The House met at 10 a.m. The Reverend Dr. Paul A. Wee, Church of the Reformation, ELCA, Washington, D.C., offered the following prayer:

This is the day that the Lord has made. Let us rejoice and be glad in it. Let us pray.

O God, we give You thanks for this night past and for this new day. Fill it, we pray, with the presence of Your spirit that all we do and say may be pleasing in Your sight.

Inspire within us compassion for all those in want this day in this city, this Nation, and this world. Keep before our eyes a burning vision of the Shalom that binds in one the human family throughout this world. We especially ask Your blessing upon the States from which we come and upon the District of Columbia in which we gather.

May the hospitality shown to each of us here be reflected in the way in which we welcome the stranger in our midst. Give us above all this day a passion for justice and a spirit of joy in Your service.

Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof. Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Nebraska (Mr. BERETTER) come forward and lead the House in the Pledge of Allegiance?

Mr. BERETTER led the Pledge of Allegiance as follows:

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

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 1501. An act to amend the Omnibus Crime Control and Safe Streets Act of 1968 to provide grants to ensure increased accountability for juvenile offenders; to amend the Juvenile Justice and Delinquency Prevention Act of 1974 to provide quality prevention programs and accountability programs relating to juvenile delinquency; and for other purposes.

H.R. 2561. An act making appropriations for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes.

H.R. 2605. An act making appropriations for energy and water development for the fiscal year ending September 30, 2000, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 2605) "An Act making appropriations for energy and water development for the fiscal year ending September 30, 2000, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. Domenici, Mr. Cochran, Mr. Gorton, Mr. McConnell, Mr. Bennett, Mr. Burns, Mr. Craig, Mr. Stevens, Mr. Reid, Mr. Byrd, Mr. Hollings, Mr. Murray, Mr. Kohl, Mr. Dorgan, and Ms. Inouye, to be the conferees on the part of the Senate.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 365. An act to reform unfair and anti-competitive practices in the professional boxing industry.

S. 918. An act to authorize the Small Business Administration to provide financial and business development assistance to military reservists' small businesses, and for other purposes.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 507) "An Act to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes," agrees to a conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. Chafee, Mr. Warner, Mr. Smith of New Hampshire, Mr. Voinovich, Mr. Baucus, Mr. Moynihan, and Mrs. Boxer, to be the conferees on the part of the Senate.

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

Printed on recycled paper.
COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

H6586

JULY 29, 1999

Hon. J. DENNIS HASTERT,
Speaker, House of Representatives, Washington, DC.

Dear Mr. Speaker: Pursuant to the permission granted to Clause 2(h) of Rule II of the Rules of the U.S. House of Representatives, the Clerk received the following message from the Secretary of the Senate on July 28, 1999 at 10:10 a.m., that the Senate passed without amendment H.R. 66.

With best wishes, I am

Sincerely,

JEFF TRANDAH,
Clerk.

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair will entertain 15 one-minutes on each side.

RESPONSIBLE GAMING EDUCATION WEEK

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

Mr. GIBBONS. Mr. Speaker, as Members of Congress, we should always be encouraged when the private sector tackles one of the social problems facing our Nation without government help.

Such is the case with our Nation's gaming industry. However, it should also be important to recall that a vast majority of Americans who choose to gamble do so responsibly.

In an effort to emphasize the casino gaming industry's commitment to responsible gaming, August 2 to August 6 has been designated as "Responsible Gaming Education Week."

This campaign follows last year's inaugural implementation of this successful program. The idea is designed to raise the awareness of persons with disordered gaming habits and to further educate casino employees and customers about the importance of responsible gaming.

During this week, all casino employees will be asked to actively promote and institute responsible gaming practices within their companies. As a part of this effort, over 250,000 educational brochures on the characteristics of disordered gambling and the importance of responsible gaming will be provided to casino employees across America.

Mr. Speaker, obviously the gaming industry is taking positive steps to improve the gaming entertainment opportunities by helping those with addictive problems.

EYES WIDE SHUT

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

Mr. CUMMINGS. Mr. Speaker, when I think of the manner in which the GOP tax cut legislation was drafted, the title of the movie "Eyes Wide Shut" comes to mind.

Still, this is no sultry suspense film. In this horror, we will only find a terrible plot that sacrifices Medicare and Social Security and steals $112 billion away from school construction.

The stars of this movie, the House Republicans, have a level of irresponsibility that automatically comes from doing anything with your eyes shut. With such blocked vision, it is hard to believe that they have a clear view of the problem or their solutions. Beyond all the hype, the GOP tax cut is hardly a masterpiece. It is poorly directed, horribly produced, and the Republican actors demonstrate a sophomoric concern for people of our country.

I can only hope that their vision will come from wide shut to wide open and that we will ultimately be able to fulfill our duty of fiscal responsibility and public service to the American people.

LOOK OUT AMERICA, BIG BROTHER MAY BE WATCHING AGAIN

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

Mr. CHABOT. Mr. Speaker, hold on to our floppy disks. The Clinton administration, everybody's favorite Big Brother, may soon be following our computers' every move.

According to the New York Times, administration officials are contemplating the creation of an extensive computer monitoring system overseen by the FBI and the GSA that will have the capability of collecting data from computer networks all across this country.

This news should send a chill up the spine of anybody who has followed this administration's actions on privacy issues. Remember, these are the folks who want each and every American to have a special identification number so that their medical records could be tracked by the Federal Government.

These are the folks who wanted to collect a host of personal information about the millions of Americans who receive in-home care from Medicare. These are the folks who wanted to give the FBI the authority to wire tap one out of every 100 phones in this country.

So when they start talking about computer security, be wary. Let us keep their hands off our e-mail.

REPUBLICAN TAX BILL

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

Mr. MENENDEZ. Mr. Speaker, Republicans keep saying that the money in the budget surplus belongs to the American people, falsely implying that we Democrats disagree with that.

For the record, we do not disagree. The surplus belongs to the American people. They are the ones who have paid for it. They are the ones who worked for it. That is why we are listening to the American people, who are telling us that their values is to use the surplus to pay down the national debt and to save Social Security and Medicare.

Republicans, on the other hand, are listening to all the special interests and high-priced Washington lobbyists, who are telling them to waste the surplus on a trillion dollar tax giveaway. So, Mr. Speaker, actions speak louder than words. It is we Democrats who are listening to the voices and values of America's working families. Because we know this Government does belong to them and they are demanding that we once in the island of fiscal discipline, pay down the national debt, and extend the life of Social Security and Medicare. Democrats are committed to doing that.

If the Republicans really believed the surplus belongs to the American people, they would listen to the voices of those people.

POLITICAL PRISONERS AND PRISONERS OF CONSCIENCE IN CUBA

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

Ms. ROS-LEHTINEN. Mr. Speaker, while many may turn a blind eye to the reality that plagues the Cuban people, Amnesty International does not. It monitors and advocates on behalf of political prisoners and prisoners of conscience in the island of freedom.

A recent case is that of political activist and human rights dissident Nestor Rodriguez Lobaina, who was arbitrarily arrested again on July 11 of this year solely for exercising his right to freedom of expression.

His whereabouts now? Unknown. The prisoner of conscience Marta Beatriz Roque, who was sentenced by Castro's kangaroo courts earlier this year after languishing for close to 2 years in a squalid jail cell for exercising her human rights and civil liberties, was severely punished by the regime on July 16 for refusing to eat and staying mute in a silent protest for the unjust incarceration that she is subjected to.

These examples of the Cuban dictatorship's cruelties are grave and numerous. Other countries may wish to ignore them. However, the U.S. Congress cannot and indeed we must not.

HINCKLEY SHOULD GO TO JAIL AND WE SHOULD THROW AWAY THE KEYS

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)
Mr. TRAFICANT. Mr. Speaker, I rise to address the House on a matter of great importance. Mr. Speaker, I rise to call on this Congress to reverse course and pass fiscally responsible legislation to provide targeted tax relief for America's families.

Mr. Speaker, the people of North Carolina and the nation have a right to expect us to work to put our nation's fiscal house in order, honor our values and invest in our future. Last Congress, I proudly voted to balance the Federal budget for the first time in a generation and I continue to support responsible tax relief for middle-class families.

But the bill the Republican leadership rammed through this House last week is a massively irresponsible gamble with our nation's future and our economic prosperity. The Republican bill would cripple our ability to save Social Security and Medicare for our nation's seniors and would prevent us from making needed investments in better education for our children.

Mr. Speaker, the first bill I introduced as a Member of this House cut the inheritance tax for small businesses and small families. This year I have written and introduced, cosponsored the bill to provide Federal tax credits for local school construction. I strongly support paying down the national debt and providing responsible tax relief for our families.

The Republican bill would hurt the middle class and return us to the days of out-of-control deficits and skyrocketing inflation.

INTRODUCTION OF KOSOVO BURDENSHARING RESOLUTION

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

Mr. BERREUTER. Mr. Speaker, this Member is today introducing a House Resolution titled the Kosovo Burdensharing Resolution. Since the United States bore the disproportionate cost of the air war against Yugoslavia, my resolution expresses the sense of the House that the United States should pay no more than 18 percent of the aggregate total costs associated with the military air operations, reconstruction in Kosovo, and in Yugoslavia when Milosevic no longer controls the governments of Serbia or Yugoslavia or the Socialist Party, except there is no limitation against Montenegro. This limitation on burdensharing is consistent with the earlier statements by the President, but we need to remind him and reinforce his bargaining power on burdensharing when he negotiates with the European and other allied countries.

This resolution is particularly timely as President Clinton leaves today for the Balkans Reconstruction Conference on Friday in Sarajevo. The resolution also recognizes that 16,000 refugees and Albanians are currently homeless and that these roles should make them priority recipients of aid.

Members should contact my office today if they wish to be an original co-sponsor.

MANAGED CARE REFORM

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

Mr. GREEN of Texas. Mr. Speaker, we have a saying in Texas, "If it's not broke, don't fix it." Well, our health care delivery system by HMOs is broken.

According to the day you read almost any newspaper, the Kaiser Family Foundation found that 87 percent of doctors said their patients had experienced denial of coverage over the last 2 years; 79 percent had trouble getting approval for a certain drug they wanted to prescribe; 69 percent had trouble getting a diagnostic test approved; 52 percent had trouble getting patients referred to a specialist.

And now to bring you up to date, the Republican leadership announced their intention once again to bypass the committee process and take a managed care bill directly to the floor. Once again they are starting down a road that ignores the American people. They are letting the HMOs write their own legislation. Once again they are writing a major piece of legislation in the Speaker's office without bipartisan support.

Another Texas saying we have, and I think it applies, is that they are letting the fox guard the chicken house. What we need is real HMO reform, not a fake or a fig leaf.

ADMINISTRATION FALLS SHORT ON VA FUNDING

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

Mr. STEARNS. Mr. Speaker, the Clinton administration proposed a dismal VA medical care budget earlier this year. It is shortchanging our veterans.

We have heard from VA officials that an additional $1.1 billion is needed just to maintain current service levels.

Deep concerns regarding the administration's proposal for veterans' medical care led our Committee on Veterans' Affairs to call for an additional $1.7 billion in funding for the upcoming fiscal year. The new funding being suggested by the Vice President over the weekend will not cover the needs of our veterans.

He proposed an additional $900 million for medical care. But based upon the administration's own figures, the cost for pay increases and inflation alone will cost $1,500 million.

The administration's budget fails to cover the costs of treating hepatitis C, a "silent epidemic" affecting many veterans, and fails to cover the cost of emergency care.
Mr. Speaker, we need to provide for our veterans. It is a moral obligation.

SAVE SOCIAL SECURITY FIRST
(Ms. SANCHEZ asked and was given permission to address the House for 1 minute.)

Ms. SANCHEZ. Mr. Speaker, here we go again. Social Security is the primary retirement system for the majority of retired Americans. It provides benefits to 33 million Americans of all ages and it keeps 12 million of them out of poverty.

The GOP Social Security approach is really an unreliable response that supports wealthy special interests. Why does the GOP want to undercut a sound economy with a tax scheme designed to benefit the few?

We must protect Social Security. This means less debt, lower interest costs, rising living standards, more money made available for social priorities, and more security for Social Security.

The Republican tax cuts mean higher deficits, higher interest rates and lower economic growth. Their tax scheme would make it impossible to continue to pay down and eventually eliminate the debt we have by 2015 as proposed by our President.

My colleagues across the aisle would have us believe that their efforts are to support Social Security, but this is not so. Their tax cut does not cut it.

REPUBLICANS PUT PRIORITY ON SAVING SOCIAL SECURITY AND MEDICARE
(Mr. ROGAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROGAN. Mr. Speaker, I would begin my remarks, my friend from California that the Democrats controlled this Chamber for 40 years, and in that 40-year period, they put not one penny into the Social Security trust fund. They used the Social Security trust fund for government spending programs.

Now, for the first time in 40 years, Republicans are in control of the Chamber. We campaigned on a tax cut for working families after we protected Social Security, after we protected Medicare. Because of Republican spending priorities, we now have for the first time since Neil Armstrong walked on the Moon a surplus economy. That did not come from liberal profligate spending. That came from Republican proposals that put a priority on Social Security, put a priority on Medicare, put a priority on jobs and put a priority on protecting the paychecks of working families in this country.

That is what Americans voted for in 1994, in 1996 and 1998. As we approach the year 2000, Mr. Speaker, we are going to give them that opportunity again.

CHINA
(Mr. BROWN of Ohio asked and was given permission to address the House for 1 minute.)

Mr. BROWN of Ohio. Mr. Speaker, 2 days ago, the Communist Chinese government once again had its way with this Congress when this body voted trading privileges for perhaps the most repressive, corrupt regime in the world. American CEOs and Washington attorneys again had their way with Congress even though we have a trade deficit with China of $65 billion and growing annually.

Beijing and its Communist Party leaders again had their way with this Congress this week even though this Communist Chinese government supports forced abortions, persecution of Christians and Muslims, sale of nuclear technology to Pakistan, child labor and slave labor.

But there was good news, Mr. Speaker, in this vote this week. The vote was closer than it had been in many, many years. Members of this body are beginning to understand and beginning to show that they care about human rights, care about nuclear proliferation, and care about democracy in China.

All of us need to demand that China enter the family of nations before they enter the World Trade Organization.

WICHITA NAMED ALL-AMERICAN CITY
(Mr. TIAHRT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TIAHRT. Mr. Speaker, some people think all the wise and good people are inside the Washington Beltway, but, of course, that is not right as each and every day ordinary people in communities all across this great Nation join together to do extraordinary things.

The City of Wichita, Kansas, led by its outstanding mayor and my friend, Bob Knight, was recently named an All-American City by the National Civic League. This is a great honor and one worthy of mention here on the floor of the People's House.

The three programs the city of Wichita submitted in its winning All-American City application are Wichita's Promise: The Alliance for Youth; Wichita Independent Neighborhoods; and the Cessna 21st Street Learning and Work Campus.

These programs are volunteer driven and do the hard work and sometimes thankless work of making our Nation better by making our communities better. At times, I want to publicly thank everyone associated with each of these organizations because, thanks to you, Wichita is an All-American City and America is a better place to live.

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

Mr. EWING. Mr. Speaker, there is an ag crisis. The cause is excessive world production and lost markets that we counted on. The result has been reduced exports and disastrously low commodity prices.

Can the great economic engine of America continue to move on and up with the enormous agricultural engine pulling the other way? I doubt it.

On this issue, Congress has acted and must act again. We have done things to open new markets: The NTR vote this week, anti-embargo legislation which we passed in this House, unilateral sanction reform, tax reform, capital gains, estate tax, which are good for our farmers.

But when we come back from the recess, we are going to have to take up, if we have not already passed, the crop insurance reform bill, and we are going to have to deal with emergency lost crop payments and adequate financing for our American farmers. Let us not forget this enormous part of our agricultural economy.

SALUTE TO LANCE ARMSTRONG, WINNER OF TOUR DE FRANCE
(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, we have again seen the face of courage. It is Lance Armstrong's.

Lying in his hospital bed just 3 years ago, Mr. Armstrong was fired by his French bicycle racing team. He suffered from testicular cancer and was given less than a 40 percent chance of survival.

He underwent two operations and 12 weeks of chemotherapy, but he refused to succumb and now has prevailed by winning the Tour de France last Sunday.

Lance Armstrong was not alone on this long journey back. The one team willing to take a chance on Mr. Armstrong was sponsored by the United States Postal Service. The Postal Service deserves great credit.

This wonderful story reminds me of a poem by another American trailblazer, Amelia Earhart. She wrote:

Courage is the price that life extracts for granting peace.
The soul that knows it not knows no release from little things;
knows not the livid loneliness of fear,
or mountain heights where bitter joy can hear
the sounds of wings.

Lance Armstrong knows both and inspires us all.

REPUBLICAN TAX BILL OUT OF STEP WITH AMERICAN PEOPLE
(Ms. DeLAURO asked and was given permission to address the House for 1 minute.)
minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, we have a projected Federal surplus, the first in three decades. We must be responsible. We must use that surplus so that it reflects our values as a people and as a Nation. The Republican Congress would rather give whopping tax breaks to the wealthiest Americans.

Instead of reasonable tax relief targeted to working, middle-class families, the House Republican leadership passed a scheme that gives 65 percent of the tax cuts to the top 10 percent of Americans. Their plan does nothing to extend Social Security by a single day. It dedicates not one penny to strengthening Medicare. It forces deep cuts in education, crime fighting and national defense. These tax breaks for the wealthy are evidence that Republican values are out of step with the American people. I hope we will heed the advice of the Federal Reserve Chairman Alan Greenspan who warned that, and I quote, the time is not right for whoppings tax breaks. I call upon cooler heads to prevail so that we can use this surplus to strengthen Medicare and Social Security to keep faith with our parents and with our children, give tax relief to middle-class families and reduce the Federal debt.

