of the taxpayer (determined without regard to this  
13   section) which is attributable (determined in the manner  
14   applicable under section 1301) to any eligible farming  
15   business.

16          “(c) ELIGIBLE FARMING BUSINESS.—For purposes  
17   of this section, the term ‘eligible farming business’ means  
18   any farming business (as defined in section 263A(e)(4))  
19   which is not a passive activity (within the meaning of sec-  
20   tion 469(c)) of the taxpayer.

21          “(d) FARRM ACCOUNT.—For purposes of this  
22   section—

23               “(1) IN GENERAL.—The term ‘FARRM Ac-  
24   count’ means a trust created or organized in the  
25   United States for the exclusive benefit of the tax-

1 payer, but only if the written governing instrument  
2 creating the trust meets the following requirements:

3 “(A) No contribution will be accepted for  
4 any taxable year in excess of the amount al-  
5 lowed as a deduction under subsection (a) for  
6 such year.

7 “(B) The trustee is a bank (as defined in  
8 section 408(n)) or another person who dem-  
9 onstrates to the satisfaction of the Secretary  
10 that the manner in which such person will ad-  
11 minister the trust will be consistent with the re-  
12 quirements of this section.

13 “(C) The assets of the trust consist en-  
14 tirely of cash or of obligations which have ade-  
15 quate stated interest (as defined in section  
16 1274(c)(2)) and which pay such interest not  
17 less often than annually.

18 “(D) All income of the trust is distributed  
19 currently to the grantor.

20 “(E) The assets of the trust will not be  
21 commingled with other property except in a  
22 common trust fund or common investment  
23 fund.

24 “(2) ACCOUNT TAXED AS GRANTOR TRUST.—

25 The grantor of a FARRM Account shall be treated



for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

“(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

“(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

“(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year, and

“(B) any deemed distribution under—

“(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

“(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

“(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

“(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

“(A) any distribution to the extent attributable to income of the Account, and

“(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

“(f) SPECIAL RULES.—

“(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

“(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FARRM Account—

“(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

“(ii) the taxpayer’s tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer

1 before the due date (including extensions) for  
2 filing the return of tax imposed by this chapter  
3 for such year (or, if earlier, the date the tax-  
4 payer files such return for such year).

5 “(B) NONQUALIFIED BALANCE.—For pur-  
6 poses of subparagraph (A), the term ‘non-  
7 qualified balance’ means any balance in the Ac-  
8 count on the last day of the taxable year which  
9 is attributable to amounts deposited in such Ac-  
10 count before the 4th preceding taxable year.

11 “(C) ORDERING RULE.—For purposes of  
12 this paragraph, distributions from a FARRM  
13 Account (other than distributions of current in-  
14 come) shall be treated as made from deposits in  
15 the order in which such deposits were made, be-  
16 ginning with the earliest deposits.

17 “(2) CESSATION IN ELIGIBLE BUSINESS.—At  
18 the close of the first disqualification period after a  
19 period for which the taxpayer was engaged in an eli-  
20 gible farming business, there shall be deemed dis-  
21 tributed from the FARRM Account of the taxpayer  
22 an amount equal to the balance in such Account (if  
23 any) at the close of such disqualification period. For  
24 purposes of the preceding sentence, the term ‘dis-  
25 qualification period’ means any period of 2 consecu-

1       tive taxable years for which the taxpayer is not en-  
2       gaged in an eligible farming business.

3               “(3) CERTAIN RULES TO APPLY.—Rules similar  
4       to the following rules shall apply for purposes of this  
5       section:

6               “(A) Section 220(f)(8) (relating to treat-  
7       ment on death).

8               “(B) Section 408(e)(2) (relating to loss of  
9       exemption of account where individual engages  
10      in prohibited transaction).

11              “(C) Section 408(e)(4) (relating to effect  
12      of pledging account as security).

13              “(D) Section 408(g) (relating to commu-  
14      nity property laws).

15              “(E) Section 408(h) (relating to custodial  
16      accounts).

17              “(4) TIME WHEN PAYMENTS DEEMED MADE.—  
18      For purposes of this section, a taxpayer shall be  
19      deemed to have made a payment to a FARRM Ac-  
20      count on the last day of a taxable year if such pay-  
21      ment is made on account of such taxable year and  
22      is made on or before the due date (without regard  
23      to extensions) for filing the return of tax for such  
24      taxable year.

1           “(5) INDIVIDUAL.—For purposes of this sec-  
2           tion, the term ‘individual’ shall not include an estate  
3           or trust.

4           “(6) DEDUCTION NOT ALLOWED FOR SELF-EM-  
5           PLOYMENT TAX.—The deduction allowable by reason  
6           of subsection (a) shall not be taken into account in  
7           determining an individual’s net earnings from self-  
8           employment (within the meaning of section 1402(a))  
9           for purposes of chapter 2.

10          “(g) REPORTS.—The trustee of a FARRM Account  
11          shall make such reports regarding such Account to the  
12          Secretary and to the person for whose benefit the Account  
13          is maintained with respect to contributions, distributions,  
14          and such other matters as the Secretary may require  
15          under regulations. The reports required by this subsection  
16          shall be filed at such time and in such manner and fur-  
17          nished to such persons at such time and in such manner  
18          as may be required by such regulations.”.

19          (b) TAX ON EXCESS CONTRIBUTIONS.—

20               (1) Subsection (a) of section 4973 of the Inter-  
21          nal Revenue Code of 1986 (relating to tax on excess  
22          contributions to certain tax-favored accounts and an-  
23          nuities) is amended by striking “or” at the end of  
24          paragraph (3), by redesignating paragraph (4) as

1 paragraph (5), and by inserting after paragraph (3)  
 2 the following:

3 “(4) a FARRM Account (within the meaning of  
 4 section 468C(d)), or”.

5 (2) Section 4973 of such Code, is amended by  
 6 adding at the end the following:

7 “(g) EXCESS CONTRIBUTIONS TO FARRM AC-  
 8 COUNTS.—For purposes of this section, in the case of a  
 9 FARRM Account (within the meaning of section  
 10 468C(d)), the term ‘excess contributions’ means the  
 11 amount by which the amount contributed for the taxable  
 12 year to the Account exceeds the amount which may be con-  
 13 tributed to the Account under section 468C(b) for such  
 14 taxable year. For purposes of this subsection, any con-  
 15 tribution which is distributed out of the FARRM Account  
 16 in a distribution to which section 468C(e)(2)(B) applies  
 17 shall be treated as an amount not contributed.”.

18 (3) The section heading for section 4973 of  
 19 such Code is amended to read as follows:

20 **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-**  
 21 **COUNTS, ANNUITIES, ETC.”.**

22 (4) The table of sections for chapter 43 of such  
 23 Code is amended by striking the item relating to sec-  
 24 tion 4973 and inserting the following:

“Sec. 4973. Excess contributions to certain accounts, annuities,  
 etc.”.

1 (c) TAX ON PROHIBITED TRANSACTIONS.—

2 (1) Subsection (c) of section 4975 of the Inter-  
3 nal Revenue Code of 1986 (relating to tax on pro-  
4 hibited transactions) is amended by adding at the  
5 end the following:

6 “(6) SPECIAL RULE FOR FARRM ACCOUNTS.—

7 A person for whose benefit a FARRM Account  
8 (within the meaning of section 468C(d)) is estab-  
9 lished shall be exempt from the tax imposed by this  
10 section with respect to any transaction concerning  
11 such account (which would otherwise be taxable  
12 under this section) if, with respect to such trans-  
13 action, the account ceases to be a FARRM Account  
14 by reason of the application of section 468C(f)(3)(A)  
15 to such account.”.

16 (2) Paragraph (1) of section 4975(e) of such  
17 Code is amended by redesignating subparagraphs  
18 (E) and (F) as subparagraphs (F) and (G), respec-  
19 tively, and by inserting after subparagraph (D) the  
20 following:

21 “(E) a FARRM Account described in sec-  
22 tion 468C(d),”.

23 (d) FAILURE TO PROVIDE REPORTS ON FARRM AC-  
24 COUNTS.—Paragraph (2) of section 6693(a) of the Inter-  
25 nal Revenue Code of 1986 (relating to failure to provide

1 reports on certain tax-favored accounts or annuities) is  
 2 amended by redesignating subparagraphs (C) and (D) as  
 3 subparagraphs (D) and (E), respectively, and by inserting  
 4 after subparagraph (B) the following:

5                   “(C) section 468C(g) (relating to FARRM  
 6                   Accounts),”.

7           (e) CLERICAL AMENDMENT.—The table of sections  
 8 for subpart C of part II of subchapter E of chapter 1 of  
 9 the Internal Revenue Code of 1986 is amended by insert-  
 10 ing after the item relating to section 468B the following:

                  “Sec. 468C. Farm and Ranch Risk Management Accounts.”.

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

## 14           **Subtitle B—Estate and Gift Tax** 15                                   **Relief**

### 16   **SEC. 111. REPEAL OF ESTATE, GIFT, AND GENERATION-** 17                                   **SKIPPING TAXES.**

18           (a) IN GENERAL.—Subtitle B of the Internal Rev-  
 19 enue Code of 1986 is hereby repealed.

20           (b) EFFECTIVE DATE.—The repeal made by sub-  
 21 section (a) shall apply to the estates of decedents dying,  
 22 and gifts and generation-skipping transfers made, after  
 23 December 31, 2010.



1 **SEC. 112. TERMINATION OF STEP UP IN BASIS AT DEATH.**

2 (a) TERMINATION OF APPLICATION OF SECTION  
3 1014.—Section 1014 of the Internal Revenue Code of  
4 1986 (relating to basis of property acquired from a dece-  
5 dent) is amended by adding at the end the following:

6 “(f) TERMINATION.—In the case of a decedent dying  
7 after December 31, 2010, this section shall not apply to  
8 property for which basis is provided by section 1022.”.

9 (b) CONFORMING AMENDMENT.—Subsection (a) of  
10 section 1016 of the Internal Revenue Code of 1986 (relat-  
11 ing to adjustments to basis) is amended by striking “and”  
12 at the end of paragraph (26), by striking the period at  
13 the end of paragraph (27) and inserting “, and”, and by  
14 adding at the end the following:

15 “(28) to the extent provided in section 1022  
16 (relating to basis for certain property acquired from  
17 a decedent dying after December 31, 2010).”.

18 **SEC. 113. CARRYOVER BASIS AT DEATH.**

19 (a) GENERAL RULE.—Part II of subchapter O of  
20 chapter 1 of the Internal Revenue Code of 1986 (relating  
21 to basis rules of general application) is amended by insert-  
22 ing after section 1021 the following new section:

1 **“SEC. 1022. CARRYOVER BASIS FOR CERTAIN PROPERTY**  
2 **ACQUIRED FROM A DECEDENT DYING AFTER**  
3 **DECEMBER 31, 2010.**

4 “(a) CARRYOVER BASIS.—Except as otherwise pro-  
5 vided in this section, the basis of carryover basis property  
6 in the hands of a person acquiring such property from a  
7 decedent shall be determined under section 1015.

8 “(b) CARRYOVER BASIS PROPERTY DEFINED.—

9 “(1) IN GENERAL.—For purposes of this sec-  
10 tion, the term ‘carryover basis property’ means any  
11 property—

12 “(A) which is acquired from or passed  
13 from a decedent who died after December 31,  
14 2010, and

15 “(B) which is not excluded pursuant to  
16 paragraph (2).

17 The property taken into account under subpara-  
18 graph (A) shall be determined under section 1014(b)  
19 without regard to subparagraph (A) of the last sen-  
20 tence of paragraph (9) thereof.

21 “(2) CERTAIN PROPERTY NOT CARRYOVER  
22 BASIS PROPERTY.—The term ‘carryover basis prop-  
23 erty’ does not include—

24 “(A) any item of gross income in respect  
25 of a decedent described in section 691,

1           “(B) property of the decedent to the extent  
2           that the aggregate adjusted fair market value  
3           of such property does not exceed \$1,300,000,  
4           and

5           “(C) property which was acquired from the  
6           decedent by the surviving spouse of the dece-  
7           dent (and which would be carryover basis prop-  
8           erty without regard to this subparagraph) but  
9           only if the value of such property would have  
10          been deductible from the value of the taxable  
11          estate of the decedent under section 2056, as in  
12          effect on the day before the date of the enact-  
13          ment of the Rural America Prosperity Act of  
14          2001.

15          For purposes of this subsection, the term ‘adjusted  
16          fair market value’ means, with respect to any prop-  
17          erty, fair market value reduced by any indebtedness  
18          secured by such property.

19          “(3) LIMITATION ON EXCEPTION FOR PROP-  
20          ERTY ACQUIRED BY SURVIVING SPOUSE.—The ad-  
21          justed fair market value of property which is not  
22          carryover basis property by reason of paragraph  
23          (2)(C) shall not exceed \$3,000,000.

1           “(4) ALLOCATION OF EXCEPTED AMOUNTS.—

2           The executor shall allocate the limitations under  
3           paragraphs (2)(B) and (3).

4           “(5) INFLATION ADJUSTMENT OF EXCEPTED  
5           AMOUNTS.—In the case of decedents dying in a cal-  
6           endar year after 2011, the dollar amounts in para-  
7           graphs (2)(B) and (3) shall each be increased by an  
8           amount equal to the product of—

9                   “(A) such dollar amount, and

10                   “(B) the cost-of-living adjustment deter-  
11                   mined under section 1(f)(3) for such calendar  
12                   year, determined by substituting ‘2010’ for  
13                   ‘1992’ in subparagraph (B) thereof.