WE NEED TAX REFORM NOW

Mr. GREEN of Wisconsin. Mr. Speaker, last week I was proud to support the largest tax cut in a decade. It is one of the things that I was sent here to Congress to do. But as my colleagues know, Mr. Speaker, paging through this bill, all 500 pages of it, I was reminded again of how tax relief is not enough. Congress must do more. Congress must deliver tax reform and do it now.

Earlier this year I caught another glimpse of that need when a constituent of mine sent me some letters, a case that he is working on with the IRS. In his letters, he has letters from the IRS promising to get back to him on April 19, May 19, June 18, July 16, and most recently, August 16. It is time to stop this bureaucratic run-around. It is time that we scrapped the IRS code and replaced it with a simpler, fairer code and a tax code that works for taxpayers, not the other way around.

By putting spending over saving the President has put first things last. The Republican plan does put first things first. It starts by saying, let us hold the line on spending. Then it says 100 percent of Social Security for Social Security. Then it says, pay down the debt $2 trillion and set aside $2 trillion for new spending on Washington programs.

By putting spending over saving the President has put first things last. The Republican plan does put first things first. It starts by saying, let us hold the line on spending. Then it says, pay down the debt $2 trillion and set aside $2 trillion for new spending on Washington programs.

REPUBLICAN PLAN PUTS FIRST THINGS FIRST

Mr. HILL of Montana. Mr. Speaker, are tax cuts good for America? Should we have a fairer, simpler Tax Code? Should the excess taxes projected to be paid by the American people over the next 10 years be used as the President and the Democrats propose for massive new spending or should some of it be returned to the taxpayers?

The President says we should do first things first. Last fall, he said we should set aside 100 percent of Social Security for Social Security. But then he proposed a budget that said, no, let us just set 62 percent aside for Social Security and use the other 38 percent for new spending.

By putting spending over saving the President has put first things last. The Republican plan does put first things first. It starts by saying, let us hold the line on spending. Then it says, pay down the debt $2 trillion and set aside $2 trillion for new spending on Washington programs. Then it says, pay down the debt $2 trillion and set aside $2 trillion for new spending on Washington programs.
minute and to revise and extend his remarks.

Mr. LAMPS. Mr. Speaker, I rise this morning to tell all of my colleagues about a brave 6½-year-old girl named Keeley Woodruff from Beaumont, Texas, but it is not the only story. Today they proposed an irresponsible tax cut scheme that dedicates all of the on-budget surplus to a massive tax cut rather than doing the responsible thing and reducing the national debt, saving Social Security and Medicare. Where have all the fiscal conservatives gone in the Republican party? I am shocked to hear some members of the Republican delegation here today say that they reduce the national debt more than Democrats. We just voted last week on a bill on the floor of this House where the Democrats said we are going to devote all of the Social Security surplus to Social Security and we are going to devote half of the on-budget surplus to debt reduction, 25 percent to reasonable tax cuts aimed at middle-income Americans and the other 25 percent for further tax reduction and to save Medicare and Social Security. That is the responsible thing to do.

The Republican tax proposal simply gives only modest tax breaks to middle-income taxpayers. We propose a responsible tax cut that will benefit all Americans.

SUPPORT THE PRESCRIPTION DRUG FAIRNESS FOR SENIORS ACT

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

Mr. SHOWS. Mr. Speaker, I stand before the American people today to talk about the high costs of prescription drugs. I have had the opportunity to visit with many of my constituents to address this burdensome problem. Studies prove that senior citizens in Mississippi pay outrageous amounts of money for much needed prescription drugs. For an example, a Mrs. Bruce lives in Federation Towers in Clinton, Mississippi. She enjoyed all the freedoms that should come along with being a senior citizen until the cost of her prescription medicine forced her to move out of her house, into her home with her daughter. She pays $200 a month for prescription medicine on a fixed income. Mrs. Bruce told me that without her daughter she could not stay healthy. So I wanted to make that point clear.

RESPONSIBLE TAX CUTS

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

Mr. TURNER. Mr. Speaker, the Republican tax cutting message is: “You can’t trust the Congress,” which the last time I checked, they were in the majority and controlling. Today they proposed an irresponsible tax cut scheme that dedicates all of the on-budget surplus to a massive tax cut rather than doing the responsible thing and reducing the national debt, saving Social Security and Medicare. Where have all the fiscal conservatives gone in the Republican party? I am shocked to hear some members of the Republican delegation here today say that they reduce the national debt more than Democrats. We just voted last week on a bill on the floor of this House where the Democrats said we are going to devote all of the Social Security surplus to Social Security and we are going to devote half of the on-budget surplus to debt reduction, 25 percent to reasonable tax cuts aimed at middle-income Americans and the other 25 percent for further tax reduction and to save Medicare and Social Security. That is the responsible thing to do.

The Republican tax proposal simply gives only modest tax breaks to middle-income taxpayers. We propose a responsible tax cut that will benefit all Americans.

SUPPORT THE REPUBLICAN TAX PACKAGE

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

Mr. WELDON. Mr. Speaker, we have a chance to finally put our economic house in order. To pay down our national debt, to get our economic house in order, we have to stop the waste and the government spending, going to programs that take the tax dollars that those hard-working Americans worked very hard to obtain, and squandering them on programs that do not achieve their directed purpose, but in many ways, make matters worse.

Now, we all support making sure that priority programs that help the poor, help the needy, help our senior citizens get the funding that they need. That is why this tax cut package protects all of the money in Social Security, sets aside the Social Security surplus for the first time. After more than 30 years of liberal Democrats spending the Social Security Trust Fund dollars, we, the Republicans, put our money aside. Then, in the end, we still have some money that we can return back to hard-working families in America.

Mr. Speaker, it is the right thing to do. If we leave the money in this town, it will get spent. We have to get the money out of this town in order to get it back in people’s pockets.
II housing. These, among other reasons, are why we are losing good men and women who stop serving their country because the hardships on their families are too great.

This is inexcusable, and Congress has been working hard to do something about it. This year we passed a 4.8 percent military pay raise, and with this bill, we will improve military housing. H.R. 2465 provides $747 million for new housing construction, and $2.8 billion for operations and improvement of existing housing. The bill also provides $964 million for barracks and medical facilities for troops and their families. Finally, because of an increase in two-income and single-parent families, the bill provides $21 million for child development centers.

Mr. Speaker, H. Res. 262 is a normal conference report rule for a good, non-controversial bill. I urge my colleagues to support this rule and to support the conference report.

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

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume. I want to thank the gentlewoman from North Carolina (Mrs. MYRICK) for yielding me the time.

This rule waives all points of order for consideration against the conference report on H.R. 2465, which is the Military Construction Appropriations bill for fiscal year 2000. The bill basically funds construction projects on military bases, including barracks, housing for military families, laboratories, hospitals, training facilities, and other buildings that support our Armed Forces. The bill also funds activities necessary to carry out the last two rounds of base closings and realignments.

This conference report represents the most basic kind of compromise between the House and the Senate versions of the bill. The House bill funded $8.5 billion in military construction, the Senate amount was $8.3 billion, and the conferences split the difference, arriving at a total of around $8.4 billion.

I am pleased that the bill contains $43.6 million for Wright-Patterson Air Force Base near Dayton, Ohio, which is partially in my district and partially in the 7th Congressional District of the gentleman from Ohio (Mr. Hobson). Actually, the Dayton area has been our Nation's center of military aviation science. Two of the Wright-Patterson projects funded in the bill are laboratories that will maintain the base's world-class research activities.

Once again, I commend the chairman of the Subcommittee on Military Construction, the gentleman from Ohio (Mr. Hobson), who has done a great job; and the gentleman from Massachusetts (Mr. Olver), who is a minority member, for his work on this bill. This is the first of the 13 appropriations bills to go through the House-Senate conference and reach this stage. It is a testament to their skill that they have moved so quickly to complete House action on this bill.

Mr. Speaker, I urge adoption of the rule and of the bill.

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

Mrs. MYRICK. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered. The resolution was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. HOBSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the conference report to accompany H.R. 2465, and that I may include supplementary and illustrative material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

CONFERENCE REPORT ON H.R. 2465, MILITARY CONSTRUCTION APPROPRIATIONS ACT, 2000

Mr. HOBSON. Mr. Speaker, pursuant to House Resolution 262, I call up the conference report on the bill (H.R. 2465), making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The Gentleman from Ohio (Mr. HOBSON) and the gentleman from Massachusetts (Mr. OLVER) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. HOBSON).

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

The conference report we present to the House today for military construction, family housing, and base realignment and closure recommends a total appropriation of $8.4 billion. This represents a $76 million decrease from last year. It is also $76 million below the House-passed level.

The conference, the agreement recommends $3.6 billion for items related to family housing, $4.1 billion for military construction, and $670 million for the implementation of base realignments and closures. As always, I want to express my appreciation to all the members of the subcommittee and especially my ranking member the gentleman from Massachusetts (Mr. OLVER), for his cooperation in crafting this agreement.
This bill represents an investment program that has significant payback in economic terms and better living and working conditions for our military personnel and their families. Mr. Speaker, at this time I will place in the RECORD documentation regarding this bill.
### MILITARY CONSTRUCTION APPROPRIATIONS BILL (H.R. 2465)

(Amounts in thousands)

<table>
<thead>
<tr>
<th>FY 1999 Enacted</th>
<th>FY 2000 Request</th>
<th>House</th>
<th>Senate</th>
<th>Conference</th>
<th>Conference vs. enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military construction, Army</td>
<td>865,726</td>
<td>656,003</td>
<td>1,223,405</td>
<td>1,067,422</td>
<td>1,042,033</td>
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<tr>
<td>Emergency appropriations (P.L. 105-277)</td>
<td>118,000</td>
<td>656,536</td>
<td>1,223,405</td>
<td>1,067,422</td>
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<tr>
<td>Advance appropriations, FY 2001</td>
<td></td>
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<tr>
<td>Total</td>
<td>983,726</td>
<td>1,315,539</td>
<td>1,223,405</td>
<td>1,067,422</td>
<td>1,042,033</td>
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<tr>
<td>Military construction, Navy</td>
<td>602,593</td>
<td>319,786</td>
<td>966,862</td>
<td>844,883</td>
<td>901,531</td>
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<tr>
<td>Emergency appropriations (P.L. 105-277)</td>
<td>5,680</td>
<td>502,812</td>
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<td>Advance appropriations, FY 2001</td>
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<tr>
<td>Total</td>
<td>608,453</td>
<td>822,598</td>
<td>966,862</td>
<td>844,883</td>
<td>901,531</td>
</tr>
<tr>
<td>Military construction, Air Force</td>
<td>612,809</td>
<td>179,479</td>
<td>752,367</td>
<td>783,710</td>
<td>777,238</td>
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<tr>
<td>Emergency appropriations (P.L. 105-277)</td>
<td>29,200</td>
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<td>Total</td>
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<td>559,346</td>
<td>752,367</td>
<td>783,710</td>
<td>777,238</td>
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<td>Military construction, Defense-wide</td>
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<td>193,005</td>
<td>755,718</td>
<td>770,690</td>
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<tr>
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<td>551,114</td>
<td>530,905</td>
<td>755,718</td>
<td>770,690</td>
<td>503,615</td>
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<td>Total, Active components</td>
<td>2,785,302</td>
<td>3,228,388</td>
<td>3,700,352</td>
<td>3,506,705</td>
<td>3,314,417</td>
</tr>
</tbody>
</table>

**Department of Defense Military Unaccompanied Housing Improvement Fund:**

- Military construction, Army National Guard 148,803
- Emergency appropriations (P.L. 105-277) 2,500
- Advance appropriations, FY 2001 41,357
- Total 151,303
- Military construction, Air National Guard 199,801
- Emergency appropriations (P.L. 105-277) 15,900
- Advance appropriations, FY 2001 51,981
- Total 185,710
- Military construction, Army Reserve 102,119
- Emergency appropriations (P.L. 105-277) 54,506
- Advance appropriations, FY 2001 102,119
- Military construction, Air Reserve 102,119
- Emergency appropriations (P.L. 105-277) 77,926
- Advance appropriations, FY 2001 92,515
- Total 102,119
- Military construction, Naval Reserve 31,621
- Emergency appropriations (P.L. 105-277) 4,933
- Advance appropriations, FY 2001 21,574
- Total 31,621
- Military construction, Air Force Reserve 34,371
- Emergency appropriations (P.L. 105-277) 12,155
- Advance appropriations, FY 2001 15,165
- Total 34,371
- Military construction transfer fund (emergency appropriations) (P.L. 106-31)... 475,000
- Total, Military construction... 3,760,417
- Appropriations (3,118,057)...
- Rescissions (-5,000)
- Emergency appropriations (646,460)
- Advance appropriations (2,053,144)
- Total, NATO... 155,000
- Revised economic assumptions... -1,000
- Total, NATO... 154,000

**Family housing, Army:**

- New construction... 107,100
- Construction improvements... 48,479
- Planning and design... 6,250
- General reduction... -2,638
- Advance appropriations, FY 2001... 43,961
- Subtotal, construction... 159,290
- Operation and maintenance... 1,087,697
- Emergency appropriations (P.L. 105-277)... 5,200
- Total, Family housing, Army... 1,252,187

*Note: All values are in thousands.*
### MILITARY CONSTRUCTION APPROPRIATIONS BILL (H.R. 2465) — continued

(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 1999 Enacted</th>
<th>FY 2000 Request</th>
<th>House</th>
<th>Senate</th>
<th>Conference vs. enacted</th>
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<tbody>
<tr>
<td><strong>Family housing, Navy and Marine Corps:</strong></td>
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<td>New construction</td>
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<td><strong>Family housing, Defense-wide:</strong></td>
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<td>(2,000)</td>
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<td>Operation and maintenance</td>
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<td><strong>Base realignment and closure accounts:</strong></td>
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<td>Part III</td>
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<td>672,311</td>
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<td><strong>Total, Base realignment and closure accounts</strong></td>
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<td>705,911</td>
<td>672,311</td>
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<td><strong>General Provisions:</strong></td>
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<td>Family housing, Navy and Marine Corps (FY98 Sec. 125)</td>
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<td>Contingency reduction (sec. 125)</td>
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<td><strong>Grand total:</strong></td>
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<td>New budget (obligational) authority</td>
<td>9,134,234</td>
<td>8,496,273</td>
<td>8,449,742</td>
<td>8,273,820</td>
<td>8,374,000</td>
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<td>Appropriations</td>
<td>(8,454,742)</td>
<td>(5,438,443)</td>
<td>(8,449,742)</td>
<td>(8,273,820)</td>
<td>(8,374,000)</td>
</tr>
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<td>Rescissions</td>
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<td>(5,000)</td>
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<td>Emergency appropriations</td>
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<td>(3,060,830)</td>
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<td></td>
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<td>(3,060,830)</td>
</tr>
</tbody>
</table>
I urge my colleagues to support this conference report.

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

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

As the Members understand, the military construction appropriations bill serving as a guardian of the quality of life of men and women who serve in America’s military. Both the Chairman and I would have preferred We have in a serious backlog with respect to the quality of life facilities barracks, housing, and other things that come under our jurisdiction. Yet, we find ourselves ultimately in this bill, $76 million, as the Chairman has already said, below last year’s funding level. That funding level has allowed us to address only the most pressing workplace and housing needs that we can see. Yet, that has been done, I think, in a very effective manner, given the constraints.

Mr. Speaker, I want to thank the gentleman from Ohio (Mr. Hobson), the chairman of the subcommittee, for his fair-minded and outstanding leadership in putting this bill together at all stages along the way. All of the members of the subcommittee, along with the gentleman from Florida (Mr. Young), the chairman of the full committee, and the gentleman from Wisconsin (Mr. Obey), the ranking member of the full committee, as well as all of the members of the subcommittee, have taken an active role from day 1 in the construction of this legislation as it made its way to where we are today.

Of course, we all realize that the staff puts in enormously long hours and hard work, and I especially want to thank the clerk of the subcommittee, Liz Dawson and her staff, Brian Potts and Cindi Britten for their work, as well as thanking Tom Forhan, the staff member for the minority.

This is a solid bipartisan agreement that deserves the support of all Members of the House.

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

Mr. HOBSON. Mr. Speaker, I yield today to lend my strong support for passage of H.R. 2465, the Fiscal Year 2000 Military Construction Appropriations Act Conference Report.

This $8.4 billion measure recognizes the needs of our military infrastructure, continues our efforts to base-closure realignment, and most importantly, puts military families first. One of the much needed items in this bill to improve the quality of life for our people in uniform is the $10.952 million appropriation for the construction of the Marseilles National Guard Training Facility in my Congressional District.

The Marseilles complex has been requested by the Illinois Department of Military Affairs and the Pentagon since 1994. Not until this year did the President recognize the need for this facility and I am pleased that President Clinton has approved funding for this project in his FY 2000 budget. This facility would be the first permanent training complex for the National Guard in the State of Illinois, serving all of the 10,245 members of the Guard in Illinois. Currently, members of the Illinois National Guard are forced to travel to bases in Wisconsin and Kentucky some as far as 350 miles away to conduct routine maneuvers. As you can imagine, this places a severe stress on the scope and timing of military operations, and even greater stress on the members of the Guard and their families.

Marseilles site is easily accessible from Interstate 80 and in close proximity to Interstate 39 & 55, Chicago, Joliet, and Springfield. The Marseilles site is currently used by the Guard for small training exercises that are conducted out of tents and military vehicles with restrooms facilities consisting of portable toilets that are of an unacceptable condition for these troops. The proposed complex in Marseilles would reduce travel time to and from training for most Illinois Guard members and would include barracks and dining facilities that would help to boost morale and retention within the ranks. The immediate construction of the Marseilles complex would provide the multiple benefits of substantially helping local business, spurring development in the undeveloped area south of the Illinois River, while providing a convenient training site that will help to improve troop readiness and an acceptable quality of life.

Mr. Speaker, I extend my deep appreciation to Chairman HOBSOM of the Military Construction Appropriations Subcommittee, on behalf of the residents and small business owners of Marseilles and the over 10,000 members of the Illinois National Guard I say thank you for helping to get this important project underway.

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

Mr. HOBSON. Mr. Speaker, I have no further requests for time, I yield back the balance of my time, and I move the previous question on the conference report.

The previous question was ordered. The SPEAKER pro tempore. The question is on the conference report. Pursuant to clause 10 of rule XX, the yeas and nays are ordered.

The vote was taken by electronic device, and there were 412 yeas, 8 nays, not voting 13, as follows:

[Roll No. 343]

YEAS—412

Fletcher

Fattah

Fazio

Foster

Fortenberry

Frank (NY)

Franklin (MA)

Franken (MN)

Frentzel

Fulbright

Fusco

Gallegly

Ganske

Gephardt

Gibbs

Gilchrest

Gillmor

Gillum

Gonzalez

Goode

Goodlatte

Gooding

Gordon

Gorman

Graham

Granger

Green (TX)

Green (WI)

Greenwood

Gutierrez

Gutknecht

Hall (OH)

Hall (TX)

Hansen

Hastings (FL)

Hastings (WA)

Hayes

Hayworth

Hefler

Hill (IN)

Hill (CT)

Hilliard

Hinkley

Hinojosa

Hobson

Hoeffner

Hoeckstra

Hodgen

Horn

Hostetler

Houghton

Hoyt

Hulshof

Hunt

Hyde

Inslee

Ison
S. 305. An act to reform unfair and anti-trust practices in the professional culture.

801(a)(1)(A); to the Committee on Agriculture to provide financial and technical assistance in connection and the Workforce for a period to be determined.

S. 918. An act to authorize the Small Business Administration to provide financial and technical assistance in connection and the Workforce for a period to be determined.

H.R. 66. An act to preserve the cultural resources of the Route 66 corridor and to authorize the Secretary of the Interior to provide assistance.

NOT VOTING—13

Becerra
McDermott
Neal
Peterson (PA)
Sabo
Sherwood

Messrs. SENSBRENNER, KLECZKA and BARRETT of Wisconsin changed their vote from "yea" to "nay."

Barrett (WI)
Heffey
Kleczka

So the conference report was agreed to.

Mr. THOMAS, from the Committee on House Administration, reported that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 66. An act to preserve the cultural resources of the Route 66 corridor and to authorize the Secretary of the Interior to provide assistance.

Mr. Thomas, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title: H.R. 66. An act to preserve the cultural resources of the Route 66 corridor and to authorize the Secretary of the Interior to provide assistance.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker’s table and referred as follows:

3254. A letter from the Acting Executive Director, Commodity Futures Trading Commission, transmitting the Commission’s final rule—Chicago Board of Trade Petition for Exemption From the Statutory Dual Trading Prohibition in the Ten-Year U.S. Treasury Note Futures Contract Traded on the Project A Electronic Trading System—received June 26, 1999, pursuant to S 803(a)(1)(A); to the Committee on Agriculture.
H. R. 2633. A bill to amend title 18, United States Code, to provide for Congressional review of the economic sanctions, trade restrictions, and other economic measures with respect to Cuba, North Korea, and Iran.

H. R. 2634. A bill to amend the Internal Revenue Code of 1986 to provide for a tax deduction for charitable contributions made to organizations that support the development of renewable energy sources.

H. R. 2635. A bill to provide for the establishment of a national registry of organ and tissue donors.

H. R. 2636. A bill to amend the Federal Food, Drug, and Cosmetic Act to provide for the regulation of dietary supplements.

H. R. 2637. A bill to provide for the establishment of a national registry of organ and tissue donors.

H. R. 2638. A bill to amend the Clean Air Act to establish a program to reduce greenhouse gas emissions.

H. R. 2639. A bill to establish a national registry of organ and tissue donors.

H. R. 2640. A bill to provide for the establishment of a national registry of organ and tissue donors.


H. R. 2642. A bill to amend the Immigration and Nationality Act to provide that individuals who commit acts of torture abroad are inadmissible and deportable.

H. R. 2643. A bill to amend the Native American Graves Protection and Repatriation Act to provide for appropriate study and repatriation of remains with cultural affiliations that are ascertainable.

H. R. 2644. A bill to prohibit Federal, State, and local agencies from transferring, selling, or disclosing personal data without the individual's consent.

H. R. 2645. A bill to provide for the restructuring of the electric power industry.

H. R. 2646. A bill to amend the Internal Revenue Code of 1986 to provide for a tax credit for the purchase of energy-efficient products.

H. R. 2647. A bill to amend the Act entitled "An Act relating to the water rights of the Ak-Chin Indian Community" to clarify certain provisions concerning the leasing of such water rights, and for other purposes; to the Committee on Resources.

H. R. 2648. A bill to amend the Tariff Act of 1930 to clarify the rules for treatment of international travel merchandise and bonded warehousing.

H. R. 2649. A bill to reduce Federal spending in several programs; to the Committee on Agriculture, and in addition to the Committee on Ways and Means.

H. R. 2650. A bill to amend title XVIII of the Social Security Act to improve and streamline the physician self-referral law; to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

H. R. 2651. A bill to amend title XVIII of the Social Security Act with respect to the re-strictions on physician self-referral; to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

H. R. 2652. A bill to increase monitoring of the use of offsets in international defense trade; to the Committee on International Relations, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

H. R. 2653. A bill to express United States policy toward the Slovak Republic; to the Committee on International Relations.

H. R. 2654. A bill to establish a national registry of organ and tissue donors.

H. R. 2655. A bill to provide for the establishment of a national registry of organ and tissue donors.

H. R. 2656. A bill to establish a national registry of organ and tissue donors.

H. R. 2657. A bill to protect consumer and commercial interests in access to information provided, and for other purposes; to the Committee on Commerce.
Mr. MCNULTY, and Mr. PALLONE.

H. Res. 265. A resolution expressing the sense of the House of Representatives that the President should actively encourage holders of Jordanian debt to provide debt relief in order to strengthen the economy of Jordan; to the Committee on International Relations.

By Mrs. MORELLA (for herself and Ms. EDDIE BERNICE JOHNSON of Texas):
H. Res. 267. A resolution expressing the sense of the House of Representatives with regard to Shuttle Mission STS-93, commanded by Colonel Eileen Collins, the first female space shuttle commander; to the Committee on Science.

PRIVATE SPONSORS

Under clause 3 of rule XII,

H.R. 170: Mr. GORDON, Mr. DAVIS of Florida, Mr. SHAW, Mrs. T AUSCHER, Mr. N EAL of Massachusetts, Ms. WENDELL, Mr. RODRIGUEZ, Mr. B AIRD, Mr. S WEENEY, and Mr. GILMAN.

H.R. 810: Mr. KLINK and Mr. MOAKLEY.

H.R. 784: Mr. KLINK and Mr. MARKAY.

H.R. 780: Mr. FROST.

H.R. 804: Ms. MCKINNEY.

H.R. 1128: Mr. HAYES.

H.R. 1034: Mr. MILLER of Florida and Mr. MCINNIS.

H.R. 1055: Mr. SWEENEY.

H.R. 1079: Ms. HOOLEY of Oregon, Mr. RAHAL, Mr. LAUDER, Mr. PETERSON of Minnesota, and Mr. FILNER.

H.R. 1083: Mr. McGovern.

H.R. 1111: Mr. KING.

H.R. 1140: Mr. STARK, Mr. GEORGE MILLER of California, and Mr. FARR of California.

H.R. 1168: Mrs. THURMAN.

H.R. 1172: Mr. WAXMAN, Mr. NUSSELE, Mr. MARTINEZ, Mr. WOLF, Mr. MOORE, Mr. NADLER, Mr. LAMOR, Mr. MORAN of Virginia, Mr. WHITFIELD, Ms. MCKINNEY, Mr. BARRATT of Wisconsin, Mr. MCDERMOIT, Mr. LATOURETTE, Mr. CLEMENT, Ms. MCCARTHY of Missouri, Mr. TALENT, and Mr. NEV.

H.R. 1180: Mr. WEXLER, Mr. MEES of New York, Mr. CLYBURN, and Mrs. TAUSCHER.

H.R. 1190: Mr. DAVIS of Virginia.

H.R. 1194: Mr. EVANS, Mr. TANCREDO, and Ms. MCKINNEY.

H.R. 1219: Mr. KLING.

H.R. 1221: Mr. STUPAK.

H.R. 1222: Mr. STUPAK.

H.R. 1238: Mrs. LOWEY and Mr. MARKEY.

H.R. 1244: Mr. TALENT, Mr. PEASE, and Mr. GARRISON of California.

H.R. 1260: Mr. PICKERING and Mr. MCGOVERN.

H.R. 1271: Mr. BAIRD and Mr. GEORGE MILLER of California.

H.R. 1272: Mr. HAYES.

H.R. 1275: Mrs. NORTHPUR, Mr. CALVERT, Mr. EVANS, Mr. GEORGE MILLER of California, Mr. SHAW, Mrs. TAUSCHER, Mr. NEV.

H.R. 1277: Mr. GRIFFINS.

H.R. 1278: Mr. EVANS and Mr. HILL of Indiana.

H.R. 1283: Mrs. NORTHPUR, Mrs. BONO, and Mr. HERGER.

H.R. 1286: Mr. KLING.

H.R. 1303: Mr. DAVIS of Illinois and Mr. PAUL.

H.R. 1337: Mr. BOEHLEIT, Ms. MCKINNEY, and Mr. MCINNIS.

H.R. 1334: Mr. HULSHOFF, Mr. LEWIS of Kentucy, and Mr. MINGE.

H.R. 1356: Mr. FALEOMAVAEGA.

H.R. 1358: Mr. MALONEY of Connecticut.

H.R. 1363: Mr. DICK.

H.R. 1366: Mr. SIMPSON.

H.R. 1433: Mr. HASTINGS of Washington.

H.R. 1454: Mr. WU.

H.R. 1496: Mr. FATTAH, Mr. WISE, and Ms. BERKLEY.

H.R. 1476: Mr. KLING.

H.R. 1497: Mr. CAPUANO.

H.R. 1505: Mr. CAPUANO and Mr. LIPINSKI.

H.R. 1518: Mr. COYER, and Mr. GONZALEZ.

H.R. 1525: Mr. KLING.

H.R. 1598: Mr. EHRLEICH, Mr. ADERRHOLZ, and Mr. RILEY.

H.R. 1603: Mr. KLING.

H.R. 1602: Mr. UPTON.

H.R. 1621: Mr. SENESNBRINNER.

H.R. 1622: Mr. TALBOT and Mr. ROTHMAN.

H.R. 1649: Mr. SHAYS.

H.R. 1660: Mr. GEORGE MILLER of California, Mr. MECK of Florida, Mr. SERRANO, Mr. MORAN of Virginia, Mr. VISCLOSKY, Mr. HALL of Ohio, Mr. WISE, Mr. EDWARDS, Mr. HOLDEN, and Mr. STUPAK.

H.R. 1671: Mr. MALONEY of Connecticut.

H.R. 1667: Mr. ROMERO-BARCELO and Mr. PAUL.

H.R. 1706: Mr. HASTINGS of Washington.

H.R. 1707: Mr. BARCIA.

H.R. 1746: Mr. LEWIS of Kentucky.

H.R. 1747: Mr. BATeman, Mr. SCARBOROUGH, Mr. DICK, Mr. LINDNER, Mr. LARTANT, Mr. GREG of Wisconsin, Mr. DEMINT, Mr. TOOMEY, Mr. SAM JOHNSON of Texas, Mr. DEAL of Georgia, Mr. WELDON of Florida, Ms. CHOW, and Mr. MILLER of Florida.

H.R. 1760: Mr. DIAL-BALART, Mrs. BIGGER, Mr. KING, Mr. BAIRD, Mr. SWEENEY, and Mr. HILL.

H.R. 1764: Mr. KLING.

H.R. 1777: Mr. OLIVER.

H.R. 1788: Mr. LAFOURRETE, Mr. MALONEY of Connecticut, Ms. WOOLSEY, Mr. BEREUTER, Mr. SWEENEY, and Mr. GILMAN.

H.R. 1791: Mr. METCALF, Mr. KOLBE, and Mr. COOK.

H.R. 1838: Mr. RADANOVICH and Mr. BARR of Georgia.

H.R. 1841: Mrs. NAPOLITANO, Mr. ORTIZ, Mr. MENEDEZ, Mr. BECERRA, Mr. RODRIGUEZ, and Mr. CUMMINGS.

H.R. 1855: Mr. BROWN of Ohio, Mr. HILLARD, and Mr. SANDLIN.

H.R. 1887: Mr. HYDE, Mr. COOK, Mr. ROTHMAN, and Mr. FRANK of New Jersey.

H.R. 1894: Mr. RASTO.

H.R. 1899: Mrs. KELLY, Mr. KUCINICH, Mr. HILLARD, Mr. BILBARY, Ms. CHRISTENSEN, and Mr. FILNER.

H.R. 1907: Mr. CASTLE and Mr. MASCARA.

H.R. 1916: Mr. MILLER of Florida.

H.R. 1926: Mr. SOUDER, Mr. MALONEY of Connecticut, Mr. RAILL, Mr. BROWN of Ohio, Mr. BLILLY, Mr. VENTO, and Mr. DICKEY.

H.R. 1932: Mr. COOKSEY, Ms. CHRISTENSEN, Mr. HUFFEY, Mr. GARY MILLER of California, and Mr. HANSEN.

H.R. 1933: Mr. COMBEST.

H.R. 1935: Mr. LOBIONDO and Mr. FRANK of Massachusetts.

H.R. 1958: Mr. KLING.

H.R. 1967: Ms. MCCARTHY of Missouri.


H.R. 1984: Mr. SOUDER, Mr. UPTON, Mr. MCKEON, Mr. BARRATT of Nebraska, Ms. PRYCE of Ohio, and Mr. FLETCHER.

H.R. 1993: Mr. KLING.

H.R. 1997: Mrs. J OHNSON of Connecticut, Mr. WISE, Mr. EVERETT, Mr. ANDREWS, and Mr. TRAFICANT.

H.R. 2000: Mr. CRAMER, Mrs. THURMAN, Mr. KING, Mrs. MINK of Hawaii, Mr. LEWIS of Georgia, Mr. MOORE, and Mr. WOLF.

H.R. 2010: Mr. BARRATT of Wisconsin.

H.R. 2028: Mr. BARCIA.

H.R. 2030: Mr. COOK, Mr. HAYWORTH, and Mr. BARTON of Texas.

H.R. 2106: Mr. MANZULLO.

H.R. 2124: Mr. KLING.

H.R. 2126: Mr. MCCrey.

H.R. 2170: Mr. STRICKLAND, Mr. SPRATT, Mr. DUSCH, Mr. COSTELLO, Mr. RODRIGUEZ, Mrs. BONO, Mr. SCOTT, Ms. CHRISTENSEN, Ms. SANCHEZ, Mr. SPENCE, Mr. SHOWS, Mr. NEAL of Massachusetts, and Mr. SABO.

H.R. 2203: Mr. WEGYAND and Mr. BLAGOJEVICH.

H.R. 2221: Mr. SAM JOHNSON of Texas and Mr. COMBEST.

H.R. 2236: Mr. MCINTYRE.

H.R. 2246: Mr. KIND, Mr. Boucher, Mr. MASCARA, Mr. OLIVER, Mr. MALONEY of Connecticut, and Mr. LEWIS of Georgia.

H.R. 2248: Mr. HILLIARD, Mrs. EMERSON, Mr. MCGOVERN, and Mr. DICKENS.

H.R. 2249: Mr. STUMP.

H.R. 2250: Mr. GOODE, Ms. DANNER, and Mrs. MYRICK.