14           If any increase determined under the preceding sen-  
15           tence is not a multiple of \$10,000, such increase  
16           shall be rounded to the nearest multiple of \$10,000.

17           “(c) REGULATIONS.—The Secretary shall prescribe  
18           such regulations as may be necessary to carry out the pur-  
19           poses of this section.”.

20           (b) MISCELLANEOUS AMENDMENTS RELATED TO  
21           CARRYOVER BASIS.—

22                   (1) CAPITAL GAIN TREATMENT FOR INHERITED  
23                   ART WORK OR SIMILAR PROPERTY.—

24                           (A) IN GENERAL.—Subparagraph (C) of  
25                           section 1221(a)(3) of the Internal Revenue

1 Code of 1986 (defining capital asset) is amend-  
2 ed by inserting “(other than by reason of sec-  
3 tion 1022)” after “is determined”.

4 (B) COORDINATION WITH SECTION 170.—  
5 Paragraph (1) of section 170(e) of such Code  
6 (relating to certain contributions of ordinary in-  
7 come and capital gain property) is amended by  
8 adding at the end the following: “For purposes  
9 of this paragraph, the determination of whether  
10 property is a capital asset shall be made with-  
11 out regard to the exception contained in section  
12 1221(a)(3)(C) for basis determined under sec-  
13 tion 1022.”.

14 (2) DEFINITION OF EXECUTOR.—Section  
15 7701(a) of such Code (relating to definitions) is  
16 amended by adding at the end the following:

17 “(47) EXECUTOR.—The term ‘executor’ means  
18 the executor or administrator of the decedent, or, if  
19 there is no executor or administrator appointed,  
20 qualified, and acting within the United States, then  
21 any person in actual or constructive possession of  
22 any property of the decedent.”.

23 (3) CLERICAL AMENDMENT.—The table of sec-  
24 tions for part II of subchapter O of chapter 1 of

1       such Code is amended by adding at the end the fol-  
 2       lowing new item:

“Sec. 1022. Carryover basis for certain property acquired from a  
 decedent dying after December 31, 2010.”.

3       (c) **EFFECTIVE DATE.**—The amendments made by  
 4 this section shall apply to estates of decedents dying after  
 5 December 31, 2010.

6       **SEC. 114. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT**  
 7               **TAX RATES.**

8       (a) **MAXIMUM RATE OF TAX REDUCED TO 50 PER-**  
 9 **CENT.**—

10           (1) **IN GENERAL.**—The table contained in sec-  
 11 tion 2001(c)(1) of the Internal Revenue Code of  
 12 1986 is amended by striking the two highest brack-  
 13 ets and inserting the following:

“Over \$2,500,000 .....	\$1,025,800, plus 50% of the excess over \$2,500,000.”.
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14           (2) **PHASE-IN OF REDUCED RATE.**—Subsection  
 15 (c) of section 2001 of such Code is amended by add-  
 16 ing at the end the following new paragraph:

17           “(3) **PHASE-IN OF REDUCED RATE.**—In the  
 18 case of decedents dying, and gifts made, during  
 19 2002, the last item in the table contained in para-  
 20 graph (1) shall be applied by substituting ‘53%’ for  
 21 ‘50%’.”.

22       (b) **REPEAL OF PHASEOUT OF GRADUATED**  
 23 **RATES.**—Subsection (c) of section 2001 of the Internal

1 Revenue Code of 1986 is amended by striking paragraph  
 2 (2) and redesignating paragraph (3), as added by sub-  
 3 section (a), as paragraph (2).

4 (c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—  
 5 Subsection (c) of section 2001 of the Internal Revenue  
 6 Code of 1986, as so amended, is amended by adding at  
 7 the end the following new paragraph:

8 “(3) PHASEDOWN OF TAX.—In the case of es-  
 9 tates of decedents dying, and gifts made, during any  
 10 calendar year after 2003 and before 2011—

11 “(A) IN GENERAL.—Except as provided in  
 12 subparagraph (C), the tentative tax under this  
 13 subsection shall be determined by using a table  
 14 prescribed by the Secretary (in lieu of using the  
 15 table contained in paragraph (1)) which is the  
 16 same as such table; except that—

17 “(i) each of the rates of tax shall be  
 18 reduced by the number of percentage  
 19 points determined under subparagraph  
 20 (B), and

21 “(ii) the amounts setting forth the tax  
 22 shall be adjusted to the extent necessary to  
 23 reflect the adjustments under clause (i).

24 “(B) PERCENTAGE POINTS OF REDUC-  
 25 TION.—

<b>“For calendar year:</b>	<b>The number of percentage points is:</b>
2004 .....	1.0
2005 .....	2.0
2006 .....	3.0
2007 .....	4.0
2008 .....	5.5
2009 .....	7.5
2010 .....	9.5.

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

4                   “(i) shall not reduce any rate under  
5                   paragraph (1) below the lowest rate in sec-  
6                   tion 1(c), and

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

10           “(D) COORDINATION WITH CREDIT FOR  
11           STATE DEATH TAXES.—Rules similar to the  
12           rules of subparagraph (A) shall apply to the  
13           table contained in section 2011(b) except that  
14           the Secretary shall prescribe percentage point  
15           reductions which maintain the proportionate re-  
16           lationship (as in effect before any reduction  
17           under this paragraph) between the credit under  
18           section 2011 and the tax rates under subsection  
19           (c).”.

20           (d) EFFECTIVE DATES.—



1           (1) SUBSECTIONS (a) AND (b).—The amend-  
 2           ments made by subsections (a) and (b) shall apply  
 3           to estates of decedents dying, and gifts made, after  
 4           December 31, 2001.

5           (2) SUBSECTION (c).—The amendment made by  
 6           subsection (c) shall apply to estates of decedents  
 7           dying, and gifts made, after December 31, 2003.

8   **SEC. 115. UNIFIED CREDIT AGAINST ESTATE AND GIFT**  
 9                   **TAXES REPLACED WITH UNIFIED EXEMPTION**  
 10                   **AMOUNT.**

11       (a) IN GENERAL.—

12           (1) ESTATE TAX.—Subsection (b) of section  
 13           2001 of the Internal Revenue Code of 1986 (relating  
 14           to computation of tax) is amended to read as fol-  
 15           lows:

16       “(b) COMPUTATION OF TAX.—

17           “(1) IN GENERAL.—The tax imposed by this  
 18           section shall be the amount equal to the excess (if  
 19           any) of—

20                   “(A) the tentative tax determined under  
 21                   paragraph (2), over

22                   “(B) the aggregate amount of tax which  
 23                   would have been payable under chapter 12 with  
 24                   respect to gifts made by the decedent after De-  
 25                   cember 31, 1976, if the provisions of subsection

1 (c) (as in effect at the decedent's death) had  
2 been applicable at the time of such gifts.

3 “(2) TENTATIVE TAX.—For purposes of para-  
4 graph (1), the tentative tax determined under this  
5 paragraph is a tax computed under subsection (c) on  
6 the excess of—

7 “(A) the sum of—

8 “(i) the amount of the taxable estate,  
9 and

10 “(ii) the amount of the adjusted tax-  
11 able gifts, over

12 “(B) the exemption amount for the cal-  
13 endar year in which the decedent died.

14 “(3) EXEMPTION AMOUNT.—For purposes of  
15 paragraph (2), the term ‘exemption amount’ means  
16 the amount determined in accordance with the fol-  
17 lowing table:

<b>“In the case of calendar year:</b>	<b>The exemption amount is:</b>
2002 and 2003 .....	\$700,000
2004 .....	\$850,000
2005 .....	\$950,000
2006 or thereafter .....	\$1,000,000.

18 “(4) ADJUSTED TAXABLE GIFTS.—For pur-  
19 poses of paragraph (2), the term ‘adjusted taxable  
20 gifts’ means the total amount of the taxable gifts  
21 (within the meaning of section 2503) made by the  
22 decedent after December 31, 1976, other than gifts

1       which are includible in the gross estate of the dece-  
2       dent.”.

3               (2) GIFT TAX.—Subsection (a) of section 2502  
4       of such Code (relating to computation of tax) is  
5       amended to read as follows:

6       “(a) COMPUTATION OF TAX.—

7               “(1) IN GENERAL.—The tax imposed by section  
8       2501 for each calendar year shall be the amount  
9       equal to the excess (if any) of—

10              “(A) the tentative tax determined under  
11       paragraph (2), over

12              “(B) the tax paid under this section for all  
13       prior calendar periods.

14              “(2) TENTATIVE TAX.—For purposes of para-  
15       graph (1), the tentative tax determined under this  
16       paragraph for a calendar year is a tax computed  
17       under section 2001(c) on the excess of—

18              “(A) the aggregate sum of the taxable gifts  
19       for such calendar year and for each of the pre-  
20       ceding calendar periods, over

21              “(B) the exemption amount under section  
22       2001(b)(3) for such calendar year.”.

23       (b) REPEAL OF UNIFIED CREDITS.—

1           (1) Section 2010 of the Internal Revenue Code  
2           of 1986 (relating to unified credit against estate  
3           tax) is hereby repealed.

4           (2) Section 2505 of such Code (relating to uni-  
5           fied credit against gift tax) is hereby repealed.

6           (c) CONFORMING AMENDMENTS.—

7           (1)(A) Subsection (b) of section 2011 of the In-  
8           ternal Revenue Code of 1986 is amended—

9                     (i) by striking “adjusted” in the table; and

10                    (ii) by striking the last sentence.

11           (B) Subsection (f) of section 2011 of such Code  
12           is amended by striking “, reduced by the amount of  
13           the unified credit provided by section 2010”.

14           (2) Subsection (a) of section 2012 of such Code  
15           is amended by striking “and the unified credit pro-  
16           vided by section 2010”.

17           (3) Subparagraph (A) of section 2013(c)(1) of  
18           such Code is amended by striking “2010,”.

19           (4) Paragraph (2) of section 2014(b) of such  
20           Code is amended by striking “2010, 2011,” and in-  
21           serting “2011”.

22           (5) Clause (ii) of section 2056A(b)(12)(C) of  
23           such Code is amended to read as follows:

24                     “(ii) to treat any reduction in the tax  
25                     imposed by paragraph (1)(A) by reason of

1           the credit allowable under section 2010 (as  
2           in effect on the day before the date of the  
3           enactment of the Rural America Prosperity  
4           Act of 2001) or the exemption amount al-  
5           lowable under section 2001(b) with respect  
6           to the decedent as a credit under section  
7           2505 (as so in effect) or exemption under  
8           section 2521 (as the case may be) allow-  
9           able to such surviving spouse for purposes  
10          of determining the amount of the exemp-  
11          tion allowable under section 2521 with re-  
12          spect to taxable gifts made by the sur-  
13          viving spouse during the year in which the  
14          spouse becomes a citizen or any subse-  
15          quent year,”.

16           (6) Subsection (a) of section 2057 of such Code  
17          is amended by striking paragraphs (2) and (3) and  
18          inserting the following new paragraph:

19           “(2) MAXIMUM DEDUCTION.—The deduction al-  
20          lowed by this section shall not exceed the excess of  
21          \$1,300,000 over the exemption amount (as defined  
22          in section 2001(b)(3)).”.

23           (7)(A) Subsection (b) of section 2101 of such  
24          Code is amended to read as follows:

25          “(b) COMPUTATION OF TAX.—

1           “(1) IN GENERAL.—The tax imposed by this  
2           section shall be the amount equal to the excess (if  
3           any) of—

4                   “(A) the tentative tax determined under  
5           paragraph (2), over

6                   “(B) a tentative tax computed under sec-  
7           tion 2001(c) on the amount of the adjusted tax-  
8           able gifts.

9           “(2) TENTATIVE TAX.—For purposes of para-  
10          graph (1), the tentative tax determined under this  
11          paragraph is a tax computed under section 2001(c)  
12          on the excess of—

13                   “(A) the sum of—

14                           “(i) the amount of the taxable estate,  
15                           and

16                           “(ii) the amount of the adjusted tax-  
17                           able gifts, over

18                   “(B) the exemption amount for the cal-  
19          endar year in which the decedent died.

20          “(3) EXEMPTION AMOUNT.—

21                   “(A) IN GENERAL.—The term ‘exemption  
22          amount’ means \$60,000.

23                   “(B) RESIDENTS OF POSSESSIONS OF THE  
24          UNITED STATES.—In the case of a decedent  
25          who is considered to be a nonresident not a cit-

1           izen of the United States under section 2209,  
2           the exemption amount under this paragraph  
3           shall be the greater of—

4                   “(i) \$60,000, or

5                   “(ii) that proportion of \$175,000  
6           which the value of that part of the dece-  
7           dent’s gross estate which at the time of his  
8           death is situated in the United States  
9           bears to the value of his entire gross estate  
10          wherever situated.

11          “(C) SPECIAL RULES.—

12               “(i) COORDINATION WITH TREA-  
13          TIES.—To the extent required under any  
14          treaty obligation of the United States, the  
15          exemption amount allowed under this para-  
16          graph shall be equal to the amount which  
17          bears the same ratio to the exemption  
18          amount under section 2001(b)(3) (for the  
19          calendar year in which the decedent died)  
20          as the value of the part of the decedent’s  
21          gross estate which at the time of his death  
22          is situated in the United States bears to  
23          the value of his entire gross estate wher-  
24          ever situated. For purposes of the pre-  
25          ceding sentence, property shall not be

1 treated as situated in the United States if  
2 such property is exempt from the tax im-  
3 posed by this subchapter under any treaty  
4 obligation of the United States.