H.R. 2246: Mr. WHITFIELD.
H6600

July 29, 1999

CONGRESSIONAL RECORD — HOUSE

H.R. 2247: Ms. PRYCE of Ohio.
H.R. 2260: Mr. COOK and Mr. CALLAHAN.
H.R. 2265: Mr. LAFALCE, Mr. CLYBURN, and
Mr. HOLDEN.
H.R. 2288: Mr. WEXLER.
H.R. 2300: Mr. LARGENT and Mr. TIAHRT.
H.R. 2303: Mr. WALDEN of Oregon, Mr.
GILCHREST, Mr. KUYKENDALL, Mr. COOK, Mr.
WISE, Ms. CARSON, Mr. GILMAN, Mr. CONDIT,
Mr. LUCAS of Kentucky, Mr. MANZULLO, Mr.
RADANOVICH, and Mr. ENGEL.
H.R. 2319: Mrs. FOWLER, Mr. WATTS of
Oklahoma, Ms. KAPTUR, and Mr. GIBBONS.
H.R. 2337: Mr. MORAN of Kansas and Mr.
BARCIA.
H.R. 2356: Mr. FOLEY, Mr. CANADY of Florida, Mrs. EMERSON, Mr. SHAYS, Mr.
HAYWORTH, Mrs. NORTHRUP, Mr. WHITFIELD,
Mr. BURR of North Carolina, and Mr. FRANKS
of New Jersey.
H.R. 2364: Mr. ISTOOK.
H.R. 2367: Mr. WOLF.
H.R. 2373: Mr. MANZULLO.
H.R. 2384: Mr. REYES.
H.R. 2420: Mr. LEWIS of Kentucky, Mr.
DIAZ-BALART, Mr. WEXLER, Mrs. MEEK of
Florida, and Mr. GILCHREST.
H.R. 2436: Mr. DICKEY, Mrs. MYRICK, Mr.
GUTKNECHT, Mr. LEWIS of Kentucky, and Mr.
GOODLATTE.
H.R. 2439: Mr. BALDACCI.
H.R. 2444: Mr. DINGELL.
H.R. 2446: Mrs. MCCARTHY of New York, Mr.
PAYNE, Mr. VENTO, Mr. WEINER, Mr.
ETHERIDGE, Mr. KUCINICH, Mr. FILNER, Mr.
BLAGOJEVICH, Mr. MARKEY, and Mr. OWENS.
H.R. 2457: Mr. BRADY of Pennsylvania, Mr.
DOYLE, Mr. PORTER, Mr. PALLONE, and Mr.
HOLT.
H.R. 2463: Mr. PICKERING, Mr. RAHALL, and
Mr. BALDACCI.
H.R. 2491: Mr. RANGEL, Mr. JONES of North
Carolina, Ms. ROYBAL-ALLARD, and Mr.
GOODE.
H.R. 2493: Mr. BONIOR, Mrs. MORELLA, Mr.
GUTIERREZ, Mrs. THURMAN, Mrs. MINK of Hawaii, and Mr. BARRETT of Wisconsin.
H.R. 2498: Mr. SHOWS, Mr. WU, Ms. RIVERS,
Mr. HANSEN, Mr. QUINN, Ms. ESHOO, Mr.
ENGLISH, and Mr. WELDON of Pennsylvania.
H.R. 2503: Mr. ALLEN, Mr. WEINER, and Mr.
LANTOS.
H.R. 2512: Mr. BECERRA.
H.R. 2528: Mr. COX, Mr. HAYWORTH, Mr.
HORN, Mr. HUTCHINSON, Mr. SAM JOHNSON of
Texas, Mrs. NORTHUP, Mr. NORWOOD, Mr.
REYNOLDS, Ms. ROS-LEHTINEN, Mr. SHADEGG,
Mr. SHIMKUS, Mr. SKELTON, Mr. SPENCE, and
Mr. WICKER.
H.R. 2534: Mr. WELDON of Pennsylvania,
Ms. LEE, Mr. HOLT, Mr. WEINER, Mr. SHAYS,
Mr. JACKSON of Illinois, Mr. BAIRD, and Mr.
MEEHAN.
H.R. 2543: Mr. FILNER, Mr. SAXTON, Mr.
TAYLOR of North Carolina, Mr. WHITFIELD,
Mr. BARTON of Texas, and Mr. HAYES.
H.R. 2548: Mr. RAHALL.
H.R. 2560: Mrs. MYRICK.
H.R. 2584: Mr. HORN, Mr. BILBRAY, and Ms.
ROS-LEHTINEN.
H.R. 2586: Mrs. MEEK of Florida, Mr. FROST,
and Mr. GUTIERREZ.
H.R. 2592: Mr. OBERSTAR.
H.R. 2593: Mr. LEWIS of Georgia.
H.R. 2595: Mr. KILDEE and Mrs. THURMAN.
H.R. 2612: Mr. KLINK and Mr. DUNCAN.
H.R. 2618: Mr. EVANS, Mrs. EMERSON, and
Mrs. MCCARTHY of New York.
H.J. Res. 41: Mrs. CAPPS, Mr. HOLT, Mr.
KILDEE, Mr. UDALL of Colorado, and Mr.
UDALL of New Mexico.
H.J. Res. 48: Mr. SHAYS and Mr. WEYGAND.
H.J. Res. 55: Mr. MORAN of Kansas.
H. Con. Res. 34: Mr. BAIRD and Mr. COYNE.
H. Con. Res. 78: Mr. ENGEL.
H. Con. Res. 80: Mr. LAMPSON, Mr. TAYLOR
of North Carolina, Ms. WOOLSEY, Mr.
LATOURETTE, Mr. PHELPS, Mr. PASTOR, Mr.

KLECZKA, Ms. KILPATRICK, Mr. MEEHAN, Mr.
OBERSTAR, Mr. BILBRAY, Mr. ABERCROMBIE,
Mr. KUCINICH, Mr. MARKEY, Mr. MASCARA,
Mr. LEVIN, Mr. ROYCE, Mr. FRANK of Massachusetts, Mr. LAFALCE, Mr. WEYGAND, and
Ms. ESHOO.
H. Con. Res. 100: Mr. LAMPSON, Mr. TAYLOR
of North Carolina, Ms. WOOLSEY, Mr. KLECZKA, Ms. NORTON, Mr. PHELPS, Mr. PASTOR,
Mr. ENGLISH, Mrs. JOHNSON of Connecticut,
Mr. OBERSTAR, Mr. OLVER, Mr. ABERCROMBIE,
Mr. LATOURETTE, Mr. MARKEY, Mr. LEVIN,
and Mr. MASCARA.
H. Con. Res. 111: Mrs. LOWEY.
H. Con. Res. 134: Mr. MURTHA, Mr. KLINK,
Mr. PETERSON of Minnesota, Ms. RIVERS,
Mrs. MEEK of Florida, Mr. RAHALL, Mr. COOK,
Mr. HASTINGS of Florida, Mr. CUMMINGS, Mr.
KINGSTON, and Mr. MCHUGH.
H. Con. Res. 139: Mr. WYNN, Mr.
CUNNINGHAM, Mr. NEAL of Massachusetts,
Ms. LEE, Mr. SKELTON, and Mr. MATSUI.
H. Con. Res. 147: Mr. SWEENEY, Mr. RUSH,
and Mr. HINCHEY.
H. Con. Res. 152: Mr. WYNN, Mr. RUSH, Mr.
ABERCROMBIE, Mr. BOUCHER, Ms. MCCARTHY
of Missouri, and Mr. BORSKI.
H. Con. Res. 159: Mr. TAYLOR of North
Carolina, Ms. WOOLSEY, Mr. PHELPS, Mr.
PASTOR, Mr. BILBRAY, Mr. PAYNE, Mr. ABERCROMBIE, and Ms. RIVERS.
H. Res. 16: Mr. DUNCAN.
H. Res. 205: Mr. WHITFIELD and Mr. GOODLATTE.
H. Res. 251: Mr. HALL of Ohio, Ms. ESHOO,
Mr. WYNN, Mr. RUSH, and Mr. WEXLER.
H. Res. 264: Mr. MINGE, Mr. COOKSEY, Mr.
CUMMINGS, Mr. MCINNIS, and Mr. KASICH.

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PETITIONS, ETC.
Under clause 3 of rule XII,
40. The SPEAKER presented a petition of
the Common Council of the City of Buffalo,
relative to Resolution No. 202 petitioning the
Congress to support H.R. 1833 and S. 219 and
the addition of 125 US Customs cargo inspectors, 40 US special agents, and 10 US intelligence agents and $26,582,000 for equipment
ill tile bill currently being discussed in the
conference committee; to the Committee on
Ways and Means.

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AMENDMENTS
Under clause 8 of rule XVIII, proposed amendments were submitted as
follows:

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H.R.
OFFERED BY MR. KUCINICH
(Commerce, Justice, State, and Judiciary
Appropriations, 2000)
AMENDMENT NO. 1 At the end of the bill, insert after the last section (preceding the
short title) the following:
TITLE VIII—ADDITIONAL GENERAL
PROVISIONS
SEC. 801. None of the funds made available
in this Act may be used for the filing of a
complaint, or any motion seeking declaratory or injunctive relief pursuant thereto, in
any legal action brought under section
102(b)(2) of the North American Free Trade
Agreement Implementation Act (19 U.S.C.
3312(b)(2)) or section 102(b)(2) of the Uruguay
Round Agreements Act (19 U.S.C. 3512(b)(2)).
H.R. 2587
OFFERED BY: MR. ISTOOK
AMENDMENT NO. 4: Page 65, insert after line
24 the following:
SEX OFFENDER REGISTRATION

SEC. 167. (a) PERMITTING COURT SERVICES
AND
OFFENDER SUPERVISION AGENCY TO

CARRY OUT SEX OFFENDER REGISTRATION.—
Section 11233(c) of the National Capital Revitalization and Self-Government Improvement Act of 1997 (DC Code, sec. 24–1233(c)) is
amended by adding at the end the following
new paragraph:
‘‘(5) SEX OFFENDER REGISTRATION.—The
Agency shall carry out sex offender registration functions in the District of Columbia,
and shall have the authority to exercise all
powers and functions relating to sex offender
registration that are granted to the Agency
under any District of Columbia law.’’.
(b) AUTHORITY DURING TRANSITION TO FULL
OPERATION OF AGENCY.—
(1) AUTHORITY OF PRETRIAL SERVICES, PAROLE, ADULT PROBATION AND OFFENDER SUPERVISION TRUSTEE.—Notwithstanding section
11232(b)(1) of the National Capital Revitalization and Self-Government Improvement Act
of 1997 (DC Code, sec. 24–1232(b)(1)), the Pretrial Services, Parole, Adult Probation and
Offender Supervision Trustee appointed
under section 11232(a) of such Act (hereafter
referred to as the ‘‘Trustee’’) shall, in accordance with section 11232 of such Act, exercise the powers and functions of the Court
Services and Offender Supervision Agency
for the District of Columbia (hereafter referred to as the ‘‘Agency’’) relating to sex offender registration (as granted to the Agency
under any District of Columbia law) only
upon the Trustee’s certification that the
Trustee is able to assume such powers and
functions.
(2) AUTHORITY OF METROPOLITAN POLICE DEPARTMENT.—During the period that begins on
the date of the enactment of the Sex Offender Registration Emergency Act of 1999
and ends on the date the Trustee makes the
certification described in paragraph (1), the
Metropolitan Police Department of the District of Columbia shall have the authority to
carry out any powers and functions relating
to sex offender registration that are granted
to the Agency or to the Trustee under any
District of Columbia law.
H.R. 2606
OFFERED BY: MR. ANDREWS
AMENDMENT NO. 12: Page 116, after line 5,
insert the following:
PROHIBITION ON FUNDS FOR NEW OPIC PROJECTS

SEC. 585. None of the funds appropriated in
this Act may be used by the Overseas Private Investment Corporation except to fulfill
obligations, guarantees, and agreements existing before the enactment of this Act.
H.R. 2606
OFFERED BY: MR. BROWN OF OHIO
AMENDMENT NO. 13: Page 7, line 10, after
the dollar amount, insert the following: ‘‘(increased by $5,000,000)’’.
Page 27, line 6, after the first dollar
amount, insert the following: ‘‘(reduced by
$5,000,000)’’.
H.R. 2606
OFFERED BY: MR. BURTON OF INDIANA
AMENDMENT NO. 14: Page 116, after line 5,
insert the following:
. None of the funds appropriated
SEC.
or otherwise made available in this Act in
title II under the heading ‘‘DEVELOPMENT ASSISTANCE’’ may be made available to the
Government of India.
H.R. 2606
OFFERED BY: MR. BURTON OF INDIANA
AMENDMENT NO. 15. Page 116, after line 5,
insert the following:
. Of the funds appropriated or othSEC.
erwise made available in this Act in title II
under the heading ‘‘DEVELOPMENT ASSISTANCE’’, not more than $33,500,000 may be
made available to the Government of India.

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OFFERED BY: MR. BURTON OF INDIANA
AMENDMENT NO. 16. Page 116, after line 5, insert the following:
SEC. ... Funds appropriated or otherwise made available in this Act in title II under the heading “DEVELOPMENT ASSISTANCE” for India may only be made available through nongovernmental organizations.

H.R. 2606
OFFERED BY: MR. CAMPBELL
AMENDMENT NO. 17. Page 15, line 7, after the dollar amount insert “(reduced by $30,000,000)”.
Page 15, line 11, after the dollar amount insert “(reduced by $20,000,000)”.

H.R. 2606
OFFERED BY: MR. CAMPBELL
AMENDMENT NO. 18. Page 32, line 5, after the dollar amount insert “(reduced by $8,000,000)”.
Page 33, line 16, after the dollar amount insert “(increased by $8,000,000)”.

H.R. 2606
OFFERED BY: MR. PAYNE
AMENDMENT NO. 21. Page 116, after line 5, insert the following:
ASSISTANCE FOR SUDAN
SEC. ... (a) INTERNATIONAL DISASTER ASSISTANCE.—(1) Notwithstanding any other provision of law, of the funds appropriated by this Act in title II under the heading “INTERNATIONAL DISASTER ASSISTANCE”, not more than $4,000,000 should be made available for rehabilitation and economic recovery in opposition-controlled areas of Sudan. Such amounts should be used for civil society, primary education, agriculture, and other locally-determined priorities.
(2) Amounts made available in accordance with this subsection should be provided by the Administrator of the United States Agency for International Development, in consultation with the Secretary of Agriculture.
(b) DEVELOPMENT ASSISTANCE.—Of the funds appropriated by this Act in title II under the heading “DEVELOPMENT ASSISTANCE (INCLUDING TRANSFER OF FUNDS)”, the President, acting through the Administrator of the United States Agency for International Development, shall increase substantially the amount of development assistance for capacity building, democracy promotion, civil administration, judiciary, and infrastructure support in opposition controlled areas of Sudan.
(c) HUMANITARIAN ASSISTANCE.—(1) Notwithstanding any other provision of law, the President shall provide humanitarian assistance, including food, directly to National Democratic Alliance (NDA) participants in Sudan and to nongovernmental organizations.
(2) Delivery mechanisms used to provide assistance under this paragraph shall be separate from humanitarian assistance operations to civilian populations either through Operation Lifeline Sudan in opposition-controlled areas of southern Sudan or through non-Operation Lifeline Sudan channels.
(d) REPORT.—Not later than May 1, 2000, the President shall prepare and transmit to the Congress a report on the progress made in carrying out this section.
The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

The PRESIDENT pro tempore. Today's prayer will be offered by our guest Chaplain, Rabbi Solomon Schiff, director of chaplaincy, Greater Miami Jewish Federation, Miami, FL.

We are pleased to have you with us.

PRAYER

The guest Chaplain, Rabbi Solomon Schiff, offered the following prayer:

Heavenly Creator, we invoke Thy blessings upon those gathered here, loyal servants in the vineyard of human compassion. Bless, we pray, the Members of this body who have accepted the high privilege and sacred responsibility of serving in the sanctified Halls of the U.S. Senate. Unto their hands was entrusted the mantle of leadership on behalf of the American people. May they discharge their responsibilities with courage and commitment. Grant that their deliberations will be free from rancor and bitterness, but that they will be ruled instead by wisdom, purpose, and dedication.

O, divine Healer, bind our Nation together. Sustain the dreams of those who founded our great Republic, that through our sharing with one another the ideals which gave it birth—the ideals of liberty, justice, equality, and freedom—we will preserve and strengthen these ideals for all future time. In this way we will help bring about a society based on moral and ethical values and ensure that the new millennium will mark not only a change in calendar but a change in character as well.

We wish then lead the family of nations to an unending era of tranquility, justice, and universal peace. Amen.

PLEDGE OF ALLEGIANCE

The Honorable CONRAD BURNS, a Senator from the State of Montana, led the Pledge of Allegiance, as follows:

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

GUEST CHAPLAIN RABBI SOLOMON SCHIFF

The PRESIDING OFFICER (Mr. CRAPO). The Senator from Florida.

Mr. GRAHAM. Mr. President, I rise to thank our distinguished guest Chaplain, Rabbi Solomon Schiff, a personal friend, who has been a great contributor to the religious and civic life of our community and Nation and who has brought us an inspirational message to commence a long day of Senate deliberation.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDING OFFICER. The acting majority leader is recognized.

SCHEDULE

Mr. ROBERTS. Mr. President, today, by a previous order, the Senate will begin a series of stacked votes on the Abraham Social Security lockbox amendment, the Baucus motion to recommit, and the Robb amendment regarding effective dates of the provisions in the Taxpayer Refund Act of 1999.

Following the votes, Senator GRAMM of Texas will be recognized to offer a substitute amendment containing across-the-board tax cuts, estate tax relief, and reductions in capital gains taxation. By previous consent, there then will be 10 hours of debate time remaining on the bill today. Therefore, it is the intention of the majority leader and other rational Senators to continue to make significant progress on the bill and complete action on this legislation no later than tomorrow.

I thank my colleagues for their attention.

TAXPAYER REFUND ACT OF 1999— Resumed

The PRESIDING OFFICER. The clerk will report the bill.

The legislative assistant read as follows:

A bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

Pending:

Abraham amendment No. 1398, to preserve and protect the surpluses of the social security trust funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public.

Baucus motion to recommit the bill to the Committee on Finance, with instructions to report back with an amendment to reduce the tax breaks in the bill by an amount sufficient to allow one hundred percent of the Social Security surplus in each year to be locked away for Social Security, and one-third of the non-Social Security surplus in each year to be locked away for Medicare, and an amendment to protect the Social Security and Medicare surplus reserves.

Robb amendment No. 1401, to delay the effective dates of the provisions of, and amendments made by, the Act until the long-term solvency of Social Security and Medicare programs is ensured.