5 “(ii) COORDINATION WITH GIFT TAX  
6 EXEMPTION AND UNIFIED CREDIT.—If an  
7 exemption has been allowed under section  
8 2521 (or a credit has been allowed under  
9 section 2505 as in effect on the day before  
10 the date of the enactment of the Rural  
11 America Prosperity Act of 2001) with re-  
12 spect to any gift made by the decedent,  
13 each dollar amount contained in subpara-  
14 graph (A) or (B) or the exemption amount  
15 applicable under clause (i) of this subpara-  
16 graph (whichever applies) shall be reduced  
17 by the exemption so allowed under section  
18 2521 (or, in the case of such a credit, by  
19 the amount of the gift for which the credit  
20 was so allowed).”.

21 (8) Section 2102 of such Code is amended by  
22 striking subsection (c).

23 (9)(A) Subsection (a) of section 2107 of such  
24 Code is amended by adding at the end the following  
25 new paragraph:



1           “(3) LIMITATION ON EXEMPTION AMOUNT.—  
2           Subparagraphs (B) and (C) of section 2101(b)(3)  
3           shall not apply in applying section 2101 for purposes  
4           of this section.”.

5           (B) Subsection (c) of section 2107 of such Code  
6           is amended—

7                   (i) by striking paragraph (1) and by redес-  
8                   ignating paragraphs (2) and (3) as paragraphs  
9                   (1) and (2), respectively, and

10                   (ii) by striking the second sentence of  
11                   paragraph (2) (as so redesignated).

12           (10) Paragraph (1) of section 6018(a) of such  
13           Code is amended by striking “the applicable exclu-  
14           sion amount in effect under section 2010(c)” and in-  
15           serting “the exemption amount under section  
16           2001(b)(3)”.

17           (11) Subparagraph (A) of section 6601(j)(2) of  
18           such Code is amended to read as follows:

19                   “(A) the amount of the tentative tax which  
20                   would be determined under the rate schedule  
21                   set forth in section 2001(c) if the amount with  
22                   respect to which such tentative tax is to be  
23                   computed were \$1,000,000, or”.

1           (12) The table of sections for part II of sub-  
 2           chapter A of chapter 11 of such Code is amended by  
 3           striking the item relating to section 2010.

4           (13) The table of sections for subchapter A of  
 5           chapter 12 of such Code is amended by striking the  
 6           item relating to section 2505.

7           (d) EFFECTIVE DATE.—The amendments made by  
 8           this section—

9           (1) insofar as they relate to the tax imposed by  
 10          chapter 11 of the Internal Revenue Code of 1986,  
 11          shall apply to estates of decedents dying after De-  
 12          cember 31, 2001, and

13          (2) insofar as they relate to the tax imposed by  
 14          chapter 12 of such Code, shall apply to gifts made  
 15          after December 31, 2001.

16 **SEC. 116. DEEMED ALLOCATION OF GST EXEMPTION TO**  
 17 **LIFETIME TRANSFERS TO TRUSTS; RETRO-**  
 18 **ACTIVE ALLOCATIONS.**

19          (a) IN GENERAL.—Section 2632 of the Internal Rev-  
 20          enue Code of 1986 (relating to special rules for allocation  
 21          of GST exemption) is amended by redesignating sub-  
 22          section (c) as subsection (e) and by inserting after sub-  
 23          section (b) the following new subsections:

24          “(c) DEEMED ALLOCATION TO CERTAIN LIFETIME  
 25          TRANSFERS TO GST TRUSTS.—

1           “(1) IN GENERAL.—If any individual makes an  
 2           indirect skip during such individual’s lifetime, any  
 3           unused portion of such individual’s GST exemption  
 4           shall be allocated to the property transferred to the  
 5           extent necessary to make the inclusion ratio for such  
 6           property zero. If the amount of the indirect skip ex-  
 7           ceeds such unused portion, the entire unused portion  
 8           shall be allocated to the property transferred.

9           “(2) UNUSED PORTION.—For purposes of para-  
 10          graph (1), the unused portion of an individual’s  
 11          GST exemption is that portion of such exemption  
 12          which has not previously been—

13                 “(A) allocated by such individual,

14                 “(B) treated as allocated under subsection  
 15                 (b) with respect to a direct skip occurring dur-  
 16                 ing or before the calendar year in which the in-  
 17                 direct skip is made, or

18                 “(C) treated as allocated under paragraph  
 19                 (1) with respect to a prior indirect skip.

20          “(3) DEFINITIONS.—

21                 “(A) INDIRECT SKIP.—For purposes of  
 22                 this subsection, the term ‘indirect skip’ means  
 23                 any transfer of property (other than a direct  
 24                 skip) subject to the tax imposed by chapter 12  
 25                 made to a GST trust.

1           “(B) GST TRUST.—The term ‘GST trust’  
2           means a trust that could have a generation-  
3           skipping transfer with respect to the transferor  
4           unless—

5                   “(i) the trust instrument provides that  
6                   more than 25 percent of the trust corpus  
7                   must be distributed to or may be with-  
8                   drawn by one or more individuals who are  
9                   non-skip persons—

10                          “(I) before the date that the indi-  
11                          vidual attains age 46,

12                          “(II) on or before one or more  
13                          dates specified in the trust instrument  
14                          that will occur before the date that  
15                          such individual attains age 46, or

16                          “(III) upon the occurrence of an  
17                          event that, in accordance with regula-  
18                          tions prescribed by the Secretary, may  
19                          reasonably be expected to occur before  
20                          the date that such individual attains  
21                          age 46;

22                          “(ii) the trust instrument provides  
23                          that more than 25 percent of the trust cor-  
24                          pus must be distributed to or may be with-  
25                          drawn by one or more individuals who are

1 non-skip persons and who are living on the  
2 date of death of another person identified  
3 in the instrument (by name or by class)  
4 who is more than 10 years older than such  
5 individuals;

6 “(iii) the trust instrument provides  
7 that, if one or more individuals who are  
8 non-skip persons die on or before a date or  
9 event described in clause (i) or (ii), more  
10 than 25 percent of the trust corpus either  
11 must be distributed to the estate or estates  
12 of one or more of such individuals or is  
13 subject to a general power of appointment  
14 exercisable by one or more of such individ-  
15 uals;

16 “(iv) the trust is a trust any portion  
17 of which would be included in the gross es-  
18 tate of a non-skip person (other than the  
19 transferor) if such person died immediately  
20 after the transfer;

21 “(v) the trust is a charitable lead an-  
22 nuity trust (within the meaning of section  
23 2642(e)(3)(A)) or a charitable remainder  
24 annuity trust or a charitable remainder

1 unitrust (within the meaning of section  
2 664(d)); or

3 “(vi) the trust is a trust with respect  
4 to which a deduction was allowed under  
5 section 2522 for the amount of an interest  
6 in the form of the right to receive annual  
7 payments of a fixed percentage of the net  
8 fair market value of the trust property (de-  
9 termined yearly) and which is required to  
10 pay principal to a non-skip person if such  
11 person is alive when the yearly payments  
12 for which the deduction was allowed termi-  
13 nate.

14 For purposes of this subparagraph, the value of  
15 transferred property shall not be considered to  
16 be includible in the gross estate of a non-skip  
17 person or subject to a right of withdrawal by  
18 reason of such person holding a right to with-  
19 draw so much of such property as does not ex-  
20 ceed the amount referred to in section 2503(b)  
21 with respect to any transferor, and it shall be  
22 assumed that powers of appointment held by  
23 non-skip persons will not be exercised.

24 “(4) AUTOMATIC ALLOCATIONS TO CERTAIN  
25 GST TRUSTS.—For purposes of this subsection, an

indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

“(5) APPLICABILITY AND EFFECT.—

“(A) IN GENERAL.—An individual—

“(i) may elect to have this subsection not apply to—

“(I) an indirect skip, or

“(II) any or all transfers made by such individual to a particular trust, and

“(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

“(B) ELECTIONS.—

“(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been

1           made pursuant to paragraph (4) or on  
 2           such later date or dates as may be pre-  
 3           scribed by the Secretary.

4           “(ii) OTHER ELECTIONS.—An election  
 5           under clause (i)(II) or (ii) of subparagraph  
 6           (A) may be made on a timely filed gift tax  
 7           return for the calendar year for which the  
 8           election is to become effective.

9           “(d) RETROACTIVE ALLOCATIONS.—

10           “(1) IN GENERAL.—If—

11           “(A) a non-skip person has an interest or  
 12           a future interest in a trust to which any trans-  
 13           fer has been made,

14           “(B) such person—

15           “(i) is a lineal descendant of a grand-  
 16           parent of the transferor or of a grand-  
 17           parent of the transferor’s spouse or former  
 18           spouse, and

19           “(ii) is assigned to a generation below  
 20           the generation assignment of the trans-  
 21           feror, and

22           “(C) such person predeceases the trans-  
 23           feror,

24           then the transferor may make an allocation of any  
 25           of such transferor’s unused GST exemption to any



1 previous transfer or transfers to the trust on a  
2 chronological basis.

3 “(2) SPECIAL RULES.—If the allocation under  
4 paragraph (1) by the transferor is made on a gift  
5 tax return filed on or before the date prescribed by  
6 section 6075(b) for gifts made within the calendar  
7 year within which the non-skip person’s death  
8 occurred—

9 “(A) the value of such transfer or trans-  
10 fers for purposes of section 2642(a) shall be de-  
11 termined as if such allocation had been made  
12 on a timely filed gift tax return for each cal-  
13 endar year within which each transfer was  
14 made,

15 “(B) such allocation shall be effective im-  
16 mediately before such death, and

17 “(C) the amount of the transferor’s unused  
18 GST exemption available to be allocated shall  
19 be determined immediately before such death.

20 “(3) FUTURE INTEREST.—For purposes of this  
21 subsection, a person has a future interest in a trust  
22 if the trust may permit income or corpus to be paid  
23 to such person on a date or dates in the future.”.

24 (b) CONFORMING AMENDMENT.—Paragraph (2) of  
25 section 2632(b) of the Internal Revenue Code of 1986 is

1 amended by striking “with respect to a direct skip” and  
2 inserting “or subsection (c)(1)”.

3 (c) EFFECTIVE DATES.—

4 (1) DEEMED ALLOCATION.—Section 2632(c) of  
5 the Internal Revenue Code of 1986 (as added by  
6 subsection (a)), and the amendment made by sub-  
7 section (b), shall apply to transfers subject to chap-  
8 ter 11 or 12 made after December 31, 2000, and to  
9 estate tax inclusion periods ending after December  
10 31, 2000.

11 (2) RETROACTIVE ALLOCATIONS.—Section  
12 2632(d) of the Internal Revenue Code of 1986 (as  
13 added by subsection (a)) shall apply to deaths of  
14 non-skip persons occurring after December 31,  
15 2000.

16 **SEC. 117. SEVERING OF TRUSTS.**

17 (a) IN GENERAL.—Subsection (a) of section 2642 of  
18 the Internal Revenue Code of 1986 (relating to inclusion  
19 ratio) is amended by adding at the end the following new  
20 paragraph:

21 “(3) SEVERING OF TRUSTS.—

22 “(A) IN GENERAL.—If a trust is severed in  
23 a qualified severance, the trusts resulting from  
24 such severance shall be treated as separate  
25 trusts thereafter for purposes of this chapter.

1           “(B) QUALIFIED SEVERANCE.—For pur-  
2           poses of subparagraph (A)—

3                   “(i) IN GENERAL.—The term ‘quali-  
4                   fied severance’ means the division of a sin-  
5                   gle trust and the creation (by any means  
6                   available under the governing instrument  
7                   or under local law) of two or more trusts  
8                   if—

9                           “(I) the single trust was divided  
10                           on a fractional basis, and

11                           “(II) the terms of the new trusts,  
12                           in the aggregate, provide for the same  
13                           succession of interests of beneficiaries  
14                           as are provided in the original trust.

15                   “(ii) TRUSTS WITH INCLUSION RATIO  
16                   GREATER THAN ZERO.—If a trust has an  
17                   inclusion ratio of greater than zero and  
18                   less than 1, a severance is a qualified sev-  
19                   erance only if the single trust is divided  
20                   into two trusts, one of which receives a  
21                   fractional share of the total value of all  
22                   trust assets equal to the applicable fraction  
23                   of the single trust immediately before the  
24                   severance. In such case, the trust receiving  
25                   such fractional share shall have an inclu-

1                   sion ratio of zero and the other trust shall  
2                   have an inclusion ratio of 1.

3                   “(iii)     REGULATIONS.—The     term  
4                   ‘qualified severance’ includes any other  
5                   severance permitted under regulations pre-  
6                   scribed by the Secretary.

7                   “(C)     TIMING     AND     MANNER     OF  
8                   SEVERANCES.—A severance pursuant to this  
9                   paragraph may be made at any time. The Sec-  
10                  retary shall prescribe by forms or regulations  
11                  the manner in which the qualified severance  
12                  shall be reported to the Secretary.”.

13               (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to severances after December 31,  
15 2000.

16 **SEC. 118. MODIFICATION OF CERTAIN VALUATION RULES.**

17               (a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR  
18 DEEMED ALLOCATION MADE.—Paragraph (1) of section  
19 2642(b) of the Internal Revenue Code of 1986 (relating  
20 to valuation rules, etc.) is amended to read as follows:

21               “(1) GIFTS FOR WHICH GIFT TAX RETURN  
22 FILED OR DEEMED ALLOCATION MADE.—If the allo-  
23 cation of the GST exemption to any transfers of  
24 property is made on a gift tax return filed on or be-  
25 fore the date prescribed by section 6075(b) for such

1 transfer or is deemed to be made under section 2632  
 2 (b)(1) or (c)(1)—

3 “(A) the value of such property for pur-  
 4 poses of subsection (a) shall be its value as fi-  
 5 nally determined for purposes of chapter 12  
 6 (within the meaning of section 2001(f)(2)), or,  
 7 in the case of an allocation deemed to have been  
 8 made at the close of an estate tax inclusion pe-  
 9 riod, its value at the time of the close of the es-  
 10 tate tax inclusion period, and

11 “(B) such allocation shall be effective on  
 12 and after the date of such transfer, or, in the  
 13 case of an allocation deemed to have been made  
 14 at the close of an estate tax inclusion period, on  
 15 and after the close of such estate tax inclusion  
 16 period.”.

17 (b) TRANSFERS AT DEATH.—Subparagraph (A) of  
 18 section 2642(b)(2) of the Internal Revenue Code of 1986  
 19 is amended to read as follows:

20 “(A) TRANSFERS AT DEATH.—If property  
 21 is transferred as a result of the death of the  
 22 transferor, the value of such property for pur-  
 23 poses of subsection (a) shall be its value as fi-  
 24 nally determined for purposes of chapter 11; ex-  
 25 cept that, if the requirements prescribed by the

1 Secretary respecting allocation of post-death  
 2 changes in value are not met, the value of such  
 3 property shall be determined as of the time of  
 4 the distribution concerned.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to transfers subject to chapter 11  
 7 or 12 of the Internal Revenue Code of 1986 made after  
 8 December 31, 2000.

9 **SEC. 119. RELIEF PROVISIONS.**

10 (a) IN GENERAL.—Section 2642 of the Internal Rev-  
 11 enue Code of 1986 is amended by adding at the end the  
 12 following new subsection:

13 “(g) RELIEF PROVISIONS.—

14 “(1) RELIEF FROM LATE ELECTIONS.—

15 “(A) IN GENERAL.—The Secretary shall by  
 16 regulation prescribe such circumstances and  
 17 procedures under which extensions of time will  
 18 be granted to make—

19 “(i) an allocation of GST exemption  
 20 described in paragraph (1) or (2) of sub-  
 21 section (b), and

22 “(ii) an election under subsection  
 23 (b)(3) or (c)(5) of section 2632.

24 Such regulations shall include procedures for  
 25 requesting comparable relief with respect to

transfers made before the date of the enactment of this paragraph.

“(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

“(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor’s unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.”.

1 (b) EFFECTIVE DATES.—

2 (1) RELIEF FROM LATE ELECTIONS.—Section  
3 2642(g)(1) of the Internal Revenue Code of 1986  
4 (as added by subsection (a)) shall apply to requests  
5 pending on, or filed after, December 31, 2000.

6 (2) SUBSTANTIAL COMPLIANCE.—Section  
7 2642(g)(2) of such Code (as so added) shall apply  
8 to transfers subject to chapter 11 or 12 of the Inter-  
9 nal Revenue Code of 1986 made after December 31,  
10 2000. No implication is intended with respect to the  
11 availability of relief from late elections or the appli-  
12 cation of a rule of substantial compliance on or be-  
13 fore such date.

14 **SEC. 120. EXPANSION OF ESTATE TAX RULE FOR CON-**  
15 **SERVATION EASEMENTS.**

16 (a) WHERE LAND IS LOCATED.—

17 (1) IN GENERAL.—Clause (i) of section  
18 2031(c)(8)(A) of the Internal Revenue Code of 1986  
19 (defining land subject to a conservation easement) is  
20 amended—

21 (A) by striking “25 miles” both places it  
22 appears and inserting “50 miles”; and

23 (B) striking “10 miles” and inserting “25  
24 miles”.



1           (2) EFFECTIVE DATE.—The amendments made  
2       by this subsection shall apply to estates of decedents  
3       dying after December 31, 2000.

4           (b) CLARIFICATION OF DATE FOR DETERMINING  
5       VALUE OF LAND AND EASEMENT.—

6           (1) IN GENERAL.—Section 2031(c)(2) of the  
7       Internal Revenue Code of 1986 (defining applicable  
8       percentage) is amended by adding at the end the fol-  
9       lowing new sentence: “The values taken into account  
10      under the preceding sentence shall be such values as  
11      of the date of the contribution referred to in para-  
12      graph (8)(B).”.

13          (2) EFFECTIVE DATE.—The amendment made  
14      by this subsection shall apply to estates of decedents  
15      dying after December 31, 1997.

16       **TITLE II—STUDY OF COSTS OF**  
17       **REGULATIONS ON FARMERS,**  
18       **RANCHERS, AND FORESTERS**

19       **SEC. 201. DEFINITIONS.**

20       In this title:

21          (1) REGULATION.—

22               (A) IN GENERAL.—The term “regulation”  
23               means the whole or a part of an agency state-  
24               ment of general or particular applicability and

1 future effect designed to implement, interpret,  
2 or prescribe law or policy.

3 (B) EXCLUSION.—The term “regulation”  
4 does not include—

5 (i) the approval or prescription, on a  
6 case-by-case or consolidated case basis, for  
7 the future of rates, wages, corporations, or  
8 financial structures or reorganizations  
9 thereof, prices, facilities, appliances, serv-  
10 ices or allowances therefor, or of valu-  
11 ations, costs, or accounting, or practices  
12 bearing on activities described in this  
13 clause; or

14 (ii) the granting of an application for  
15 a license, registration, or similar authority,  
16 granting or recognizing an exemption,  
17 granting a variance or petition for relief  
18 from a regulatory requirement, or other  
19 action relieving a restriction or taking any  
20 action necessary to permit new or im-  
21 proved applications of technology.

22 (2) LICENSE.—The term “license” means the  
23 whole or part of an agency permit, certificate, ap-  
24 proval, registration, charter, membership, statutory  
25 exemption, or other form of permission.

1 **SEC. 202. COMPTROLLER GENERAL STUDY OF REGULA-**  
2 **TIONS.**

3 (a) DATA REVIEW AND COLLECTION.—The Comp-  
4 troller General of the United States shall—

5 (1) conduct a review of existing Federal and  
6 non-Federal studies and data regarding the cost to  
7 farmers, ranchers, and foresters of complying with  
8 existing or proposed Federal regulations directly af-  
9 fecting farmers, ranchers, and foresters; and

10 (2) as necessary, obtain and analyze new data  
11 concerning the costs to farmers, ranchers, and for-  
12 esters of complying with Federal regulations pro-  
13 posed as of June 30, 2000, directly affecting farm-  
14 ers, ranchers, and foresters.

15 (b) USE OF DATA.—Using the studies and data re-  
16 viewed and collected under subsection (a), the Comptroller  
17 General shall—

18 (1) assess the overall costs to farmers, ranch-  
19 ers, and foresters of complying with existing and  
20 proposed Federal regulations directly affecting farm-  
21 ers, ranchers, and foresters; and

22 (2) identify and recommend reasonable alter-  
23 natives to those regulations that will achieve the ob-  
24 jectives of the regulations at less cost to farmers,  
25 ranchers, and foresters.

1 (c) SUBMISSION OF RESULTS.—Not later than June  
2 30, 2001, the Comptroller General shall submit to the Sec-  
3 retary of Agriculture, the Committee on Agriculture, Nu-  
4 trition, and Forestry of the Senate, and the Committee  
5 on Agriculture of the House of Representatives the results  
6 of the assessment conducted under subsection (b)(1) and  
7 the recommendations prepared under subsection (b)(2).

8 **SEC. 203. RESPONSE OF SECRETARY OF AGRICULTURE.**

9 Not later than September 30, 2001, the Secretary of  
10 Agriculture shall submit to the Committee on Agriculture,  
11 Nutrition, and Forestry of the Senate, and the Committee  
12 on Agriculture of the House of Representatives a report  
13 responding to the recommendations of the Comptroller  
14 General under section 202 regarding reasonable alter-  
15 natives that could achieve the objectives of Federal regula-  
16 tions at less cost to farmers, ranchers, and foresters.

17 **TITLE III—EXTENSION OF**  
18 **TRADE AUTHORITIES PROCE-**  
19 **DURES FOR RECIPROCAL**  
20 **TRADE AGREEMENTS**

21 **SEC. 301. SHORT TITLE.**

22 This title may be cited as the “Reciprocal Trade  
23 Agreement Authorities Act of 2001”.

1 **SEC. 302. TRADE NEGOTIATING OBJECTIVES.**

2 (a) OVERALL TRADE NEGOTIATING OBJECTIVES.—

3 The overall trade negotiating objectives of the United  
4 States for agreements subject to the provisions of section  
5 303 are—

6 (1) to obtain more open, equitable, and recip-  
7 rocal market access;

8 (2) to obtain the reduction or elimination of  
9 barriers and distortions that are directly related to  
10 trade and that decrease market opportunities for  
11 United States exports or otherwise distort United  
12 States trade;

13 (3) to further strengthen the system of inter-  
14 national trading disciplines and procedures, includ-  
15 ing dispute settlement; and

16 (4) to foster economic growth, raise living  
17 standards, and promote full employment in the  
18 United States and to enhance the global economy.

19 (b) PRINCIPAL TRADE NEGOTIATING OBJECTIVES.—

20 (1) TRADE BARRIERS AND DISTORTIONS.—The  
21 principal negotiating objectives of the United States  
22 regarding trade barriers and other trade distortions  
23 are—

24 (A) to expand competitive market opportu-  
25 nities for United States exports and to obtain  
26 fairer and more open conditions of trade by re-

1           ducing or eliminating tariff and nontariff bar-  
2           riers and policies and practices of foreign gov-  
3           ernments directly related to trade that decrease  
4           market opportunities for United States exports  
5           or otherwise distort United States trade; and

6                   (B) to obtain reciprocal tariff and non-  
7           tariff barrier elimination agreements, with par-  
8           ticular attention to those tariff categories cov-  
9           ered in section 111(b) of the Uruguay Round  
10          Agreements Act (19 U.S.C. 3521(b)).

11          (2) TRADE IN SERVICES.—The principal negoti-  
12         ating objective of the United States regarding trade  
13         in services is to reduce or eliminate barriers to inter-  
14         national trade in services, including regulatory and  
15         other barriers that deny national treatment or un-  
16         reasonably restrict the establishment or operations  
17         of service suppliers.

18          (3) FOREIGN INVESTMENT.—The principal ne-  
19         gotiating objective of the United States regarding  
20         foreign investment is to reduce or eliminate artificial  
21         or trade-distorting barriers to trade-related foreign  
22         investment by—

23                   (A) reducing or eliminating exceptions to  
24           the principle of national treatment;

1 (B) freeing the transfer of funds relating  
2 to investments;

3 (C) reducing or eliminating performance  
4 requirements and other unreasonable barriers  
5 to the establishment and operation of invest-  
6 ments;

7 (D) seeking to establish standards for ex-  
8 propriation and compensation for expropriation,  
9 consistent with United States legal principles  
10 and practice; and

11 (E) providing meaningful procedures for  
12 resolving investment disputes.

13 (4) INTELLECTUAL PROPERTY.—The principal  
14 negotiating objectives of the United States regarding  
15 trade-related intellectual property are—

16 (A) to further promote adequate and effec-  
17 tive protection of intellectual property rights,  
18 including through—

19 (i)(I) ensuring accelerated and full  
20 implementation of the Agreement on  
21 Trade-Related Aspects of Intellectual  
22 Property Rights referred to in section  
23 101(d)(15) of the Uruguay Round Agree-  
24 ments Act (19 U.S.C. 3511(d)(15)), par-  
25 ticularly with respect to United States in-

dustries whose products are subject to the lengthiest transition periods for full compliance by developing countries with that Agreement, and

(II) ensuring that the provisions of any multilateral or bilateral trade agreement entered into by the United States provide protection at least as strong as the protection afforded by chapter 17 of the North American Free Trade Agreement and the annexes thereto;

(ii) providing strong protection for new and emerging technologies and new methods of transmitting and distributing products embodying intellectual property;

(iii) preventing or eliminating discrimination with respect to matters affecting the availability, acquisition, scope, maintenance, use, and enforcement of intellectual property rights; and

(iv) providing strong enforcement of intellectual property rights, including through accessible, expeditious, and effective civil, administrative, and criminal enforcement mechanisms; and



1 (B) to secure fair, equitable, and non-  
2 discriminatory market access opportunities for  
3 United States persons that rely upon intellec-  
4 tual property protection.

5 (5) TRANSPARENCY.—The principal negotiating  
6 objective of the United States with respect to trans-  
7 parency is to obtain broader application of the prin-  
8 ciple of transparency through—

9 (A) increased and more timely public ac-  
10 cess to information regarding trade issues and  
11 the activities of international trade institutions;  
12 and

13 (B) increased openness of dispute settle-  
14 ment proceedings, including under the World  
15 Trade Organization.