MOTION TO WAIVE THE BUDGET ACT AMENDMENT NO. 1398

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the pending amendment is not germane. I raise a point of order that the Abraham amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, pursuant to section 904(c) of the Congressional Budget Act of 1974, I move to waive the Budget Act for consideration of the Abraham amendment.

Mr. GRAMM. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?
There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. There is 2 minutes of debate. Who yields time?

Mr. REID. Mr. President, in a letter dated April 21, 1999, with a similar provision, the Secretary of the Treasury Robert Rubin wrote to Senator MOYNIHAN that this “provision could preclude the United States from meeting its financial obligations to repay maturing debt and to make benefit payments including Social Security checks—and worsen future economic downturn.”

The lockbox in this proposal is potentially destabilizing in a manner reminiscent of the constitutional amendment to require a balanced budget.

I remind those who propose rigid 10-year plans for reducing the publicly held debt that economics does not follow the agricultural cycle. There will be periods when surpluses, both on and off budget, will fall far short of projections. We should not impose a debt reduction schedule, enforced by a declining debt cycle ceiling, even if it can be overridden with 60 votes. To do so will risk default every time the debt ceiling is lowered.

Mr. ABRAHAM. Mr. President, first of all, we have endeavored to and have modified our amendment to try to address some of these concerns. I think we have done so. I believe we have given sufficient flexibility so that there will not be the concerns that were raised in that letter.

This lockbox does not need a lot of debate. Americans have been hearing us talk about it now for almost 3 months. We will continue to try to get a straight up-down vote on this. I would move again this morning another procedural roadblock has been put in place to prevent us from getting a straight up-down vote. I regret that. I was prepared to come today and offer both sides the opportunity to have straightforward votes. If one side or the other in their various lockbox proposals got 50-plus votes, they would win and we could give the American people what I believe they want, and that is protection for their Social Security dollars sent to Washington. But again, once more, what we have had is a procedural impediment placed in the way of getting final action on this legislation.

Mr. President, I urge my colleagues who have previously supported this lockbox. It is a tough lockbox that protects Social Security. If we want to do it, I say vote “yes” Vote to waive the Budget Act.

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the motion to waive the Budget Act. There are 60 votes have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 54, nays 46, as follows:

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Mr. President, I urge my colleagues who have previously supported this lockbox. It is a tough lockbox that protects Social Security. If we want to do it, I say vote “yes” Vote to waive the Budget Act.

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the motion to waive the Budget Act. There are 60 votes have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

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The PRESIDING OFFICER. The yeas and nays resulted—yeas 54, nays 46, as follows:
The PRESIDING OFFICER. On this vote, the yeas are 42, the nays are 58. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the motion falls.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I ask unanimous consent that all amendments and motions to recommit to S. 1429 must be filed by 2 p.m. today at the desk and with the bill managers.

Mr. STEVENS. Reserving the right to object, what time was that?

Mr. ROTH. Two p.m.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 1405

Mr. ROTH. Mr. President, I think we are ready for the vote on the next amendment.

The PRESIDING OFFICER. There are 2 minutes equally divided. Who yields the floor?

Mr. ROBB addressed the Chair.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, this amendment simply delays the effective date of the tax cut that is proposed. There are many who believe that a tax cut of this magnitude at this time would be ludicrous. But that is not the issue. The issue is whether or not we ought to go ahead with a tax cut notwithstanding the fact that we have not protected Social Security and Medicare.

Most of the people who have spoken so far have talked about their concern for doing just that. The lockbox provisions were proposed to do just that.

If you want to save Social Security and Medicare, this is an incentive. It will delay the implementation of the act, but it will not negate the effectiveness of the act.

I ask that our colleagues vote to support this particular amendment, save the one-half of 1 percent of the total which would be expended this year, and not lock the cuts of $79.2 billion, which would be almost impossible to reverse should that prove to be the case.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. THOMPSON addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, no one in this chamber thinks other than that we want a real, sound, solid, and solvent Social Security system and Medicare system. Most of us, however, realize that we only have the time to have fundamental reforms in those systems, such as that proposed by the Medicare commission at which the President scoffed.

This amendment will serve to actually make Social Security and Medicare less sound. It will actually delay the process of real reform. The solvency dates that are used in this legislation are taken from the President's proposal and will invariably result in pouring more and more general revenues into these entitlement programs, delaying the day when we have to face up to the fact that we have to have fundamental reform.

Our bill sets aside 75 percent of the surplus for Medicare, Social Security, defense and other spending priorities. With regard to the 25 percent remaining, there is no reason to delay tax cuts.

If we saved every penny of the surplus, put it into Medicare and Social Security, it would not do one thing toward solving the fundamental problem.

This language is not germane to the bill now before us; therefore, I raise a point of order, under section 305(b)(2) of the Congressional Budget Act of 1974. I move to lay the applicable sections of that act for the consideration of the pending amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the Robb amendment No. 1405. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 46, nays 54, as follows:

YEAS—46

Akaka
Baucus
Biden
Bingaman
Boxer
Byrd
Cleland
Conrad
Daschle
Dodd
Dorgan
Durbin
Fenigold

Feinstein
Harkin
Johnson
Kennedy
Kerry
Kohl
Landrieu
Leahy
Levin
Lincoln

Filatstein
Murray
Owens
Reed
Robb
Rockefeller
Sanders
Schumer
Snowe
Torricelli
Voinovich

Weston
Wyden

Yeas 46:
Abraham
Allard
Ashcroft
BenNETT
Bond
Breaux
Brownback
Bunning
Burns
Burns
Campbell
Chafee
CoCHRAN
Collins
Corzine
DeWine
Domenici
Enzi
Fitzgerald
Foley
Garlin
Gilbert
Grams
Grassley
Gregg
Griffith
Hagel
Hagel
Hatch
Hatch
Hickenlooper
Craig
Danieley

NAYS—54

Abramoff
Allard
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Campbell
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Nays 54:
Abraham
Allard
Ashcroft
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July 29, 1999

CONGRESSIONAL RECORD — SENATE

S9653

[Rollcall Vote No. 228 Leg.]
Mr. GRAMM. Mr. President, I have the highest admiration for the chairman of the Finance Committee. I am supporting the chairman, but I have an amendment in committee. I intend to vote for it on final passage if this amendment fails.

But I believe we need a clearer vision. I believe we need to define very precisely what we would like to use this tax cut to do, rather than running around trying to stick a nickel in everybody's pocket with a targeted program.

I would prefer to have a tax cut that has clear themes and this is a very simple substitute because it consists of simply five things. So this is a tax cut that you can explain to every American, and it contains basic principles that I believe every American can understand and support.

The first principle is we ought to have an across-the-board tax cut of 10 percent. Now, I know our Democrat colleagues are going to jump up and down and say, first of all, that 32 percent of American families pay no income taxes. If you don't have an across-the-board tax cut, they will not get a tax cut. And that is right. Tax cuts are for taxpayers. If you don't pay taxes and we have a tax cut, you don't get a tax cut. Most Americans don't get for stump money. Most American don't get TANF: most Americans don't get Medicaid because they don't qualify for those programs. If you don't pay taxes, you don't qualify for a tax cut.

Our Democrat colleagues are obviously going to jump up and down and say that Senator Rockefeller, who pays 10 times as much taxes as I do, with a 10 percent across-the-board tax cut, will get 10 times as big a tax cut. That is right, but he pays 10 times as much taxes. If you ask people in your church to put money to build a new parsonage and it turned out you had taken up too much money, and you decided to give it back, isn't the logical way to give it back to simply take how much an individual gave and take the amount that you didn't need and give it back to them proportionately?

So the point is, the first principle we believe in is there ought to be an across-the-board tax cut, so every American who pays income taxes will get a 10 percent across-the-board tax cut. Then the next principle our Democrat colleagues have said they believe if you are rich, which means you are in the upper half of the income distribution—and they design that as roughly making somewhere around $50,000—you don't deserve a tax cut. In their proposal, you basically don't get one. I want to remind my colleagues that by excluding people who pay 99 percent of the income taxes in America, they are excluding from a tax cut 62 percent of all Americans that business use. Our Democrat colleagues love investment, but they hate investors. They have made a bad bargain, because they hate capitalists. An across-the-board tax cut gives everybody a tax cut, and if people pay a lot of taxes, they get a bigger tax cut—not proportionally, but they get the same tax cut. I believe that somehow people who make over $50,000 a year are the enemies of the people and they ought to continue to be punished, you would want to be against this provision.

The next thing this provision does is it eliminates the marriage penalty. Most Americans are not aware of that because our Tax Code is so perverted, if two young people, both of whom work, fall in love and get married, they, on average, pay the Federal Government $1,400 a year less than they would have paid to be married. My wife is worth $1,400, but the point is, she ought to get the money, not the Government. We eliminate the marriage penalty.

Secondly, we have income splitting. Now, I know some of our Democrat colleagues are going to get up and say, well, look, if the husband earns all the money and the wife stays at home and raises the children, they ought not to get the extra credit for the marriage penalty. Well, we do income splitting. We have decided we don't want to inject the Tax Code in the decision about whether people work outside the home or not. My mama worked every day that I was a child, and she did it because she had to do it. My wife has worked every day that our children have been alive because she wanted to do it. I am not trying to distort the decision one way or another, or make a judgment. All I am saying is that people who want to raise their children contribute to America. They make a big contribution. By allowing a couple, where only one of them works outside the home, to split their income and attribute half to each one of them—that is what the partnership of marriage is about—we are able to give them a substantial reduction in the penalty they pay for being married.

The next provision is, we repeal the death tax, which is a certain kind of death penalty, where we put murderers to death. I don't like the death penalty when working people die and we end up forcing their children to sell their business or their farm. All over America, people work a lifetime to build up a business or a farm, and then when they die, their children have to sell that business or sell that farm to give Government 55 cents out of every dollar they earned in a death tax. This provision repeals the death tax.

Now, I know our Democrat colleagues are going to get up and say, well, these are rich people. But I want to give you an example. When I first met a printer from Mexia named Dicky Flatt, I met him about 25 years ago. He was in business with his daddy, who worked on these old calculator machines that businesses use. His mama kept all the books, his wife basically ran the shop. They had a new parsonage and Dicky Flatt did the printing business. They had an old building in Mexia, and it was cracking right down the middle. They kept putting sand in the bottom and kept tar-papering over the top. They had one basement and it didn't have a door on it; it had a curtain on it. So when you went in to use the bathroom, you pulled the curtain.

Now, they worked hard in that business. So now Dicky Flatt has torn down that building. He has built a Morton building, a metal building, and he has a good size print shop and stationery shop. He sent his two sons to Texas A&M. They have come back and have gone into business with him. He works every day in it and makes about 9, and leaves about 8. He is there on Saturday until 6 o'clock. Whether you see him at the PTA, Boy Scouts, or the Presbyterian Church, try as he may, he never gets that blue ink off the ends of his fingers.

Now, Dicky Flatt may be rich, for all I know. He doesn't live like a rich guy. When his brother died of cancer, he took over his school supply business with his wife. My basic point is that Dicky Flatt and Linda, his wife, have worked 6 days a week their whole lives. They built this business. Every penny they put into it has been in after-tax dollars. How can it be right to force their two boys, who now work in that business, to sell that business when Dicky and his wife Linda die in order to give the Government 55 percent of it, in order to take the money from Dicky Flatt and give it to people who have been sitting on their fannies all day and who don't like the death penalty. I like the death penalty. Well, we do income splitting. When his brother died of cancer, he left his wife about 8. He is there on Saturday until 6 o'clock. Whether you see him at the PTA, Boy Scouts, or the Presbyterian Church, try as he may, he never gets that blue ink off the ends of his fingers.

When we revolted against King George, he wasn't doing things such as the death tax. This is an outrage. This is an assault on every value this country stands for, and I want to repeal it and repeal it outright.

I want to index the capital gains tax. That is the fourth provision of this bill. I want to say that from this day forward, if you buy a house as an investment and the price doubles and you sell the house for twice as much as you paid for it, you haven't made any money, you simply kept up with inflation. But under current tax law, you have to pay the Federal Government the capital gains tax on the doubling of your house's price even though that new price will buy only the amount of goods you could have bought with the money for which you bought the house. So the next thing we do is index the capital gains tax for inflation.

Finally, we eliminate not the last outrage in the Tax Code but it is a big
outrage. If General Motors buys you health insurance, it is tax deductible for them, but if you buy it for yourself, it is not tax deductible. We eliminate that by saying that no matter who buys health insurance in America, the employer or the employee, a retiree or a worker in a company, a farmer or someone who is employed in the economy, that health insurance is tax deductible.

It is a simple tax cut that you can put on one piece of paper. If you pay $1,000 in income taxes, you are going to get $101. If you pay $10,000, you are going to get $1,000. If that breaks your heart, so be it. I think most people will like it.

Second, we eliminate the marriage penalty and we allow income splitting. If you have one parent who stays at home, you are able to divide the income in half and have each of them claim half that income that belongs to them. This is endorsed by every family group in America because it is the right thing to do.

We repeal the death tax outright over a 10-year period—not ifs, ands, or buts. If you live 10 more years, under this bill, and you build something with after-tax dollars, it belongs to your family forever.

That is simple arithmetic. I think we can all understand it.

We index the capital gains tax so that you never pay capital gains tax again on inflation. This is a big issue for every homeowner and for every investor in America.

Finally, we provide full deductibility of health insurance. This is an equity issue. It is something that ought to be done.

This is a tax cut you can understand. It represents what I believe is the vision of the party of which I am proud to be a member. I hope my colleagues will vote for this substitute. I believe it represents a dramatic improvement and simplification in the Tax Code.

I reserve the remainder of my time.

The PRESIDING OFFICER (Mr. ALARD). Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 1 minute to the Senator from California and then 10 minutes to the Senator from Wisconsin, off the bill.

The PRESIDING OFFICER. The Senator from Delaware controls the time in opposition.

Mr. BAUCUS. The Senator from Delaware delegated that to the Senator from Montana.

The PRESIDING OFFICER. The Chair thanks the Senator for that clarification.

The Senator from California is recognized.

Mrs. BOXER. Thank you, Mr. President. Thank you, Senator Baucus.

My colleague from Texas says the Democrats hate investors and the Democrats hate capitalism. As a former stockbroker, I deeply resent his remarks. Maybe when the Senator from Texas was a Democrat he hated capitalism and he hated investors, but the Democrats around here don’t. One of the reasons we are not supporting his amendment is that we think it is bad for capitalism and we think it is bad for stockbrokers.

I have to say that this amendment, which reflects what the House did, is a risky and radical amendment. It hurts the middle class. He says he loves the middle class. He talks about his heart in the right place. I love to hear him do it. But the bottom line is, the result of his amendment will hurt the very people he says he wants to help because it is such an unfair tax cut that would go to the very wealthiest and hurt the middle class and the working poor.

I say to my friends who may be listening to this debate, the Senator from Texas is a great debater but he was wrong when he said the Clinton plan would lead to economic disaster and he is wrong today. I hope we will vote down his amendment.

I yield my time.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I thank the Senator from Montana.

Mr. President, I rise to offer some comments on the reconciliation tax measure we are considering.

First, let me note that we have come a long way in the last seven years. When I first came to the Senate, we were facing an actual budget deficit of $340 million.

That was the real figure—the figure that did not use the Social Security Trust Fund balances to mask the deficit.

Thanks in large part to the President’s deficit reduction package in 1993, and to a lesser extent the bipartisan budget cuts of 1997, we are approaching a balanced budget.

I emphasize “approaching.” Mr. President, for we are not there yet.

The budget projections of the Office of Management and Budget, and of the Congressional Budget Office, are just that—projections.

We do not currently have a budget surplus, not without including the Social Security Trust Fund balances.

Mr. President, I do not mean to minimize the wonderful budget turnaround that has been achieved.

But we should not be building massive new commitments on a shaky foundation of questionable budget assumptions.

And that is just what we have.

The assumptions underlying the tax measure we will debate depend on Congress making cuts of $775 billion in real spending over the next ten years compared to current levels.

Let me note that this level of cuts does not include any additional cuts that might have to be made in order to offset the cost of unanticipated emergencies.

Let me repeat that, Mr. President. The $775 billion in real spending cuts over the next ten years does not include

The $775 billion in real spending cuts over the next ten years does not include the spending we do to help the victims of hurricanes, earthquakes, tornados, floods, or any kind of international emergency.

But, for the moment, let us suppose that there will be no hurricanes, or earthquakes, or tornados, or floods in the next ten years.

Let us suppose that there will be no international emergencies that require our assistance.

Will Congress find the political will to cut spending by three-quarters of a trillion dollars over the next ten years?

Mr. President, Congress has yet to demonstrate it can stay even within the current spending caps, let alone find an additional three-quarters of a trillion dollars in cuts.

Last fall, Congress passed an omnibus appropriations bill that busted the current spending caps by more than $20 billion.

This past winter, even before we passed a budget resolution, the Senate passed another budget buster, S. 4, the military pay and retirement measure, which over the next ten years would add another $62 billion in spending.

And just a few weeks ago, Congress busted the spending caps yet again with $15 billion in additional spending.

Mr. President, this is not a record of fiscal discipline.

Nor is it the kind of record that should give anyone confidence that the budget assumptions underlying this tax bill are sound ones.

Mr. President, the assumptions underlying this tax bill are grounded not in fiscal reality but in political expediency.

But, let us assume that somehow, Congress was able to enact the three-quarters of a trillion dollars in spending cuts.

And let us further assume, as we did earlier, that there will be no hurricanes, or floods, or earthquakes, or drought, or any other kind of natural disaster for the next ten years.

And that there will be no more Bosnias or Kosovos or Iraqs—no international emergencies of any kind for the next ten years.

Even under all of these assumptions, would this tax proposal be a sound one?

The answer is no, because even if each and every one of those rosy scenarios comes true, this bill would use over $75 billion in Social Security balances to pay for these breaks.

Mr. President, I strongly oppose using Social Security to fund tax cuts; that is why I voted against the 1997 tax cut package.

We simply should not be using Social Security balances—balances needed to pay future benefits—to fund other government programs, or to pay for tax cuts.

Of course, some may argue that even more spending cuts will be found in order to avoid the use of Social Security balances—on the top of the three-quarters of a trillion dollars in cuts assumed in this measure.
Mr. President, granting even this still rosier scenario, would this tax measure be fiscally responsible?

I regret that it would not, because not only does this tax bill risk our current budget, it puts future generations at risk.

Mr. President, while the revenue impact of any tax cut measure can be expected to grow over time, the policies outlined in this measure explode.

Consider that while in the next ten years, the cost of this proposal is an already whopping $800 billion—if those tax policies are continued, the cost in the second ten years will be a nearly unbelievable $2 trillion.

If you add the additional interest payments that will arise from debt service, the total cost of the tax policies in this bill rise to over $3 trillion.

For those who may have forgotten, let me remind my colleagues that it is in that second ten years when the baby boomer generation begins to retire and put increased pressure on Social Security, Medicare, and the long-term care services provided under Medicaid.

There is also a consensus that we should address the long-term fiscal health of Social Security, and the sooner the better.

And finally, Mr. President, while the $800 billion tax bill, it is a consequence of taxpayers will have an average tax cut of $3 per week.

For those in the bottom three-fifths of all taxpayers, the average tax cut is even smaller—about $140 per year, or less than $3 per week.

Mr. President, under this $800 billion tax bill, it is possible of taxpayers will have an average tax cut of $3 per week. Maybe the proponents of this bill are hoping most of America will use this windfall to buy one of those overpriced cups of coffee.

Well, Mr. President, thanks to this tax bill, once a week, three-fifths of America will now be able to go to one of those fancy coffee shops and get a frothy decaf cappuccino latte with skim milk.

This tax bill is a bad tax policy any way you brew it.

Mr. President, I recognize that some may genuinely believe we should dedicate about $800 billion to tax cuts over the next ten years. The tragedy is that even in that context, the $800 billion was spent unwisely, because in addition to Social Security, Medicare, long-term care, and reducing our national debt, one of our highest priorities should be significant reform to our tax code.

It was just a few months ago that we heard how critical fundamental tax reform was to our future.

Flat tax, consumption tax, a national value-added tax—there were a number of significant proposals that sought to address the inefficiency of our current Tax Code.

Simplification was the order of the day, and let me add, Mr. President, that while I did not support many of those proposals, I think many of the proponents of reform got it exactly right.

Our Tax Code should be simplified. We should reduce the number of special interest tax breaks and use that savings to lower the tax rates for everyone.

I participated in just that kind of exercise at the State level as chair of the Taxation Committee in the Wisconsin State Senate.

As we all know, there will be winners and losers in a reform of our tax code, and I can tell you from direct experience that the best time to enact tax reforms is when you have additional resources to help increase the number of winners and decrease the number of losers.

Mr. President, this tax bill and the House version both squandered that opportunity as well. We might have had a significant start on real tax reform.

Instead, we got a grab bag of goodies for special interests added to a tax code already thick with complexity.

A recent article in the Washington Post listed a number of the special interest tax breaks in this bill and the House version.

They include tax breaks for multinational corporations, utility companies, railroad, oil and gas operators, timber companies, the steel industry, seaplane owners in Alaska, sawmills in Maine, barge lines in Mississippi, Eskimo whaling captains, and Carolina woodlot owners.

This bill is a dream come true for business lobbyists.

The Post reported one lobbyist as saying, “If you’re a business lobbyist and couldn’t get into this legislation, you better turn in your six-shooter.”

Mr. President, in the name of complete disclosure, let me note that I understand the Democratic alternative, which I may support, suffers from the same problem, though to a much lesser extent.

And it will come as no surprise to my colleagues that I firmly believe this kind of pandering to special interests is a direct result of our campaign finance system.

There’s ample evidence to that effect right here in this bill.

The campaign finance system gives wealthy interest an open invitation to influence legislation in this body, and in this bill it’s clear that special interests accepted that invitation in droves, Mr. President.

For the benefit of my colleagues and the public, I’d like to share just a few examples of what these interests gave in PAC and soft money, and what they got in either this bill, the House tax measure, or both.

I do this from time to time; it is known as “The Calling of the Bankers.”

According to the Washington Post, an umbrella organization called the Coalition of Service Industries, a coalition of banks and securities firms, won a provision to extend for five years a temporary tax deferral on income from those industries earn abroad. The value of this tax deferral: $5 billion over ten years.

So we know what Congress has given the Coalition of Service Industries, but what has the Coalition of Service Industries given to candidates and the political parties? During the 1997-1998 election cycle, coalition members gave the following:

Ernst & Young—more than half a million dollars in soft money, and nearly $900,000 in PAC money.

CIGNA Corporation—more than $335,000 in soft money, and more than $210,000 in PAC money.
Mr. ROTH. Mr. President, Senator Gramm has provided Members with a straightforward alternative to the bipartisan Finance Committee bill. I compliment him on the clarity of his approach, much of which I favor. Although Senator Gramm’s substitute have appeal for me, frankly, I could not have used it as a basis for the Finance Committee. His proposal contains elements that would not garner a majority of committee members.

In addition, Senator Gramm’s substitute impose none of the many provisions in the Senate Republican caucus, would not pick up support on the other side of the aisle. For that reason, his proposal would not be a blueprint for tax cuts, in the form of a signable bill, that we could deliver to the American people now.

Finally, although Senator Gramm’s amendment is simpler, it leaves out many bipartisan tax measures that address important tax issues. For instance, education savings incentives are deleted. This means parents who want to save for a child’s college education would be left out of the picture. We’re talking about millions of parents and students in every state.

Yet another example is the student loan interest deduction. Under the Finance Committee bill, at least three million graduates, bearing the burden of college debt, would be allowed to deduct student loan interest on their tax returns.

In my legislation I try to focus on matters of need to the American family. I provide incentives to promote savings, pensions, IRAs. Many in retirement depend not only on Social Security, which we will address, but also on personal savings and pensions. My bill addresses that. There is nothing to correct the problems of AMT, the alternative minimum tax. Unfortunately, thousands upon thousands of American families will be hit by AMT and not enjoy the full benefit of many programs such as the child tax credit.

Finally, nothing is done with respect to charitable giving. We have proposals that will promote and create incentives.

For these and other reasons, I must oppose Senator Gramm’s well-intentioned amendment.

I reserve the remainder of my time. Mr. BAUCUS. Mr. President, I yield myself such time as I might consume.

The Finance Committee has already rejected this provision. The Finance Committee deliberated this amendment in committee, and, by a large margin, turned it down because it is excessive. It is irresponsible. It is not the right thing to do. It says we are going to take the entire on-budget surplus. And because of the tax cut plus the lost interest on the debt, there is nothing left for Medicare, discretionary spending or any other programs which will be cut away by a very large margin.

It is excessive, too, compared to the bill passed by the committee because it is so backloaded. It is so top heavy. By that, I mean the bulk of the cost of the provisions are at the very end—6, 7, or 8 years from now. No one can predict the future of this country and what position we will be in 6 to 8 years from now.

I was speaking to the CEO of a major American company a few days ago, a man we all know, a company we all know very well. He told me they can’t begin to plan for the future. They do have 5-year plans but they know the 5-year plans just do not going to be accurate. So they have to just do the best they can on virtually a quarterly basis. They have to go ahead in the areas they think are the areas of the future, but it is almost impossible to plan in this modern era.

So I say, if we today were to lock in provisions in the law which will hemorrhage this country’s budget surplus based upon ephemeral, distant projections which are never accurate, that is not responsible. That is not the right thing to do. And that is what this amendment does. It is based upon ephemeral, distant projections which are never accurate, that is not responsible. That is not the right thing to do. And that is what this amendment does. It is based upon ephemeral, distant projections which are never accurate.

I think prudence is the watchword here today. History sometimes is a guide. Look at the 1980s. What happened in the 1980s? There was a huge tax cut. Congress succumbed to the siren song of supply side economics. What was supply side economics supposed to do? It was supposed to make deep tax cuts, spend more on defense, and guess what, folks, that is going to cause the budget to be balanced. That is not what supply side economics was supposed to do—advocated, by the proponents of this amendment. It was going to balance the budget.

The theory is the trickle down theory: Cut the taxes of the most wealthy, they invest a lot more, it trickles down the economy and the economy starts humming and it balances the budget. That was the Laffer curve. Guess what, it did not work. We kind of knew it was not going to work, but it was such a temptation, such a siren song to vote these huge tax cuts, hoping, hoping, hoping that what the proponents said would come true. Guess what, it did not. It did not come true at all.

The tax cut was passed in 1981. Then what happened in 1982? This Congress, a Republican Congress, and President Reagan, had to change course. They had to raise taxes. The Republican Congress and Republican President raised taxes in 1982. Then guess what. This tax increase was not enough because the deficits were just so large. Then the Republican Congress and the Republican President had to raise taxes again in 1984. They had to raise taxes more because the deficit was so large. The national debt in 1980 was roughly about...
Mr. THOMPSON. Mr. President, I ask unanimous consent that the Finance Committee soundly reject this amendment. The Senate to also soundly reject this amendment. It is not good policy.

I reserve the remainder of our time.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I yield 10 minutes to the distinguished Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I think Senator GRAMM is bringing a very important principle to the table, one that we need to address: If we are going to have a tax cut, what kind of tax cut should we have? What is best for the economy, and what is fair?

There was a consensus in this country, 10, 15 years ago, that we needed to have a tax policy based upon a broader base. We had lower rates. That is essentially the tax bill that came out in 1986. We came down to two tax rates. We had a 15-percent and a 28-percent tax rate. There was a broader base, where more people were paying taxes, but lower rates.

In the 1980s, we have gotten away from that. We have gotten away from that principle and gone, instead, toward what has been referred to as targeted tax cuts. That its basically the Government—that decide, on an individual basis, who deserves the tax break or tax cut in any particular year. Usually it is based upon how much clout they have, or some notions of fairness of a particular congressional makeup at some particular time. So now we have wound up with higher rates and a narrower base. We now have five income tax rates instead of the two we had back in 1986 in addition to phaseouts. The Tax Code, not only additional rates, it has become more progressive, even in addition to those rates.

I do not think a lot of people are aware of this. I think most Americans think of the Tax Code basically, they look at tax rates and sort what their tax burden is. But then you look at all the phaseouts that we have. Congress has decided in its wisdom that people of a certain income level do not deserve some of the deductions, exemptions, and benefits that others deserve. So we have a personal exemption phaseout.

We have an itemized deduction phaseout at basically the $124,000 level for individuals. I am talking about itemized deductions, not the standard deduction. The dollar amounts I am using. The personal exemption phaseout; itemized deduction phaseout, limitation of only being able to deduct that amount over 2 percent of itemized deductions; 7.5 percent floor on medical deductions; a 10 percent adjusted gross income floor on casualty deductions; a $500 child credit that phases out at an income level of $75,000, a dependent child credit that begins to be phased out at an income level of $120,000. That is, it much it begins to be phased out; a deductible IRA, $30,000; an education IRA, $95,000; the HOPE credit, college credit, begins to be phased out at $40,000 for an individual. So we want to help you go to college, we want to help your kids go to college—as long as you do not have a job, basically is what that amounts to.

We have a life-time learning credit of $400, student loan interest deduction that phased out; education savings bond interest— if you make $52,000 you begin to lose that; elderly/disabled credit, $7,500; adoption credit/exclusion, $75,000; DC first time homebuyer—if you make $75,000, you begin to have that phased out as a taxpaying individual; rental real estate losses; rehabilitation tax credit—on and on and on.

In addition to continuing to raise the tax rate—the highest one in 1986 was 28 percent over a 7-year period. In the sixties, a revenue increase after inflation was about 33 percent. In the eighties, after cutting the tax rates, revenues increased 28 percent because it reduced the incentive to hide income, to shelter income, and to under-report income.

Similarly, the share of the tax burden paid by the rich rose dramatically as the rates fell. By cutting rates, we do not pay taxes.

As progressive as our Tax Code is, as does the Senator from Texas, I make no apologies for the proposition that when it comes time for a tax cut, let’s base the tax cut on how much people are paying in.

We have to ask ourselves a fundamental question: Are we interested in punishing folks who make a good living or are we interested in collecting money for the Federal Government to pay legitimate Government expenses? History shows every time we have had a reduction in tax rates, we have more revenue. Every time the Government reduces rates in any appreciable amount, the Government winds up getting more money.

In the 1920s, it was true. In the 1960s, under President Kennedy, who said a rising tide lifts all boats, it was true. In the much maligned 1980s, which laid the groundwork for the greatest economic prosperity this world has ever known, it was true.

Increased revenues in the twenties were 27 percent over the previous period. In the sixties, a revenue increase after inflation was about 33 percent. In the eighties, after cutting the tax rates, revenues increased 28 percent because it reduced the incentive to hide income, to shelter income, and to under-report income.

Similarly, the share of the tax burden paid by the rich rose dramatically as the rates fell. By cutting rates, we do not get more money out of the rich. 

Increasing tax rates is the only way to increase the Federal Government's revenue. It is the only way to provide progressive system as far as our income Tax Code is concerned, and that is the way it ought to be. A lot of people believe it is that way. But every time we have a tax cut, we cannot say let’s give everybody the same dollar amount back in taxes regardless of how much they paid in because we have a very progressive system.

We have progressive tax rates up to 39.6 percent, with these phaseouts that if you are making any money, if people are working hard and making a pretty good living, they begin to lose the deductions and credits. That makes it even more progressive.

We have to ask ourselves about how much somebody is making and try to hold that down or do we want the money for the Federal Government? I thought the idea was to have a fair Tax
Mr. President, a number of my colleagues have attacked the Reagan tax cut. With that I strongly disagree. I have no argument with those who want to bring up history in their attempt to argue against the need for this tax relief package. But I do have an argument when they attempt to change facts and debunk what was—and continues to be—a tremendous economic legacy.

First, let me make it clear that cutting taxes to keep the economy strong did not begin with President Reagan—nor is the idea isolated to one political party or the other.

In the 1960s, President Kennedy ushered America into economic expansion with his historic tax cuts. In fact, in recalling our history it might help us to remember President Kennedy’s statement to the Economic club of New York in December 1962. On that occasion, he said:

Our true choice is not between tax reduction, on the one hand, and the avoidance of large federal deficits on the other. It is increasingly clear that...an economy hampered by restrictive tax rates will never produce enough revenues to balance our budget just as it will never produce enough jobs or enough profits.

Second, the facts concerning President Reagan’s economic record are very clear: everyone benefited from the broad-based, 25 percent across-the-board tax cuts signed into law by President Reagan. The facts show that all income groups saw their incomes rise during the period of 1980 to 1989. The facts show that during that period, the mean average real national income rose by 15.2 percent, compared to a 0.8 percent decline from 1970 to 1980.

And what of record-setting deficits? Did cutting taxes 25 percent across the board deplete the Treasury revenues? Absolutely not. Again, the records, the facts show that Federal revenues actually exploded. As Americans grew in wealth, Treasury revenues grew. Between 1981 and 1987, they grew 42 percent.

The deficits remind my debunking colleagues—were not created by cutting taxes and stimulating economic growth; they were the product of a Congress that refused to hold the line on spending. While revenues increased 42 percent, following those tax cuts, spending increased by 50 percent.

And, my colleagues, that is unlikely to happen after this tax relief package becomes law, as Congress is largely controlled by the same individuals who—2 years ago—passed the first balanced budget.

Mr. President, I yield the floor.

Mr. HOLLINGS addressed the Chair. The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. I yield the distinguished Senator from North Dakota 10 minutes off the bill.

Mr. DORGAN addressed the Chair. The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, what a relevant time when so many Americans think so much in politics is fuzzy and they can’t see much of a difference between the two parties, this is a bright-line test. There is a radical difference in terms of what we stand for and what we fight for and what we have passion to change. I want to describe a little of that difference.

But first I want to go back to what some would call the good old days. This is a country that had a $290 billion deficit, an anemic economy, with 10 million people out of work. This is a country that did not produce a single Republican vote in the 1993 budget; is that true?

Mr. DORGAN. That is correct.

Mr. REID. The Senator from North Dakota—this is a question—indicated that the Democrats did not receive a single Republican vote in the 1993 budget; is that true?

Mr. DORGAN. I do, indeed.

Mr. REID. Do you remember this one made by the author of this amendment:

I want to predict here tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit four years from today will be higher than it is today and not lower . . . when all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American people will be worse off.

Do you remember that statement?

Mr. DORGAN. I do.

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Do you remember that statement?
Guess what happened. Guess what happened. This country’s economy has seen robust economic growth. Seven years later, we do not have a budget deficit. No, we do not have a $290 billion, and growing, budget deficit. We have a budget that is nearly in balance. Economic growth is strong; it has not happened in the early 1990s; we would have a full decade of sluggish, anemic growth in this country.

I mentioned yesterday these are the same economists who can’t remember their home phone number or address, telling us what will happen 3, 5, and 10 years from now. We ought to be careful about these predictions. We do not have a budget surplus yet. The 10 years of estimated $3 trillion surpluses do not exist, and we have folks on the floor who are breathless to try to deal with them through tax cuts.