16 (6) RECIPROCAL TRADE IN AGRICULTURE.—  
17 The principal negotiating objective of the United  
18 States with respect to agriculture is to obtain com-  
19 petitive opportunities for United States exports in  
20 foreign markets substantially equivalent to the com-  
21 petitive opportunities afforded foreign exports in  
22 United States markets and to achieve fairer and  
23 more open conditions of trade in bulk and value-  
24 added commodities by—

1 (A) reducing or eliminating, by a date cer-  
2 tain, tariffs or other charges that decrease mar-  
3 ket opportunities for United States exports—

4 (i) giving priority to those products  
5 that are subject to significantly higher tar-  
6 iffs or subsidy regimes of major producing  
7 countries; and

8 (ii) providing reasonable adjustment  
9 periods for United States import-sensitive  
10 products, in close consultation with the  
11 Congress on such products before initiating  
12 tariff reduction negotiations;

13 (B) reducing or eliminating subsidies that  
14 decrease market opportunities for United States  
15 exports or unfairly distort agriculture markets  
16 to the detriment of the United States;

17 (C) developing, strengthening, and clari-  
18 fying rules and effective dispute settlement  
19 mechanisms to eliminate practices that unfairly  
20 decrease United States market access opportu-  
21 nities or distort agricultural markets to the det-  
22 riment of the United States, including—

23 (i) unfair or trade-distorting activities  
24 of export state trading enterprises and  
25 other administrative mechanisms, with em-

1 phasis on requiring price transparency in  
2 the operation of export state trading enter-  
3 prises and such other mechanisms;

4 (ii) unjustified trade restrictions or  
5 commercial requirements affecting new  
6 technologies, including biotechnology;

7 (iii) unjustified sanitary or  
8 phytosanitary restrictions, including those  
9 not based on scientific principles in con-  
10 travention of the Uruguay Round Agree-  
11 ments;

12 (iv) other unjustified technical bar-  
13 riers to trade; and

14 (v) restrictive rules in the administra-  
15 tion of tariff rate quotas;

16 (D) improving import relief mechanisms to  
17 recognize the unique characteristics of perish-  
18 able agriculture;

19 (E) taking into account whether a party to  
20 the negotiations has failed to adhere to the pro-  
21 visions of already existing trade agreements  
22 with the United States or has circumvented ob-  
23 ligations under those agreements;

24 (F) taking into account whether a product  
25 is subject to market distortions by reason of a

1 failure of a major producing country to adhere  
2 to the provisions of already existing trade  
3 agreements with the United States or by the  
4 circumvention by that country of its obligations  
5 under those agreements; and

6 (G) otherwise ensuring that countries that  
7 accede to the World Trade Organization have  
8 made meaningful market liberalization commit-  
9 ments in agriculture.

10 (7) LABOR, THE ENVIRONMENT, AND OTHER  
11 MATTERS.—The principal negotiating objective of  
12 the United States regarding labor, the environment,  
13 and other matters is to address the following aspects  
14 of foreign government policies and practices regard-  
15 ing labor, the environment, and other matters that  
16 are directly related to trade:

17 (A) To ensure that foreign labor, environ-  
18 mental, health, or safety policies and practices  
19 do not arbitrarily or unjustifiably discriminate  
20 or serve as disguised barriers to trade.

21 (B) To ensure that foreign governments do  
22 not derogate from or waive existing domestic  
23 environmental, health, safety, or labor meas-  
24 ures, including measures that deter exploitative  
25 child labor, as an encouragement to gain com-

petitive advantage in international trade or investment. Nothing in this subparagraph is intended to address changes to a country's laws that are consistent with sound macroeconomic development.

(8) WTO EXTENDED NEGOTIATIONS.—The principal negotiating objectives of the United States regarding trade in financial services are those set forth in section 135(a) of the Uruguay Round Agreements Act (19 U.S.C. 3555(a)), regarding trade in civil aircraft are those set forth in section 135(c) of that Act, and regarding rules of origin are the conclusion of an agreement described in section 132 of that Act (19 U.S.C. 3552).

(c) INTERNATIONAL ECONOMIC POLICY OBJECTIVES.—

(1) IN GENERAL.—The President should take into account the relationship between trade agreements and other important priorities of the United States and seek to ensure that the trade agreements entered into by the United States complement and reinforce other policy goals. The United States priorities in this area include—

(A) seeking to ensure that trade and environmental policies are mutually supportive;

1 (B) seeking to protect and preserve the en-  
2 vironment and enhance the international means  
3 for doing so, while optimizing the use of the  
4 world's resources;

5 (C) promoting respect for worker rights  
6 and the rights of children and an understanding  
7 of the relationship between trade and worker  
8 rights, particularly by working with the Inter-  
9 national Labor Organization to encourage the  
10 observance and enforcement of core labor  
11 standards, including the prohibition on exploita-  
12 tive child labor; and

13 (D) supplementing and strengthening  
14 standards for protection of intellectual property  
15 under conventions administered by international  
16 organizations other than the World Trade Or-  
17 ganization, expanding these conventions to  
18 cover new and emerging technologies, and elimi-  
19 nating discrimination and unreasonable excep-  
20 tions or preconditions to such protection.

21 (2) APPLICABILITY OF TRADE AUTHORITIES  
22 PROCEDURES.—Nothing in this subsection shall be  
23 construed to authorize the use of the trade authori-  
24 ties procedures described in section 303 to modify  
25 United States law.

1 (d) GUIDANCE FOR NEGOTIATORS.—

2 (1) DOMESTIC OBJECTIVES.—In pursuing the  
3 negotiating objectives described in subsection (b),  
4 the negotiators on behalf of the United States shall  
5 take into account United States domestic objectives,  
6 including the protection of health and safety, essen-  
7 tial security, environmental, consumer, and employ-  
8 ment opportunity interests, and the law and regula-  
9 tions related thereto.

10 (2) CONSULTATIONS WITH CONGRESSIONAL AD-  
11 VISERS AND ENFORCEMENT OF THE TRADE LAWS.—

12 In the course of negotiations conducted under this  
13 title, the United States Trade Representative shall—

14 (A) consult closely and on a timely basis  
15 with, and keep fully apprised of the negotia-  
16 tions, the congressional advisers on trade policy  
17 and negotiations appointed under section 161 of  
18 the Trade Act of 1974; and

19 (B) preserve the ability of the United  
20 States to enforce rigorously its trade laws, in-  
21 cluding the antidumping and countervailing  
22 duty laws, and avoid agreements which lessen  
23 the effectiveness of domestic and international  
24 disciplines on unfair trade, especially dumping  
25 and subsidies, in order to ensure that United

1           States workers, agricultural producers, and  
 2           firms can compete fully on fair terms and enjoy  
 3           the benefits of reciprocal trade concessions.

4           (e) ADHERENCE TO OBLIGATIONS UNDER URUGUAY  
 5 ROUND AGREEMENTS.—In determining whether to enter  
 6 into negotiations with a particular country, the President  
 7 shall take into account the extent to which that country  
 8 has implemented, or has accelerated the implementation  
 9 of, its obligations under the Uruguay Round Agreements.

10 **SEC. 303. TRADE AGREEMENTS AUTHORITY.**

11           (a) AGREEMENTS REGARDING TARIFF BARRIERS.—

12               (1) IN GENERAL.—Whenever the President de-  
 13 termines that one or more existing duties or other  
 14 import restrictions of any foreign country or the  
 15 United States are unduly burdening and restricting  
 16 the foreign trade of the United States and that the  
 17 purposes, policies, and objectives of this title will be  
 18 promoted thereby, the President—

19                       (A) may enter into trade agreements with  
 20 foreign countries before—

21                               (i) October 1, 2003, or

22                               (ii) October 1, 2007, if trade authori-  
 23 ties procedures are extended under sub-  
 24 section (c), and



1 (B) may, subject to paragraphs (2) and  
2 (3), proclaim—

3 (i) such modification or continuance  
4 of any existing duty,

5 (ii) such continuance of existing duty-  
6 free or excise treatment, or

7 (iii) such additional duties,

8 as the President determines to be required or  
9 appropriate to carry out any such trade agree-  
10 ment. The President shall notify the Congress  
11 of the President's intention to enter into an  
12 agreement under this subsection.

13 (2) LIMITATIONS.—No proclamation may be  
14 made under paragraph (1) that—

15 (A) reduces any rate of duty (other than a  
16 rate of duty that does not exceed 5 percent ad  
17 valorem on the date of the enactment of this  
18 Act) to a rate of duty which is less than 50 per-  
19 cent of the rate of such duty that applies on  
20 such date of enactment;

21 (B) reduces the rate of duty on an article  
22 to take effect on a date that is more than 10  
23 years after the first reduction that is pro-  
24 claimed to carry out a trade agreement with re-  
25 spect to such article; or

1 (C) increases any rate of duty above the  
2 rate that applied on January 1, 2001.

3 (3) AGGREGATE REDUCTION; EXEMPTION FROM  
4 STAGING.—

5 (A) AGGREGATE REDUCTION.—Except as  
6 provided in subparagraph (B), the aggregate re-  
7 duction in the rate of duty on any article which  
8 is in effect on any day pursuant to a trade  
9 agreement entered into under paragraph (1)  
10 shall not exceed the aggregate reduction which  
11 would have been in effect on such day if—

12 (i) a reduction of 3 percent ad valo-  
13 rem or a reduction of one-tenth of the total  
14 reduction, whichever is greater, had taken  
15 effect on the effective date of the first re-  
16 duction proclaimed under paragraph (1) to  
17 carry out such agreement with respect to  
18 such article; and

19 (ii) a reduction equal to the amount  
20 applicable under clause (i) had taken effect  
21 at 1-year intervals after the effective date  
22 of such first reduction.

23 (B) EXEMPTION FROM STAGING.—No  
24 staging is required under subparagraph (A)  
25 with respect to a duty reduction that is pro-

1           claimed under paragraph (1) for an article of a  
2           kind that is not produced in the United States.  
3           The United States International Trade Com-  
4           mission shall advise the President of the iden-  
5           tity of articles that may be exempted from stag-  
6           ing under this subparagraph.

7           (4) ROUNDING.—If the President determines  
8           that such action will simplify the computation of re-  
9           ductions under paragraph (3), the President may  
10          round an annual reduction by an amount equal to  
11          the lesser of—

12                   (A) the difference between the reduction  
13                   without regard to this paragraph and the next  
14                   lower whole number; or

15                   (B) one-half of 1 percent ad valorem.

16          (5) OTHER LIMITATIONS.—A rate of duty re-  
17          duction that may not be proclaimed by reason of  
18          paragraph (2) may take effect only if a provision au-  
19          thorizing such reduction is included within an imple-  
20          menting bill provided for under section 305 and that  
21          bill is enacted into law.

22          (6) OTHER TARIFF MODIFICATIONS.—Notwith-  
23          standing paragraphs (1)(B) and (2) through (5),  
24          and subject to the consultation and layover require-  
25          ments of section 115 of the Uruguay Round Agree-

ments Act, the President may proclaim the modification of any duty or staged rate reduction of any duty set forth in Schedule XX, as defined in section 2(5) of that Act, if the United States agrees to such modification or staged rate reduction in a negotiation for the reciprocal elimination or harmonization of duties under the auspices of the World Trade Organization or as part of an interim agreement leading to the formation of a regional free-trade area.

(7) AUTHORITY UNDER URUGUAY ROUND AGREEMENTS ACT NOT AFFECTED.—Nothing in this subsection shall limit the authority provided to the President under section 111(b) of the Uruguay Round Agreements Act (19 U.S.C. 3521(b)).

(b) AGREEMENTS REGARDING TARIFF AND NON-TARIFF BARRIERS.—

(1) IN GENERAL.—(A) Whenever the President determines that—

(i) one or more existing duties or any other import restriction of any foreign country or the United States or any other barrier to, or other distortion of, international trade unduly burdens or restricts the foreign trade of the United States or adversely affects the United States economy, or

1           (ii) the imposition of any such barrier or  
2           distortion is likely to result in such a burden,  
3           restriction, or effect,  
4           and that the purposes, policies, and objectives of this  
5           title will be promoted thereby, the President may  
6           enter into a trade agreement described in subpara-  
7           graph (B) during the period described in subpara-  
8           graph (C).

9           (B) The President may enter into a trade  
10          agreement under subparagraph (A) with foreign  
11          countries providing for—

12               (i) the reduction or elimination of a duty,  
13               restriction, barrier, or other distortion described  
14               in subparagraph (A), or

15               (ii) the prohibition of, or limitation on the  
16               imposition of, such barrier or other distortion.

17          (C) The President may enter into a trade  
18          agreement under this paragraph before—

19               (i) October 1, 2003, or

20               (ii) October 1, 2007, if trade authorities  
21               procedures are extended under subsection (c).

22          (2) CONDITIONS.—A trade agreement may be  
23          entered into under this subsection only if such  
24          agreement makes progress in meeting the applicable

1 objectives described in section 302 and the President  
2 satisfies the conditions set forth in section 304.

3 (3) BILLS QUALIFYING FOR TRADE AUTHORI-  
4 TIES PROCEDURES.—The provisions of section 151  
5 of the Trade Act of 1974 (in this title referred to  
6 as “trade authorities procedures”) apply to a bill of  
7 either House of Congress consisting only of—

8 (A) a provision approving a trade agree-  
9 ment entered into under this subsection and ap-  
10 proving the statement of administrative action,  
11 if any, proposed to implement such trade agree-  
12 ment,

13 (B) provisions directly related to the prin-  
14 cipal trade negotiating objectives set forth in  
15 section 302(b) achieved in such trade agree-  
16 ment, if those provisions are necessary for the  
17 operation or implementation of United States  
18 rights or obligations under such trade agree-  
19 ment,

20 (C) provisions that define and clarify, or  
21 provisions that are related to, the operation or  
22 effect of the provisions of the trade agreement,

23 (D) provisions to provide adjustment as-  
24 sistance to workers and firms adversely affected  
25 by trade, and

1           (E) provisions necessary for purposes of  
2           complying with section 252 of the Balanced  
3           Budget and Emergency Deficit Control Act of  
4           1985 in implementing the trade agreement,  
5           to the same extent as such section 151 applies to  
6           implementing bills under that section. A bill to  
7           which this subparagraph applies shall hereafter in  
8           this title be referred to as an “implementing bill”.

9           (c) EXTENSION DISAPPROVAL PROCESS FOR CON-  
10          GRESSIONAL TRADE AUTHORITIES PROCEDURES.—

11           (1) IN GENERAL.—Except as provided in sec-  
12          tion 305(b)—

13           (A) the trade authorities procedures apply  
14           to implementing bills submitted with respect to  
15           trade agreements entered into under subsection  
16           (b) before October 1, 2003; and

17           (B) the trade authorities procedures shall  
18           be extended to implementing bills submitted  
19           with respect to trade agreements entered into  
20           under subsection (b) after September 30, 2003,  
21           and before October 1, 2007, if (and only if)—

22           (i) the President requests such exten-  
23           sion under paragraph (2); and

24           (ii) neither House of the Congress  
25           adopts an extension disapproval resolution

1 under paragraph (5) before October 1,  
2 2003.

3 (2) REPORT TO CONGRESS BY THE PRESI-  
4 DENT.—If the President is of the opinion that the  
5 trade authorities procedures should be extended to  
6 implementing bills described in paragraph (1)(B),  
7 the President shall submit to the Congress, not later  
8 than July 1, 2003, a written report that contains a  
9 request for such extension, together with—

10 (A) a description of all trade agreements  
11 that have been negotiated under subsection (b)  
12 and the anticipated schedule for submitting  
13 such agreements to the Congress for approval;

14 (B) a description of the progress that has  
15 been made in negotiations to achieve the pur-  
16 poses, policies, and objectives of this title, and  
17 a statement that such progress justifies the  
18 continuation of negotiations; and

19 (C) a statement of the reasons why the ex-  
20 tension is needed to complete the negotiations.

21 (3) REPORT TO CONGRESS BY THE ADVISORY  
22 COMMITTEE.—The President shall promptly inform  
23 the Advisory Committee for Trade Policy and Nego-  
24 tiations established under section 135 of the Trade  
25 Act of 1974 (19 U.S.C. 2155) of the President's de-



1 cision to submit a report to the Congress under  
2 paragraph (2). The Advisory Committee shall submit  
3 to the Congress as soon as practicable, but not later  
4 than August 1, 2003, a written report that  
5 contains—

6 (A) its views regarding the progress that  
7 has been made in negotiations to achieve the  
8 purposes, policies, and objectives of this title;  
9 and

10 (B) a statement of its views, and the rea-  
11 sons therefor, regarding whether the extension  
12 requested under paragraph (2) should be ap-  
13 proved or disapproved.

14 (4) REPORTS MAY BE CLASSIFIED.—The re-  
15 ports submitted to the Congress under paragraphs  
16 (2) and (3), or any portion of such reports, may be  
17 classified to the extent the President determines ap-  
18 propriate.

19 (5) EXTENSION DISAPPROVAL RESOLUTIONS.—

20 (A) For purposes of paragraph (1), the term “exten-  
21 sion disapproval resolution” means a resolution of  
22 either House of the Congress, the sole matter after  
23 the resolving clause of which is as follows: “That the  
24 \_\_\_\_\_ disapproves the request of the President for  
25 the extension, under section 303(c)(1)(B)(i) of the

1 Reciprocal Trade Agreement Authorities Act of  
2 2001, of the provisions of section 151 of the Trade  
3 Act of 1974 to any implementing bill submitted with  
4 respect to any trade agreement entered into under  
5 section 303(b) of the Reciprocal Trade Agreement  
6 Authorities Act of 2001 after September 30, 2003.”,  
7 with the blank space being filled with the name of  
8 the resolving House of the Congress.

9 (B) Extension disapproval resolutions—

10 (i) may be introduced in either House of  
11 the Congress by any member of such House;  
12 and

13 (ii) shall be referred, in the House of Rep-  
14 resentatives, to the Committee on Ways and  
15 Means and, in addition, to the Committee on  
16 Rules.

17 (C) The provisions of sections 152(d) and (e) of  
18 the Trade Act of 1974 (19 U.S.C. 2192(d) and (e))  
19 (relating to the floor consideration of certain resolu-  
20 tions in the House and Senate) apply to extension  
21 disapproval resolutions.

22 (D) It is not in order for—

23 (i) the Senate to consider any extension  
24 disapproval resolution not reported by the Com-  
25 mittee on Finance;

(ii) the House of Representatives to consider any extension disapproval resolution not reported by the Committee on Ways and Means and, in addition, by the Committee on Rules; or

(iii) either House of the Congress to consider an extension disapproval resolution after September 30, 2003.

**SEC. 304. CONSULTATIONS.**

(a) NOTICE AND CONSULTATION BEFORE NEGOTIATION.—

(1) IN GENERAL.—The President, with respect to any agreement that is subject to the provisions of section 303(b), shall—

(A) provide, at least 90 calendar days before initiating negotiations, written notice to the Congress of the President's intention to enter into the negotiations and set forth therein the date the President intends to initiate such negotiations, the specific United States objectives for the negotiations, and whether the President intends to seek an agreement, or changes to an existing agreement; and

(B) before and after submission of the notice, consult regarding the negotiations with the Committee on Finance of the Senate and the

1 Committee on Ways and Means of the House  
2 of Representatives and such other committees  
3 of the House and Senate as the President  
4 deems appropriate.

5 (2) CONSULTATIONS REGARDING NEGOTIA-  
6 TIONS ON CERTAIN OBJECTIVES.—

7 (A) CONSULTATION.—In addition to the  
8 requirements set forth in paragraph (1), before  
9 initiating negotiations with respect to a trade  
10 agreement subject to section 303(b) where the  
11 subject matter of such negotiations is directly  
12 related to the principal trade negotiating objec-  
13 tives set forth in section 302(b)(1) or section  
14 302(b)(7), the President shall consult with the  
15 Committee on Ways and Means of the House of  
16 Representatives and the Committee on Finance  
17 of the Senate and with the appropriate advisory  
18 groups established under section 135 of the  
19 Trade Act of 1974 with respect to such negotia-  
20 tions.

21 (B) SCOPE.—The consultations described  
22 in subparagraph (A) shall concern the manner  
23 in which the negotiation will address the objec-  
24 tive of reducing or eliminating a specific tariff  
25 or nontariff barrier or foreign government pol-

1             icy or practice directly related to trade that de-  
2             creases market opportunities for United States  
3             exports or otherwise distorts United States  
4             trade.

5             (3)        NEGOTIATIONS        REGARDING        AGRI-  
6             CULTURE.—Before initiating negotiations the sub-  
7             ject matter of which is directly related to the subject  
8             matter under section 302(b)(6)(A) with any country,  
9             the President shall assess whether United States  
10            tariffs on agriculture products that were bound  
11            under the Uruguay Round Agreements are lower  
12            than the tariffs bound by that country. In addition,  
13            the President shall consider whether the tariff levels  
14            bound and applied throughout the world with respect  
15            to imports from the United States are higher than  
16            United States tariffs and whether the negotiation  
17            provides an opportunity to address any such dis-  
18            parity. The President shall consult with the Com-  
19            mittee on Ways and Means and the Committee on  
20            Agriculture of the House of Representatives and the  
21            Committee on Finance and the Committee on Agri-  
22            culture, Nutrition, and Forestry of the Senate con-  
23            cerning the results of the assessment, whether it is  
24            appropriate for the United States to agree to further  
25            tariff reductions based on the conclusions reached in

1 the assessment, and how all applicable negotiating  
2 objectives will be met.

3 (b) CONSULTATION WITH CONGRESS BEFORE  
4 AGREEMENTS ENTERED INTO.—

5 (1) CONSULTATION.—Before entering into any  
6 trade agreement under section 303(b), the President  
7 shall consult with—

8 (A) the Committee on Ways and Means of  
9 the House of Representatives and the Com-  
10 mittee on Finance of the Senate; and

11 (B) each other committee of the House  
12 and the Senate, and each joint committee of the  
13 Congress, which has jurisdiction over legislation  
14 involving subject matters which would be af-  
15 fected by the trade agreement.

16 (2) SCOPE.—The consultation described in  
17 paragraph (1) shall include consultation with respect  
18 to—

19 (A) the nature of the agreement;

20 (B) how and to what extent the agreement  
21 will achieve the applicable purposes, policies,  
22 and objectives of this title; and

23 (C) the implementation of the agreement  
24 under section 305, including the general effect  
25 of the agreement on existing laws.

1       (c) ADVISORY COMMITTEE REPORTS.—The report  
2 required under section 135(e)(1) of the Trade Act of 1974  
3 regarding any trade agreement entered into under section  
4 303(a) or (b) of this Act shall be provided to the Presi-  
5 dent, the Congress, and the United States Trade Rep-  
6 resentative not later than 30 days after the date on which  
7 the President notifies the Congress under section  
8 303(a)(1) or 305(a)(1)(A) of the President’s intention to  
9 enter into the agreement.

10 **SEC. 305. IMPLEMENTATION OF TRADE AGREEMENTS.**

11       (a) IN GENERAL.—

12           (1) NOTIFICATION AND SUBMISSION.—Any  
13 agreement entered into under section 303(b) shall  
14 enter into force with respect to the United States if  
15 (and only if)—

16           (A) the President, at least 90 calendar  
17 days before the day on which the President en-  
18 ters into the trade agreement, notifies the  
19 House of Representatives and the Senate of the  
20 President’s intention to enter into the agree-  
21 ment, and promptly thereafter publishes notice  
22 of such intention in the Federal Register;

23           (B) within 60 days after entering into the  
24 agreement, the President submits to the Con-  
25 gress a description of those changes to existing

1 laws that the President considers would be re-  
2 quired in order to bring the United States into  
3 compliance with the agreement;

4 (C) after entering into the agreement, the  
5 President submits a copy of the final legal text  
6 of the agreement, together with—

7 (i) a draft of an implementing bill de-  
8 scribed in section 303(b)(3);

9 (ii) a statement of any administrative  
10 action proposed to implement the trade  
11 agreement; and

12 (iii) the supporting information de-  
13 scribed in paragraph (2); and

14 (D) the implementing bill is enacted into  
15 law.

16 (2) SUPPORTING INFORMATION.—The sup-  
17 porting information required under paragraph  
18 (1)(C)(iii) consists of—

19 (A) an explanation as to how the imple-  
20 menting bill and proposed administrative action  
21 will change or affect existing law; and

22 (B) a statement—

23 (i) asserting that the agreement  
24 makes progress in achieving the applicable



1 purposes, policies, and objectives of this  
2 title;

3 (ii) setting forth the reasons of the  
4 President regarding—

5 (I) how and to what extent the  
6 agreement makes progress in achiev-  
7 ing the applicable purposes, policies,  
8 and objectives referred to in clause (i);

9 (II) whether and how the agree-  
10 ment changes provisions of an agree-  
11 ment previously negotiated;

12 (III) how the agreement serves  
13 the interests of United States com-  
14 merce; and

15 (IV) how the implementing bill  
16 meets the standards set forth in sec-  
17 tion 303(b)(3).

18 (3) RECIPROCAL BENEFITS.—In order to en-  
19 sure that a foreign country that is not a party to a  
20 trade agreement entered into under section 303(b)  
21 does not receive benefits under the agreement unless  
22 the country is also subject to the obligations under  
23 the agreement, the implementing bill submitted with  
24 respect to the agreement shall provide that the bene-  
25 fits and obligations under the agreement apply only

1 to the parties to the agreement, if such application  
2 is consistent with the terms of the agreement. The  
3 implementing bill may also provide that the benefits  
4 and obligations under the agreement do not apply  
5 uniformly to all parties to the agreement, if such ap-  
6 plication is consistent with the terms of the agree-  
7 ment.

8 (b) LIMITATIONS ON TRADE AUTHORITIES PROCE-  
9 DURES.—

10 (1) FOR LACK OF CONSULTATIONS.—

11 (A) IN GENERAL.—The trade authorities  
12 procedures shall not apply to any implementing  
13 bill submitted with respect to a trade agreement  
14 entered into under section 303(b) if during the  
15 60-day period beginning on the date that one  
16 House of Congress agrees to a procedural dis-  
17 approval resolution for lack of notice or con-  
18 sultations with respect to that trade agreement,  
19 the other House separately agrees to a proce-  
20 dural disapproval resolution with respect to that  
21 agreement.