Mr. REID. Will the Senator yield for another question?

Mr. DORGAN. I am happy to.

Mr. REID. I ask my friend from South Carolina, who is managing this bill, that whatever time I use asking these questions be yielded off the bill so the Senator does not lose his time.

Mr. HOLLINGS. Yes.

Mr. REID. I say to my friend, the statement I read to the Senator just short time ago was given August 5 by the author of this amendment that we are now debating. A day later, on August 6, do you remember this statement?

I believe that Bill Clinton is one of those people.

The fact is, does the Senator from North Dakota realize that there have been 18 million jobs created in those 7 years? Hundreds of thousands losing their jobs?

You do remember this statement, don’t you?

Mr. DORGAN. Oh, I do. In fact, the same people who made those predictions that were so wrong are now telling us they have new predictions and we should believe the new predictions.

Mr. REID. I say to my friend, do you also understand that since this statement was made we have had the lowest inflation, the lowest unemployment, the lowest real interest rate, the lowest real deficit growth, the lowest real budget deficit in all of history?

Mr. DORGAN. We are heading toward a double digit deflator for the last 7 years.

Mr. REID. I say to my friend, let us all hope and pray we have the same outcome for the next 7 years.

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Mr. REID. I say to my friend, the statement I read to the Senator just short time ago was given August 5 by the author of this amendment that we are now debating. A day later, on August 6, do you remember this statement?

I believe that Bill Clinton is one of those people.

The fact is, does the Senator from North Dakota realize that there have been 18 million jobs created in those 7 years? Hundreds of thousands losing their jobs?

You do remember this statement, don’t you?

Mr. DORGAN. Oh, I do. In fact, the same people who made those predictions that were so wrong are now telling us they have new predictions and we should believe the new predictions.

Mr. REID. I say to my friend, do you also understand that since this statement was made we have had the lowest inflation, the lowest unemployment, the lowest real interest rate, the lowest real deficit growth, the lowest real budget deficit in all of history?

Mr. DORGAN. We are heading toward a double digit deflator for the last 7 years.

Mr. REID. I say to my friend, let us all hope and pray we have the same outcome for the next 7 years.

Mr. DORGAN. I am happy to.

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Mr. DORGAN. I am happy to.
Mr. DORGAN. The point I am making is this: This is a Democrat talking. This is a Republican saying this. We all know what is in this legislation. This legislation is a piece of legislation that does what is always done by the same suspects that bring this to the floor. They are always shadily arguing, not really arguing, galloping towards the highest end of the income ladder to provide very significant cuts. The folks on the lowest rung of the ladder, they pay payroll taxes and they are told they don't count. So the lowest 20 percent are going to get a $22 tax break; the top 1 percent, $23,300.

So the question is, when you stand up and say that is unfair, what is unfair? That we are telling people what is in fact not true that is what you say? Is it unfair that you want to change the bill? Do you deny this? Do you want to change the bill? Offer an amendment, I will support the amendment to change the bill, but don't say it is unfair when we tell people what the tax cut is going to be: $22 tax break is going to get to the lowest 20 percent of the American people, and the $23,300 for the top 1 percent—because you have decided that people who pay payroll taxes don't count as taxpayers and you don't intend to give them any help. It is the folks at the upper end of the income ladder who are going to get huge tax breaks from the income tax system.

Mr. DURBIN. If the Senator will yield for a question, perhaps Bill Gates and Donald Trump do need a tax break. Maybe the Senator from Texas believes that is a good reason to pass the bill.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. DURBIN. I ask the Senator be given 3 additional minutes.

Mr. HOLLINGS. Three additional minutes.

Mr. DURBIN. I ask the Senator from North Dakota: Is it true or not true that in the last 2 weeks Alan Greenspan, Chairman of the Federal Reserve Board, has testified before Congress several different times warning us that this kind of tax proposal that is coming from the Republican side could jeopardize the economic expansion? Is it not true that in the power of the Federal Reserve Board, by their monetary policy, to raise interest rates if they see indications of inflation, and by raising these interest rates, put an additional economic burden on families who own homes, pay off mortgages, family farmers who are trying to stay in business, and small businesses alike? Is it not true that if we see inflation come on the scene and interest rates go up, that a $22 tax break for working families will disappear in a heartbeat?

Mr. DORGAN. Well, that is the case. I submit this: In a quiet moment, in a secluded corner, in a private conversation, most Members of the Senate who are supporting this three-quarters-of-a-trillion-dollar tax cut would admit that a better approach for this country and its future and certainly its children would be to use anticipated surpluses, first, to pay down the Federal debt. If you run up the debt from $1 trillion to $5.7 trillion and then in good times you say, but we can't pay down the debt, there is something fundamentally flawed about that strategy.

I think if you talk to the American people and you listen to the politics and you listen to the vote on the floor, you get in a quiet corner, those who are really conservative and have conservative values about these issues as embodied in the fiscal plan we passed in 1993, I think they would admit that we ought to take some of this surplus and reduce Federal indebtedness. I think they would also admit there is not an intention to kick 100,000 kids off of Head Start or to decimate the education program, or to do anything that has been shaped, or auto-pilot, because this surplus is garnered by those who want to package it up in a tax cut that predominantly benefits the upper-income folks.

We ought to do the right thing. The right thing, it seems to me, for the children's sake, is to tell them we are going to begin using some of this to reduce Federal indebtedness, and for our children's sake, that we are going to use some of this to extend the solvency of Medicare and Social Security, two programs that have made this country a much better place in which to live for millions and millions of Americans. We ought to do that. All of us know we ought to do it. Regrettably, we are on the floor in a petrified process. Reconciliation was never intended for this process—never.

Yet, we are here because it muzzles us up with a 20-hour debate and does not allow a full debate about fiscal policy and tax cuts. And I say to those on the other side, you will get your bill and have your votes and you will pass a bill. But, in my judgment, you will put this country at risk because you are spending, through tax cuts, surpluses that do not yet exist, just as yesterday you wanted to waive points of order on a conference report that had not yet been drafted.

I yield the floor.

The PRESIDING OFFICER. The time yielded to the Senator has expired.

Mr. GRAMM. Mr. President, I want to take a little time off the bill to answer all this stuff, but first I want to give Senator Gramm an opportunity to speak for 5 minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Does the Senator from North Dakota yield time off the bill?

Mr. ROTH. The Senator from Texas—Mr. GRAMM. I am yielding time off the amendment, I will ask for time off the bill to answer the points that have been raised.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.
Mr. GRAMS. Mr. President, I ask if I may be recognized for up to 10 minutes. The PRESIDING OFFICER. Is there objection?

Does the Senator yield 10 minutes? Mr. GRAMM. Five minutes is all the time I have, Mr. President.

Mr. GRAMS. Mr. President, I rise to support the tax relief plan offered by Senator PHIL GRAMM. But I also want to talk a little bit about what we heard from our Democratic friends and colleagues on the other side.

Make no mistake about it, the surplus dollars out there are going to be spent. The question is, Who is going to spend it? Are we going to allow it to be returned to the hard-working families and Americans and allow them to spend it, or are we going to let Washington spend it? Some, it seems that if the taxpayers spend it, it will jeopardize the economy, but if we trust the President and trust Washington, the money will be spent correctly.

Also, I heard them talk about 1993 and what a great turnaround in fiscal policy for this country it was, and that it was due to their efforts that turned this economy around. The CBO finds the increase in tax revenues were not due to personal income tax increases, and it cites four reasons for this unexpected revenue: First, the rapid growth of taxable income, which raised the tax base for personal income receipts; second, adjusted gross income, which has grown more rapidly than taxable personal income, mainly through the realization of capital gains—the capital gains tax increased by 150 percent between 1993 and 1997, which is a third of the growth of the tax liability relative to the GDP—third, raising taxes paid on pensions and IRA retirement income; fourth, and most important, is the increase in the effective tax rate. That is people making a little more money, inflation pushing them into the higher brackets, and now not paying 15 percent but 28, 31 percent or higher.

By the way, this is also what CBO said. It points out that the revenue windfall did not result from legislative policy changes, which my Democratic friends have claimed. In other words, the CBO says the legislative initiatives taken by the President and the Democrats did not generate this surplus; what generated this surplus was the investment in the economy by businesses during the Reagan era of tax relief bills, and also by the high productivity, work, and effort of the American people. It wasn't by what Washington did; it was in spite of what Washington did that led to this.

So, clearly, all four reasons that we have a surplus are the result of the productivity of working men and women and businesses in this country.

Before I run out of time, I want to show you this chart. This depicts what is going to happen to the surplus. There is excess to what taxpayers have sent to Washington. Here is what I have often said. Here we have the man saying, “I found someone's wallet, and I want to do the right thing, so I plan to spend the money carefully.” That is what our Democratic colleagues and the President want to do. When they find the money on the street, instead of giving it back to the people it belongs to, they are going to spend it carefully for you.

Again, this debate is not over anything except who is going to spend the money. As the Senator from North Dakota said, it is a clear, bright line. The line will be: Do Washington to spend your surplus tax money, or do we want to return it to you and allow you to spend it on your priorities?

Thank you, Mr. President. I yield the floor.

Mr. GRAMM. Mr. President, I ask our distinguished chairman to yield me 5 minutes off the bill.

Mr. ROTH. I yield 5 minutes off the bill to the Senator from Texas.

Mr. GRAMM. Mr. President, in Ronald Reagan's own words, I want to take our Democrat colleagues down memory lane. They have such fond memories of what President Clinton has done, and I would like to tell the rest of the story. It is true that Bill Clinton was elected President of the American people in 1992, and Washington and proposed the largest tax increase in American history. It is true that not one Republican voted for that tax increase. It is true that it passed by one vote. It is true that the largest tax increase in American history now bears heavily on working Americans.

Everything else they said is not true. Let me try to explain why. They quote people saying harsh things about the Clinton program. Let me tell you the rest of the program. The rest of the program was a massive stimulus program where the Clinton administration proposed spending $17 billion, in 1993 alone, on everything from ice skating rink, warming huts in Connecticut to alpine slides in Puerto Rico. I had harsh things to say about it, and I am proud of that. I am very proud that Republicans, who were in the minority, killed that bill with a filibuster.

Bill Clinton didn't just propose the largest tax increase in American history; he proposed having Government take over and run the health care system, collectivizing American medicine, forcing everybody into a Government-run health care collective, which was a big tax increase. That was a tax increase. It would have meant Government taking over one-eighth of the American economy. I said it would be a disaster. I am proud that I helped lead the effort to kill it, and I am proud that it is dead now. That is the Clinton program. The point is, we were able to defeat every part of it, except the tax increase.

Now, when the Republican majority showed up in Washington, DC, in January of 1995, they read this budget from President Clinton. On page 2 of this budget, President Clinton outlines what his budget was. It had a deficit for fiscal year 1995 of $192 billion, and then the next year $196 billion, $213 billion, $196 billion, $197 billion, and $194 billion. That was the Clinton budget.

But we elected a Republican majority in Congress. What happened? With that Republican majority in Congress, we were not able to pass every bit of our Contract With America. With that, we reformed welfare, we cut spending, we stopped the runaway spending freight train of Bill Clinton. And under a Republican majority, while Clinton's deficits looked like this, the real deficit started to fall and turn into a surplus which is indicated on the chart.

The question is, Who led, who followed, and who got out of the way? I believe that the Republican Congress led, the Democrats in Congress followed, and Bill Clinton got out of the way.

So if we are going to tell the history of what happened in the Clinton era, let's not just remember his tax increase, let's remember his stimulus package, which we killed. The Democrats now say that's my favorite, and I am proud that I helped lead the effort to kill it, and I am proud that it is dead. Clinton was heartbroken, but it died. And we defeated the Clinton health care bill. It would have taken over one-eighth of the American economy, and Americans were so shocked at the Clinton program that they elected the first Republican majority since the 1950s.

When we took over, things changed. With the same old Bill Clinton who was here in 1995, when the deficit was $200 billion, what changed was the Republican majority.

I just say to the American people, give us a Republican President, and we will again control spending, and we will let working people have more of what they earn.

Mr. President, I yield Senator HAGEL 5 minutes off the amendment.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HAGEL. Mr. President, thank you.

I first want to add my thanks to the chairman of the Finance Committee, Senator Roth, for the leadership he has brought to the floor on such an important issue on a very substantive vehicle that we are using now to really make some decisions on behalf of the American public.

I have heard this morning that this is an issue about priorities. Surely it is. This is about priorities. This will further be about priorities as we debate this issue throughout the day, and actually throughout this year and into next year, because the priorities are about whose money it is. It is not my money. It is not Senator GRAMM's money. It is not President Clinton's money. It is the taxpayers' money. We tend to allow that to slip aside here when we are engaged in this theoretical debate.

Second, we all have to appreciate that we live in the mythical kingdom around here. The political kingdom says that all the clouds and all the
goodwill will reside here in the knowledge and the fountain of wisdom coming forth from Washington. We are seeing a great dynamic of that given when we are trying to take the people's money and then tell them how we will spend that back to them because we are benevolent Senators; we are benevolent representatives of the people; we can figure it out better.

If there is a sense of arrogance in this, I think you are right if you sense that, that the Congress is going to decide who gets what; we are going to make that decision. So we are going to target all of these pieces of the pie because we can decide better for the American people how they should spend their money, if we decide to give them back some of their money.

I have also heard some interesting conversations this morning about projections. As a matter of fact, I used to have a real job, and in that real job I was a businessman. I had to deal with projections because I had to put together budgets. Those budgets had to direct research and development. Those budgets had to direct investment, capital, and what we were doing for the long term. Yes, they are imperfect. Ten-year budgets are slippery, and they are dangerous. But the fact is, we must have a budget upon something. That budget must be based upon a relevant series of assumptions. So that is a given, and we have to deal with that.

After we get through that, then we have to make tough decisions. That is what we are going through today. I believe this bill that we have brought to the floor this morning does that. I think it does it first in a very responsible way. It does it in a way that allows 75 cents of every surplus dollar to go back into debt reduction projects—Social Security, Medicare, important Government programs such as defense. The first real obligation of responsible Federal Government is national security—veterans programs, education, medical research, and health care. That money is there.

We are talking about a $3 trillion budget surplus—both on the budget and off the budget. That surplus is Social Security and out of Social Security—$3 trillion over the next 10 years. I don't know if that is going to materialize, but one of the things we know is that we have to make some tough decisions based upon what we know and what we project. This bill does it very responsibly. It does it in a way that addresses those needs of our Republic and what we have committed to the American public.

My goodness, to say that giving 25 percent of that back to the American public in a tax cut is somehow irresponsible is well beyond my calculations.

Senator MACK was on the floor yesterday, I want to repeat a couple of points he made. One, he said, for example, how can a $4 billion net tax cut for fiscal stimulus stimulate decisions in a trillion-dollar economy? Of course, as of now, this bill phases in those tax cuts over a series of 10 years.

Senator MACK said yesterday, and as my colleague again reminded us, he asked rhetorically, "Would a $39 billion tax cut in the year 2002 overheat the economy when this is only .004 percent of the total projected GDP? I think it is a ridiculous question."

We are engaged once again in this mythical kingdom of fantasy. The fact is, this money is the taxpayers' money. The fact is, this is a responsible direction for the resources that surely, if they are allowed to stay here in Washington, will be spent.

The President has given us ample opportunity to look over that very generous and excessive menu presented to us with all of his new spending. Mr. President, I strongly support this amendment. I yield my time.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MOYNIHAN. Mr. President, I think our distinguished friend and colleague, Senator MACK, is next.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. I thank the Senator. Mr. President, on behalf of myself and the distinguished Senator from Connecticut, Senator Lieberman, I send a motion to the desk in accordance with the rule, by 2 o'clock, that they be filed and we intend to make later today.

The PRESIDING OFFICER. The Senator is recognized.

Mr. HOLLINGS. I thank the distinguished Chair.

Let me just say quickly the Record that the Senator from Texas was talking about what the Republicans have done for the economy.

I can tell you what they have done for the economy. They came in 1995, and for 1996 they worked, of course, on the budget. They immediately increased spending for the next year of $148 billion. They increased spending, and the budget went up another $50 billion. This year, of course, it is another $50 billion, and they have added. The track record will show that they have added $661 billion to the national debt.

But what did President Clinton do in 1993? And we did not have the largest tax cut increase. That was under Senator Dole. I will show the articles analyzing both.

But I readily acknowledge that I voted and supported and worked like a tiger to get the Deficit Reduction Act of 1993 passed, which prevailed by one vote. Yes, we did cut spending, we did downsize over 300,000 Federal jobs. But more than anything else, yes, we raised taxes.

The Senator from Texas, when we raised the taxes on Social Security, was adamantly opposed to that, and he said—I will use his expression—you increase the imbalance, Social Security, and they will hunt you Democrats down in the streets and shoot you like dogs.

The Senator from South Carolina never forgot that expression. That is how tough we had it. They were going to hunt us down.

Of course, the chairman of the Finance Committee at that time, Senator Packwood, said, "I will give you my house if this thing works." The chairman of the House Budget Committee, Mr. Kasich, said, "I will change parties and become a Democrat if this thing works." And it is working.

That is a tremendous frustration I have because it is working. We have the lowest unemployment, the lowest inflation, and the economy is moving along. Mr. Greenspan, not just on yesterday but earlier in the year, in February, said stay the course.