22 (B) PROCEDURAL DISAPPROVAL RESOLU-  
23 TION.—For purposes of this paragraph, the  
24 term “procedural disapproval resolution” means  
25 a resolution of either House of Congress, the

1           sole matter after the resolving clause of which  
2           is as follows: “That the President has failed or  
3           refused to notify or consult (as the case may  
4           be) with Congress in accordance with section  
5           304 or 305 of the Reciprocal Trade Agreement  
6           Authorities Act of 2001 on negotiations with re-  
7           spect to, or entering into, a trade agreement to  
8           which section 303(b) of that Act applies and,  
9           therefore, the provisions of section 151 of the  
10          Trade Act of 1974 shall not apply to any imple-  
11          menting bill submitted with respect to that  
12          trade agreement.”.

13           (2) PROCEDURES FOR CONSIDERING RESOLU-  
14          TIONS.—(A) Procedural disapproval resolutions—

15                   (i) in the House of Representatives—

16                           (I) shall be introduced by the chair-  
17                           man or ranking minority member of the  
18                           Committee on Ways and Means or the  
19                           chairman or ranking minority member of  
20                           the Committee on Rules;

21                           (II) shall be referred to the Com-  
22                           mittee on Ways and Means and, in addi-  
23                           tion, to the Committee on Rules; and

24                           (III) may not be amended by either  
25                           Committee; and

1 (ii) in the Senate shall be original resolu-  
2 tions of the Committee on Finance.

3 (B) The provisions of section 152(d) and (e) of  
4 the Trade Act of 1974 (19 U.S.C. 2192(d) and (e))  
5 (relating to the floor consideration of certain resolu-  
6 tions in the House and Senate) apply to procedural  
7 disapproval resolutions.

8 (C) It is not in order for the House of Rep-  
9 resentatives to consider any procedural disapproval  
10 resolution not reported by the Committee on Ways  
11 and Means and, in addition, by the Committee on  
12 Rules.

13 (c) RULES OF HOUSE OF REPRESENTATIVES AND  
14 SENATE.—Subsection (b) of this section and section  
15 103(c) are enacted by the Congress—

16 (1) as an exercise of the rulemaking power of  
17 the House of Representatives and the Senate, re-  
18 spectively, and as such are deemed a part of the  
19 rules of each House, respectively, and such proce-  
20 dures supersede other rules only to the extent that  
21 they are inconsistent with such other rules; and

22 (2) with the full recognition of the constitu-  
23 tional right of either House to change the rules (so  
24 far as relating to the procedures of that House) at

1 any time, in the same manner, and to the same ex-  
2 tent as any other rule of that House.

3 **SEC. 306. TREATMENT OF CERTAIN TRADE AGREEMENTS.**

4 (a) CERTAIN AGREEMENTS.—Notwithstanding sec-  
5 tion 303(b)(2), if an agreement to which section 303(b)  
6 applies—

7 (1) is entered into under the auspices of the  
8 World Trade Organization regarding trade in infor-  
9 mation technology products,

10 (2) is entered into under the auspices of the  
11 World Trade Organization regarding extended nego-  
12 tiations on financial services as described in section  
13 135(a) of the Uruguay Round Agreements Act (19  
14 U.S.C. 3555(a)),

15 (3) is entered into under the auspices of the  
16 World Trade Organization regarding the rules of ori-  
17 gin work program described in Article 9 of the  
18 Agreement on Rules of Origin referred to in section  
19 101(d)(10) of the Uruguay Round Agreements Act  
20 (19 U.S.C. 3511(d)(10)), or

21 (4) is entered into with Chile,  
22 and results from negotiations that were commenced before  
23 the date of the enactment of this Act, subsection (b) shall  
24 apply.

1 (b) TREATMENT OF AGREEMENTS.—In the case of  
 2 any agreement to which subsection (a) applies—

3 (1) the applicability of the trade authorities  
 4 procedures to implementing bills shall be determined  
 5 without regard to the requirements of section  
 6 304(a), and any procedural disapproval resolution  
 7 under section 305(b)(1)(B) shall not be in order on  
 8 the basis of a failure or refusal to comply with the  
 9 provisions of section 304(a); and

10 (2) the President shall consult regarding the  
 11 negotiations described in subsection (a) with the  
 12 committees described in section 304(a)(1)(B) as  
 13 soon as feasible after the enactment of this Act.

14 **SEC. 307. CONFORMING AMENDMENTS.**

15 (a) IN GENERAL.—Title I of the Trade Act of 1974  
 16 (19 U.S.C. 2111 et seq.) is amended as follows:

17 (1) IMPLEMENTING BILL.—

18 (A) Section 151(b)(1) (19 U.S.C.  
 19 2191(b)(1)) is amended by striking “section  
 20 1103(a)(1) of the Omnibus Trade and Competi-  
 21 tiveness Act of 1988, or section 282 of the Uru-  
 22 guay Round Agreements Act” and inserting  
 23 “section 282 of the Uruguay Round Agree-  
 24 ments Act, or section 305(a)(1) of the Recip-

1           recal Trade Agreement Authorities Act of  
2           2001”.

3           (B) Section 151(c)(1) (19 U.S.C.  
4           2191(c)(1)) is amended by striking “or section  
5           282 of the Uruguay Round Agreements Act”  
6           and inserting “, section 282 of the Uruguay  
7           Round Agreements Act, or section 305(a)(1) of  
8           the Reciprocal Trade Agreement Authorities  
9           Act of 2001”.

10          (2) ADVICE FROM INTERNATIONAL TRADE COM-  
11          MISSION.—Section 131 (19 U.S.C. 2151) is  
12          amended—

13               (A) in subsection (a)—

14                   (i) in paragraph (1), by striking “sec-  
15                   tion 123 of this Act or section 1102 (a) or  
16                   (c) of the Omnibus Trade and Competitive-  
17                   ness Act of 1988,” and inserting “section  
18                   123 of this Act or section 303(a) or (b) of  
19                   the Reciprocal Trade Agreement Authori-  
20                   ties Act of 2001,”; and

21                   (ii) in paragraph (2), by striking “sec-  
22                   tion 1102 (b) or (c) of the Omnibus Trade  
23                   and Competitiveness Act of 1988” and in-  
24                   serting “section 303(b) of the Reciprocal

1 Trade Agreement Authorities Act of  
2 2001”;

3 (B) in subsection (b), by striking “section  
4 1102(a)(3)(A)” and inserting “section  
5 303(a)(3)(A) of the Reciprocal Trade Agree-  
6 ment Authorities Act of 2001” before the end  
7 period; and

8 (C) in subsection (c), by striking “section  
9 1102 of the Omnibus Trade and Competitive-  
10 ness Act of 1988,” and inserting “section 303  
11 of the Reciprocal Trade Agreement Authorities  
12 Act of 2001,”.

13 (3) HEARINGS AND ADVICE.—Sections 132,  
14 133(a), and 134(a) (19 U.S.C. 2152, 2153(a), and  
15 2154(a)) are each amended by striking “section  
16 1102 of the Omnibus Trade and Competitiveness  
17 Act of 1988,” each place it appears and inserting  
18 “section 303 of the Reciprocal Trade Agreement Au-  
19 thorities Act of 2001,”.

20 (4) PREREQUISITES FOR OFFERS.—Section  
21 134(b) (19 U.S.C. 2154(b)) is amended by striking  
22 “section 1102 of the Omnibus Trade and Competi-  
23 tiveness Act of 1988” and inserting “section 303 of  
24 the Reciprocal Trade Agreement Authorities Act of  
25 2001”.



1           (5) ADVICE FROM PRIVATE AND PUBLIC SEC-  
2       TORS.—Section 135 (19 U.S.C. 2155) is amended—

3           (A) in subsection (a)(1)(A), by striking  
4       “section 1102 of the Omnibus Trade and Com-  
5       petitiveness Act of 1988” and inserting “section  
6       303 of the Reciprocal Trade Agreement Au-  
7       thorities Act of 2001”;

8           (B) in subsection (e)(1)—

9           (i) by striking “section 1102 of the  
10       Omnibus Trade and Competitiveness Act  
11       of 1988” each place it appears and insert-  
12       ing “section 303 of the Reciprocal Trade  
13       Agreement Authorities Act of 2001”; and

14          (ii) by striking “section 1103(a)(1)(A)  
15       of such Act of 1988” and inserting “sec-  
16       tion 305(a)(1)(A) of the Reciprocal Trade  
17       Agreement Authorities Act of 2001”; and

18          (C) in subsection (e)(2), by striking “sec-  
19       tion 1101 of the Omnibus Trade and Competi-  
20       tiveness Act of 1988” and inserting “section  
21       302 of the Reciprocal Trade Agreement Au-  
22       thorities Act of 2001”.

23       (6) TRANSMISSION OF AGREEMENTS TO CON-  
24       GRESS.—Section 162(a) (19 U.S.C. 2212(a)) is  
25       amended by striking “or under section 1102 of the

1 Omnibus Trade and Competitiveness Act of 1988”  
2 and inserting “or under section 303 of the Recip-  
3 rocal Trade Agreement Authorities Act of 2001”.

4 (b) APPLICATION OF CERTAIN PROVISIONS.—For  
5 purposes of applying sections 125, 126, and 127 of the  
6 Trade Act of 1974 (19 U.S.C. 2135, 2136(a), and  
7 2137)—

8 (1) any trade agreement entered into under sec-  
9 tion 303 shall be treated as an agreement entered  
10 into under section 101 or 102, as appropriate, of the  
11 Trade Act of 1974 (19 U.S.C. 2111 or 2112); and

12 (2) any proclamation or Executive order issued  
13 pursuant to a trade agreement entered into under  
14 section 303 shall be treated as a proclamation or  
15 Executive order issued pursuant to a trade agree-  
16 ment entered into under section 102 of the Trade  
17 Act of 1974.

18 **SEC. 308. DEFINITIONS.**

19 In this title:

20 (1) UNITED STATES PERSON.—The term  
21 “United States person” means—

22 (A) a United States citizen;

23 (B) a partnership, corporation, or other  
24 legal entity organized under the laws of the  
25 United States; and

1 (C) a partnership, corporation, or other  
 2 legal entity that is organized under the laws of  
 3 a foreign country and is controlled by entities  
 4 described in subparagraph (B) or United States  
 5 citizens, or both.

6 (2) URUGUAY ROUND AGREEMENTS.—The term  
 7 “Uruguay Round Agreements” has the meaning  
 8 given that term in section 2(7) of the Uruguay  
 9 Round Agreements Act (19 U.S.C. 3501(7)).

10 (3) WORLD TRADE ORGANIZATION.—The term  
 11 “World Trade Organization” means the organization  
 12 established pursuant to the WTO Agreement.

13 (4) WTO AGREEMENT.—The term “WTO  
 14 Agreement” means the Agreement Establishing the  
 15 World Trade Organization entered into on April 15,  
 16 1994.

## 17 **TITLE IV—AGRICULTURAL** 18 **TRADE FREEDOM**

### 19 **SEC. 401. SHORT TITLE.**

20 This title may be cited as the “Agricultural Trade  
 21 Freedom Act”.

### 22 **SEC. 402. DEFINITIONS.**

23 In this title, the terms “agricultural commodity” and  
 24 “United States agricultural commodity” have the mean-

ings given the terms in section 102 of the Agricultural Trade Act of 1978 (7 U.S.C. 5602).

**SEC. 403. AGRICULTURAL COMMODITIES, LIVESTOCK, AND  
PRODUCTS EXEMPT FROM UNILATERAL AG-  
RICULTURAL SANCTIONS.**

Subtitle B of title IV of the Agricultural Trade Act of 1978 (7 U.S.C. 5661 et seq.) is amended by adding at the end the following:

**“SEC. 418. AGRICULTURAL COMMODITIES, LIVESTOCK, AND  
PRODUCTS EXEMPT FROM UNILATERAL AG-  
RICULTURAL SANCTIONS.**

“(a) DEFINITIONS.—In this section:

“(1) CURRENT SANCTION.—The term ‘current sanction’ means a unilateral agricultural sanction that is in effect on the date of enactment of the Agricultural Trade Freedom Act.

“(2) NEW SANCTION.—The term ‘new sanction’ means a unilateral agricultural sanction that becomes effective after the date of enactment of that Act.

“(3) UNILATERAL AGRICULTURAL SANCTION.—The term ‘unilateral agricultural sanction’ means any prohibition, restriction, or condition that is imposed on the export of an agricultural commodity to a foreign country or foreign entity and that is im-

1 posed by the United States for reasons of the na-  
2 tional interest, except in a case in which the United  
3 States imposes the measure pursuant to a multilat-  
4 eral regime and the other members of that regime  
5 have agreed to impose substantially equivalent meas-  
6 ures.

7 “(b) EXEMPTION.—

8 “(1) IN GENERAL.—Subject to paragraphs (2)  
9 and (3) and notwithstanding any other provision of  
10 law, agricultural commodities made available as a re-  
11 sult of commercial sales shall be exempt from a uni-  
12 lateral agricultural sanction imposed by the United  
13 States on another country.

14 “(2) EXCLUSIONS.—Paragraph (1) shall not  
15 apply to agricultural commodities made available as  
16 a result of programs carried out under—

17 “(A) the Agricultural Trade Development  
18 and Assistance Act of 1954 (7 U.S.C. 1691 et  
19 seq.);

20 “(B) section 416 of the Agricultural Act of  
21 1949 (7 U.S.C. 1431);

22 “(C) the Food for Progress Act of 1985 (7  
23 U.S.C. 1736o);

24 “(D) the Agricultural Trade Act of 1978  
25 (7 U.S.C. 5601 et seq.); or

1           “(E) section 153 of the Food Security Act  
2           of 1985 (15 U.S.C. 713a–14).

3           “(3) DETERMINATION BY PRESIDENT.—The  
4           President may include agricultural commodities  
5           made available as a result of the activities described  
6           in paragraph (1) in the unilateral agricultural sanc-  
7           tion imposed on a foreign country or foreign entity  
8           if—

9           “(A) a declaration of war by Congress is in  
10          effect with respect to the foreign country or for-  
11          eign entity; or

12          “(B)(i) the President determines that in-  
13          clusion of the agricultural commodities is in the  
14          national interest;

15          “(ii) the President submits the report re-  
16          quired under subsection (d); and

17          “(iii) Congress has not approved a joint  
18          resolution stating the disapproval of Congress  
19          of the report submitted under subsection (d).

20          “(4) EFFECT ON AGRICULTURAL TRADE.—  
21          Nothing in this subsection requires the imposition of  
22          a unilateral agricultural sanction with respect to an  
23          agricultural commodity, whether exported in connec-  
24          tion with a commercial sale or a program described  
25          in paragraph (2).

1 “(c) CURRENT SANCTIONS.—

2 “(1) IN GENERAL.—Subject to paragraph (2),  
3 the exemption under subsection (b)(1) shall apply to  
4 a current sanction.

5 “(2) PRESIDENTIAL REVIEW.—Not later than  
6 90 days after the date of enactment of the Agricul-  
7 tural Trade Freedom Act, the President shall review  
8 each current sanction to determine whether the ex-  
9 emption under subsection (b)(1) should apply to the  
10 current sanction.

11 “(3) APPLICATION.—The exemption under sub-  
12 section (b)(1) shall apply to a current sanction be-  
13 ginning on the date that is 180 days after the date  
14 of enactment of the Agricultural Trade Freedom Act  
15 unless the President determines that the exemption  
16 should not apply to the current sanction for reasons  
17 of the national interest.

18 “(d) REPORT.—

19 “(1) IN GENERAL.—If the President determines  
20 under subsection (b)(3)(B)(i) or (c)(3) that the ex-  
21 emption should not apply to a unilateral agricultural  
22 sanction, the President shall submit a report to Con-  
23 gress not later than 15 days after the date of the  
24 determination.

1           “(2) CONTENTS OF REPORT.—The report shall  
2       contain—

3           “(A) an explanation of—

4               “(i) the economic activity that is pro-  
5               posed to be prohibited, restricted, or condi-  
6               tioned by the unilateral agricultural sanc-  
7               tion; and

8               “(ii) the national interest for which  
9               the exemption should not apply to the uni-  
10              lateral agricultural sanction; and

11          “(B) an assessment by the Secretary—

12               “(i) regarding export sales—

13                   “(I) in the case of a current  
14                   sanction, whether markets in the  
15                   sanctioned country or countries  
16                   present a substantial trade oppor-  
17                   tunity for export sales of a United  
18                   States agricultural commodity; or

19                   “(II) in the case of a new sanc-  
20                   tion, the extent to which any country  
21                   or countries to be sanctioned or likely  
22                   to be sanctioned are markets that ac-  
23                   counted for, during the preceding cal-  
24                   endar year, more than 3 percent of



1 export sales of a United States agri-  
2 cultural commodity;

3 “(ii) regarding the effect on United  
4 States agricultural commodities—

5 “(I) in the case of a current  
6 sanction, the potential for export sales  
7 of United States agricultural commod-  
8 ities in the sanctioned country or  
9 countries; and

10 “(II) in the case of a new sanc-  
11 tion, the likelihood that exports of  
12 United States agricultural commod-  
13 ities will be affected by the new sanc-  
14 tion or by retaliation by any country  
15 to be sanctioned or likely to be sanc-  
16 tioned, including a description of spe-  
17 cific United States agricultural com-  
18 modities that are most likely to be af-  
19 fected;

20 “(iii) regarding the income of agricul-  
21 tural producers—

22 “(I) in the case of a current  
23 sanction, the potential for increasing  
24 the income of producers of the United

1 States agricultural commodities in-  
2 volved; and

3 “(II) in the case of a new sanc-  
4 tion, the likely effect on incomes of  
5 producers of the agricultural commod-  
6 ities involved;

7 “(iv) regarding displacement of  
8 United States suppliers—

9 “(I) in the case of a current  
10 sanction, the potential for increased  
11 competition for United States sup-  
12 pliers of the agricultural commodity in  
13 countries that are not subject to the  
14 current sanction because of uncer-  
15 tainty about the reliability of the  
16 United States suppliers; and

17 “(II) in the case of a new sanc-  
18 tion, the extent to which the new  
19 sanction would permit foreign sup-  
20 pliers to replace United States sup-  
21 pliers; and

22 “(v) regarding the reputation of  
23 United States agricultural producers as re-  
24 liable suppliers—

1 “(I) in the case of a current  
2 sanction, whether removing the sanc-  
3 tion would improve the reputation of  
4 United States producers as reliable  
5 suppliers of agricultural commodities  
6 in general, and of specific agricultural  
7 commodities identified by the Sec-  
8 retary; and

9 “(II) in the case of a new sanc-  
10 tion, the likely effect of the proposed  
11 sanction on the reputation of United  
12 States producers as reliable suppliers  
13 of agricultural commodities in general,  
14 and of specific agricultural commod-  
15 ities identified by the Secretary.

16 “(e) CONGRESSIONAL PRIORITY PROCEDURES.—

17 “(1) JOINT RESOLUTION.—In this subsection,  
18 the term ‘joint resolution’ means only a joint resolu-  
19 tion introduced within 10 session days of Congress  
20 after the date on which the report of the President  
21 under subsection (d) is received by Congress, the  
22 matter after the resolving clause of which is as fol-  
23 lows: ‘That Congress disapproves the report of the  
24 President pursuant to section 418(d) of the Agricul-  
25 tural Trade Act of 1978, transmitted on

1 \_\_\_\_\_.', with the blank completed with  
2 the appropriate date.

3 “(2) REFERRAL OF REPORT.—The report de-  
4 scribed in subsection (d) shall be referred to the ap-  
5 propriate committee or committees of the House of  
6 Representatives and to the appropriate committee or  
7 committees of the Senate.

8 “(3) REFERRAL OF JOINT RESOLUTION.—

9 “(A) IN GENERAL.—A joint resolution  
10 shall be referred to the committees in each  
11 House of Congress with jurisdiction.

12 “(B) REPORTING DATE.—A joint resolu-  
13 tion referred to in subparagraph (A) may not  
14 be reported before the eighth session day of  
15 Congress after the introduction of the joint res-  
16 olution.

17 “(4) DISCHARGE OF COMMITTEE.—If the com-  
18 mittee to which is referred a joint resolution has not  
19 reported the joint resolution (or an identical joint  
20 resolution) at the end of 30 session days of Congress  
21 after the date of introduction of the joint  
22 resolution—

23 “(A) the committee shall be discharged  
24 from further consideration of the joint resolu-  
25 tion; and

1           “(B) the joint resolution shall be placed on  
2           the appropriate calendar of the House con-  
3           cerned.

4           “(5) FLOOR CONSIDERATION.—

5           “(A) MOTION TO PROCEED.—

6           “(i) IN GENERAL.—When the com-  
7           mittee to which a joint resolution is re-  
8           ferred has reported, or when a committee  
9           is discharged under paragraph (4) from  
10          further consideration of, a joint  
11          resolution—

12           “(I) it shall be at any time there-  
13          after in order (even though a previous  
14          motion to the same effect has been  
15          disagreed to) for any member of the  
16          House concerned to move to proceed  
17          to the consideration of the joint reso-  
18          lution; and

19           “(II) all points of order against  
20          the joint resolution (and against con-  
21          sideration of the joint resolution) are  
22          waived.

23           “(ii) PRIVILEGE.—The motion to pro-  
24          ceed to the consideration of the joint  
25          resolution—

1 “(I) shall be highly privileged in  
2 the House of Representatives and  
3 privileged in the Senate; and

4 “(II) shall not be debatable.

5 “(iii) AMENDMENTS AND MOTIONS  
6 NOT IN ORDER.—The motion to proceed to  
7 the consideration of the joint resolution  
8 shall not be subject to—

9 “(I) amendment;

10 “(II) a motion to postpone; or

11 “(III) a motion to proceed to the  
12 consideration of other business.

13 “(iv) MOTION TO RECONSIDER NOT IN  
14 ORDER.—A motion to reconsider the vote  
15 by which the motion is agreed to or dis-  
16 agreed to shall not be in order.

17 “(v) BUSINESS UNTIL DISPOSITION.—  
18 If a motion to proceed to the consideration  
19 of the joint resolution is agreed to, the  
20 joint resolution shall remain the unfinished  
21 business of the House concerned until dis-  
22 posed of.

23 “(B) LIMITATIONS ON DEBATE.—

24 “(i) IN GENERAL.—Debate on the  
25 joint resolution, and on all debatable mo-

1           tions and appeals in connection with the  
2           joint resolution, shall be limited to not  
3           more than 10 hours, which shall be divided  
4           equally between those favoring and those  
5           opposing the joint resolution.

6           “(ii) FURTHER DEBATE LIMITA-  
7           TIONS.—A motion to limit debate shall be  
8           in order and shall not be debatable.

9           “(iii) AMENDMENTS AND MOTIONS  
10          NOT IN ORDER.—An amendment to, a mo-  
11          tion to postpone, a motion to proceed to  
12          the consideration of other business, a mo-  
13          tion to recommit the joint resolution, or a  
14          motion to reconsider the vote by which the  
15          joint resolution is agreed to or disagreed to  
16          shall not be in order.

17          “(C) VOTE ON FINAL PASSAGE.—Imme-  
18          diately following the conclusion of the debate on  
19          a joint resolution, and a single quorum call at  
20          the conclusion of the debate if requested in ac-  
21          cordance with the rules of the House concerned,  
22          the vote on final passage of the joint resolution  
23          shall occur.

24          “(D) RULINGS OF THE CHAIR ON PROCE-  
25          DURE.—An appeal from a decision of the Chair

1 relating to the application of the rules of the  
2 Senate or House of Representatives, as the case  
3 may be, to the procedure relating to a joint res-  
4 olution shall be decided without debate.

5 “(6) COORDINATION WITH ACTION BY OTHER  
6 HOUSE.—If, before the passage by 1 House of a  
7 joint resolution of that House, that House receives  
8 from the other House a joint resolution, the fol-  
9 lowing procedures shall apply:

10 “(A) NO COMMITTEE REFERRAL.—The  
11 joint resolution of the other House shall not be  
12 referred to a committee.

13 “(B) FLOOR PROCEDURE.—With respect  
14 to a joint resolution of the House receiving the  
15 joint resolution—

16 “(i) the procedure in that House shall  
17 be the same as if no joint resolution had  
18 been received from the other House; but

19 “(ii) the vote on final passage shall be  
20 on the joint resolution of the other House.

21 “(C) DISPOSITION OF JOINT RESOLUTIONS  
22 OF RECEIVING HOUSE.—On disposition of the  
23 joint resolution received from the other House,  
24 it shall no longer be in order to consider the



1 joint resolution originated in the receiving  
2 House.

3 “(7) PROCEDURES AFTER ACTION BY BOTH  
4 THE HOUSE AND SENATE.—If a House receives a  
5 joint resolution from the other House after the re-  
6 ceiving House has disposed of a joint resolution  
7 originated in that House, the action of the receiving  
8 House with regard to the disposition of the joint res-  
9 olution originated in that House shall be deemed to  
10 be the action of the receiving House with regard to  
11 the joint resolution originated in the other House.

12 “(8) RULEMAKING POWER.—This subsection is  
13 enacted by Congress—

14 “(A) as an exercise of the rulemaking  
15 power of the Senate and House of Representa-  
16 tives, respectively, and as such this  
17 subsection—

18 “(i) is deemed to be a part of the  
19 rules of each House, respectively, but ap-  
20 plicable only with respect to the procedure  
21 to be followed in that House in the case of  
22 a joint resolution; and

23 “(ii) supersedes other rules only to  
24 the extent that this subsection is incon-  
25 sistent with those rules; and

1           “(B) with full recognition of the constitu-  
2           tional right of either House to change the rules  
3           (so far as the rules relate to the procedure of  
4           that House) at any time, in the same manner  
5           and to the same extent as in the case of any  
6           other rule of that House.”.

7   **SEC. 404. SALE OR BARTER OF FOOD ASSISTANCE.**

8           It is the sense of Congress that the amendments to  
9   section 203 of the Agricultural Trade Development and  
10   Assistance Act of 1954 (7 U.S.C. 1723) made by section  
11   208 of the Federal Agriculture Improvement and Reform  
12   Act of 1996 (Public Law 104–127; 110 Stat. 954) were  
13   intended to allow the sale or barter of United States agri-  
14   cultural commodities in connection with United States  
15   food assistance only within the recipient country or coun-  
16   tries adjacent to the recipient country, unless—

17           (1) the sale or barter within the recipient coun-  
18   try or adjacent countries is not practicable; and

19           (2) the sale or barter within countries other  
20   than the recipient country or adjacent countries will  
21   not disrupt commercial markets for the agricultural  
22   commodity involved.

○