My usually responsible Republican friends—I come from a Republican State, unfortunately we give us a good case for the name, will hunt you Democrats down in the Stratosphere. That's because the cuts are predicated on federal budget surpluses, and they say that if that it would take an astrologer, not an economist to predict federal revenues. The most publicized provision, phased in ten percent across the board reductions in federal income tax rates, looks excessive. But these at least stand to be delayed by a legislative trigger, if surpluses and debt-reduction don't occur as assumed. Not so for the truly venal, smaller provisions. Ones too complicated to be explained in 40 seconds on the TV news shows. Democrats are certainly correct about the imbalance of benefits by income group. Treasury figures show that the top 1% of families, just 1%, would get 33% of the dollar cuts, the bottom 60% of families get a mere 7%. Conservatives reply that if the cuts are simply going to the people who pay the taxes and have the incomes. That's partly true. The top 1% of families have about 13% of the nation's income but that's under an official definition that excludes capital gains. If you include capital gains in household income, the top 1% may indeed have some 40% to 50% of the national total these days. Which gets us to the real guts of this bill: Two low profile, but high favoritism provisions. First, reduction of the top federal capital gains tax rate from 20% to 15% and, second, the phasing out of the federal gift and inheritance taxes. Both changes would concentrate a huge portion of their benefits in the top 1%.

The top 1% of American taxpayers reported about 60% of the taxable capital gains dollar values several years back. To reduce capital gains rate from today's 20% to 15% is unnecessary in terms of investment stimulus. All of the bull markets of the last 50 years have occurred when the top capital gains rate was 20% to 30%. The only special interest provisions phasing out the Federal estate and gift taxes over the next
Mr. HOLLINGS. Mr. President, one sentence of his commentary: “We can fairly call the House legislation the most outrageous tax package in the last 50 years.”

That is why I come to the floor to speak. I agree with Mr. Phillips. This tax bill turns everything on its backside when we have a good going economy, and the Republicans come in with all of things, a tax cut. How come? I will tell Members exactly. I can’t find out what was first, the chicken or the egg, but OMB got into this blooming 2000 election, and CBO has a Republican—not any Alice Rivlin or Bob Reischauer, but they have a Republican fix—Mr. Crippen over at CBO. I have been working on this budget since we passed it back in 1973.

Both CBO and OMB started finding money. How we could as a party put in tax cuts and have the real issue for the election 2000.

This is very interesting. You don't find the word “unified, unified, unified…” That is all I have heard for the last 20 years—unified. It is not a unified budget. It is an outright budget surplus. That is what the CBO called it.

I ask unanimous consent to have printed in the RECORD the CBO report on page 19.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

Mr. HOLLINGS. So we have the other trust funds to the tune of a 10-year period of $800 billion. We have $1 trillion to spend and that is the gamesmanship. There actually is no surplus. They are increasing deficits. If you don’t believe CBO, believe at least the President.

I ask unanimous consent to have printed page 43 of the OMB report.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

| TABLE 10.—CBO BASELINE PROJECTIONS OF INTEREST COSTS AND FEDERAL DEBT (BY FISCAL YEAR) |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Actual | | | | | | | | | | |
| National Debt Held by Government Accounts: | | | | | | | | | | |
| Social Security | 5,737 | 5,760 | 5,770 | 5,773 | 5,774 | 5,765 | 5,600 | 5,500 |
| Medicare: | | | | | | | | | | |
| HI | 1,312 | 1,311 | 1,245 | 1,187 | 1,137 | 1,086 | 1,035 | 984 |
| HI | 577 | 612 | 647 | 683 | 719 | 756 | 794 | 832 |
| Highway | 245 | 247 | 251 | 255 | 259 | 263 | 267 | 271 |
| Railroad | 22 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| Total | 9,346 | 9,407 | 9,474 | 9,537 | 9,600 | 9,663 | 9,724 | 9,785 |

Note: Projections of interest and debt assume that discretionary spending will equal the statutory caps on such spending through 2002 and will grow at the rate of inflation thereafter.

Source: Congressional Budget Office.
The page shows increasing deficits going up. The national debt goes up from $5.6 trillion to about $7.6 trillion; $7.5 trillion over 15 years.

What do we have? We have an increase in the debt of Social Security of which the distinguished chairman has the jurisdiction. They owe it $857 billion. In 10 years, they will owe Social Security $2.7 trillion and they are talking about saving Social Security—lockbox. This is a shameful sideshow out here. There is no dignity left in this Senate. No responsibility.

If they can put up a chart, run away, whine, and say the people back home know how to spend—if we have all the money, why can't the people get it back? They didn't give it back to the Social Security people when he was going to shoot me in the streets. They didn't give it back to where they came from, the wage earners, the payroll taxes.

Oh, no, as the Senator from North Dakota said, the rich get it all. Come on. It seems as if there would be a con-science in this crowd. I don't think this will sell with the American people who hear the truth. That is what I am trying to give them here today—the truth.

The distinguished Senator from Texas comes up. I knew it because I have been working at his side in previous years. He comes up and the first thing he said is the real problem is how to give it, and the best was “across the board.” I knew he was going to get to Dicky Flatt. He immediately changed subjects and then the debate will become the Gramm amendment, which is supposed to go between workers, wage earners, and deadbeats. If he can put that one over, then he has won the day with the hardworking people and Dicky Flatt.

Come on, give us a break. We have been through that. There is no education in the second kick of a mule.

We have a good economy. Alan Greenspan, the best of the best, who has helped us maintain that, says stay the course. The Hollings-Lieberman motion is not to take sides in this intramural between tax cuts and spending. But just saying: Finance Committee, come back with a bill that says any surplus we will put it to reduce the national debt. Let's all go home. I think we will win the approval of the American people.

Now, not coming in with all of the lockboxes, that immediately puts back the money into IOUs. They issue these Treasury bills, which are nothing more than an IOU under section 201 of Social Security, and then they spend the money on other things. There is not any true lockbox.

We had an amendment and I showed that to the majority leader. I circulated it to all the Senators. That is if they allow $3.3 trillion of our amendment up, including my amendment to cap the debt, we will get the truth. All I want to do is say cap the debt as of September 30, 1999. If you have nothing but purse around asking how to spend it or how to give a tax cut or whatever.

I will agree that you are right if there is a surplus. But the debt won't go down at the end of the fiscal year. They didn't want that vote. That is why we are in a filibuster about the lockbox. Somehow, somewhere, we have to get the truth out and cut out this whining about the people back home know how to spend their money. The point is, you cannot cut taxes without increasing spending. That is the great fiscal cancer we have developed in the 1980s with the Reagan tax cuts. The national debt was less than $1 trillion, less than $1 trillion at that particular time. Now we have a $5.6 trillion debt. With all of that “growth, growth, growth—we are going to have growth everywhere,” what has grown is the national debt with an interest cost of $1 billion a day.

I served on Peter Grace's commission against waste, fraud and abuse. The only thing Congress created was the biggest waste of all, spending $350 billion in interest costs. If we had that $358 billion, we could do all these things—Social Security, Medicare, research, tax cuts and everything else. We are going to spend it on account of a political sideshow and use our credibility to get by. The reason we creditably get by, and I will finish in a moment. We had a wonderful debate in the 1930s. I will listen to that any time.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MOYNIHAN. Mr. President, off the bill we yield the Senator 2 minutes.

The PRESIDING OFFICER. The Senator is recognized for an additional 2 minutes.

Mr. HOLINGS. We had a wonderful debate in the 1930s between Walter Lippmann and John Dewey. It was Mr. Lippmann's contention that the way to maintain and strengthen a democracy was to get the best of minds in the various disciplines—foreign policy, economic policy, housing, whatever—get them around the table, determine the public's needs, the Nation's needs, determine a policy to answer those needs, and give it to the politicians in Congress and let them enact it.

John Dewey, the educator, said no. He said give the American people the truth. Let the free press give the American people the truth, and the truth will be reflected through the Congressmen and the Senators in the Congress.
and we will have a strong democracy. And that is what we did for 200-and-some years. As Jefferson said, "When the press is free and every man can read, all is safe."

What has happened? We are not safe any longer. When the press has gotten into entertainment and they have joined the conspiracy and they call spending increases spending cuts and they call deficits surpluses. That is our dilemma. That is our dilemma. The only thing that is going to save us is that we press getting back to their professional code of conduct, and cut out the entertainment, and get back to telling the American people the truth.

Then we would not have to argue about tax cuts. It has to be an embarrassment to come out here with a tax cut. It would be an embarrassment to come out here and just spend billions and billions of dollars that we do not have. This year we are spending $303 billion more than we are taking in. We are in a deficit position. I thank the Chairman and I yield the floor.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. I yield 5 minutes to the distinguished Senator from Texas.

The PRESIDING OFFICER. The distinguished Senator from Texas is recognized for 5 minutes.

Mrs. HUTCHISON. Mr. President, I want to address some of the issues I just heard from the Senator from South Carolina. The first is quoting Alan Greenspan, the Chairman of the Federal Reserve Board. I believe Dr. Greenspan's comments have been taken far out of context. Because if you look at what he said, plainly it is if the choice is more spending or tax cuts, I will take tax cuts.

It is true he said he would be very cautious.

Mr. HOLLINGS. Will the distinguished Senator yield?

Mrs. HUTCHISON. I will yield on your time.

Mr. HOLLINGS. The Senator was correct in what I was saying. I said nothing about tax cuts—I favored those over spending. I said in my opinion there is a surplus that we apply to reducing the national debt, and I quoted Mr. Greenspan as of February, when he said, "Stay the course." I didn't say Greenspan said I prefer tax cuts over spending. That is not what he said.

Mrs. HUTCHISON. Dr. Greenspan said: If it is a choice of tax cuts versus spending, he takes tax cuts. Paying down the debt is exactly what the Republican plan does. So I think it is very important we keep Dr. Greenspan's comments in context.

If you look at the President's plan, he takes $1 trillion and spends it. The Republican plan takes all of the payroll taxes that we heard the Senator from North Dakota talk about and puts that into Social Security reform and stability. So when we are talking about a lockbox, we are saying all the payroll taxes for Social Security that people pay apply for Social Security. That is $2 trillion. That is exactly what the President's plan sets aside for Social Security.

It also has the effect of paying down debt by about 30 percent, according to the President, WEISER debt and you stabilize Social Security with $2 trillion that is set aside from the payroll taxes that people pay in.

But for the other $1 trillion we are looking at that comes from income tax withholding, we have very different plans. The President would spend it.

The Republicans would let the people who earned it keep it, and we would hold the rest in abeyance for spending on Medicare, education, national defense.

Why do we want the people who earn this money, who work so hard for it, to be able to keep it? Because we believe the people who earn it need the relief for their own purposes—for them to decide what they want to do with their money. The typical American family is paying more in income taxes in peacetime than ever in our history—38 percent in income taxes. A 10-percent across-the-board tax cut is fair to every American because when people paid their taxes last year—they know what they paid, and they can take 10 percent off. That is the most fair of all tax cuts, to let people keep more of what they earn. In fact, our tax relief package is less than the tax increases that President Clinton put in place in 1993. At that time, President Clinton said he was going to tax the rich and he put in that category people on Social Security who earned $34,000 a year. That is what he declared as rich. I think these people deserve a break, and that is what we are trying to give them.

We are giving marriage tax penalty relief. This morning at my constituent college, I met a schoolteacher and a football coach. I am going to estimate they earn about $35,000 and about $40,000 apiece. They get hit right square between the eyes with the marriage penalty because when you put their incomes together, they go into a new bracket. They are earning, then, $76,000 to $80,000 for a family of four.

That is wrong. We should not tell people because they get married that they owe more in taxes, just because they got married.

The PRESIDING OFFICER. The Senator's time has expired.

Mrs. HUTCHISON. Mr. President, did Senator HOLLINGS' question come off his time or mine?

The PRESIDING OFFICER. It came off his time.

Mrs. HUTCHISON. Mr. President, it is time we provide marriage tax penalty relief, tax relief across the board, death tax relief so people will not have to visit the undertaker and the tax collector on the same day and give up the family farms that have had to be sold because of death taxes. That is wrong. This amendment will correct that situation. It is time we give relief to the hard-working people of our country.

I yield the floor.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WELLSTONE. The distinguished Senator from Minnesota is recognized.

Mr. WELLSTONE. Mr. President, I understand I have 10 minutes. I will try to cut that in half in the interest of moving this along.

I cannot believe the amendment that is before this body. I am speaking about the Gramm amendment. The Center on Budget and Policy Priorities does very good work, as does Citizens for Tax Justice. Let's take the 10 percent tax rate cut across the board: this is what they say. 60 percent of the benefits of this tax cut will go to 10 percent of the taxpayers with the highest income. The bottom 60 percent of all taxpayers will share just over 9 percent of the total benefits under this plan. The average tax cut under the Gramm amendment, for the lowest income, 60 percent, will average $20,000 a year. I am not even talking about estate and capital gains tax cuts, which make the Gramm amendment even more regressive.

To pick up on the comments of my colleague from South Carolina, the original House Ways and Means Committee proposal in the second 10 years would explode the debt, costing $2.8 trillion. This may be only $2 trillion. But even here, $2 trillion is a lot of money. From 2001 to 2019, this tax cut package in the Gramm amendment will probably cost about $2 trillion. That is what it will cost us.

Mr. President, Kevin Phillips, in some commentary the other day on "Morning Edition," talked about the House proposal. I think what he said applies to this Gramm amendment:

"The mind-boggling 10-year cuts passed late last week by the House of Representatives . . . deserve a new term: [Not pie in the sky but] pie in the stratosphere."

That is what this Gramm amendment is: pie in the stratosphere.

Sometimes my colleagues on the other side of the aisle—and I say this with a twinkle in my eye, it is never hatred; we always enjoy our work—they will accuse us of class warfare. I say to my colleague from Texas, this is class warfare. This is class warfare: 60 percent of the benefits go to the top 10 percent of all taxpayers. From 2001 to 2019, this tax cut package gets 9 percent. The average tax cut for most of the people in my State of Minnesota is about $99. But if you make over $300,000 a year, there will be an average
tax cut of $20,000 a year. I say to my colleague from Texas, this is class warfare. That is what his amendment is.

In some ways, I am glad to fight this war because the vast majority of people in this country, when they realize who exactly the benefits and who does not, when they realize what this amendment does in the second 10 years, here is what they are going to say. They are going to say: We heard enough about how this surplus belongs to us. We are responsible adults. We are the parents and grandparents, and we believe that whatever the performance of our economy—and I hope it will be good; we do not know, this is all assumed—and whatever we have by way of surplus, here is what we believe: We believe that it does not belong to us; it belongs to our children and our grandchildren.

That means we pay off some of the debt we put on their shoulders, and that means we also make sure that Medicare and Social Security are there for them. It also means our children and our grandchildren, regardless of whether they are rich or poor, have opportunities there is equal opportunity for every child. That is what the American people believe. That is what Minnesotans believe.

I love this Gramm amendment. I love it because I think it presents in the clearest possible way to people in Minnesota and people in the country what we are about, whose side we are on. It is a class warfare amendment, and it should be trounced in a vote. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. I yield the Senator from Michigan 10 minutes.

The PRESIDING OFFICER. The distinguished Senator from Michigan is recognized for 10 minutes.

Mr. LEVIN. I thank the Chair. Mr. President, I thank my good friend from New York.

The amendment which is in the amendment before the Senate, like the plan that it would amend, is unfair to middle-income Americans. It is economically unwise, and it is based on unrealistic assumptions. The unfairness in the underlying bill it would amend is perhaps best shown in the fact that about two-thirds of its tax benefits go to the upper one-fifth of our people. The amendment makes that worse. It makes an unfairly doubly unfair program, which will give almost 80 percent of the tax benefits to the upper one-fifth of the income bracket.

In addition to being unfair, it is also economically unwise because it jeopardizes our ability to strengthen Social Security, and it risks higher interest rates. Yesterday, Alan Greenspan, testifying before the Banking Committee said:

"We probably would be better off holding off on a tax cut.

Why? Because of the uncertainty of budget surplus projections and also because we should normally reserve tax cuts for periods of economic slowdown.

The implication, in his words, has also been pretty clear over these last few months, which is that a large tax cut would cause the Fed to increase interest rates. For the average middle-income taxpayers, a rise in interest rates means higher mortgage payments, larger car loans and credit card payments, larger payments on that automobile, and that would far outweigh the small share of the benefits from the tax cut which that average taxpayer might receive.

The tax program that is being offered to us is also based on unrealistic projections. Projections are always risky. We have seen many Federal budget estimates, and we know that as quickly as the surpluses appear, they can disappear. The estimates of both the Congressional Budget Office and the Office of Management and Budget have frequently been far off the mark in recent years, and that is not their fault. We have some bright economists in the CBO and the OMB. They have a difficult task. Forecasting the performance of the economy, particularly over the course of several years, is more art than science, and there is a lot of guesswork in it.

For instance, the CBO estimated that the unified budget surplus for fiscal year 2000 will be $79 billion. But 4 months later, in a January 1999 CBO document, the surplus for fiscal year 2000 was estimated at $130 billion. In 4 months, their $59 billion estimate to a $130 billion estimate. The July estimate for fiscal year 2000 now projects a $161 billion surplus. So there has been a change of over 100 percent in the projection of the surplus in less than a year. If most Americans were confronted with such uncertainty over their own budget situation, they would follow a cautious course, and we should, too.

The projections in both the underlying plan and the amendment to it are extremely risky because they are based on assumptions about domestic spending levels that are highly unrealistic. The on-budget surplus, which the Republicans now say will pay for the tax cut, is reliant largely on massive cuts in discretionary spending, $505 billion over 10 years. That is a 23 percent cut in real terms from the 1996 level adjusted for inflation. Can we really believe we will be cutting discretionary programs by 23 percent in real terms?

Is what we are doing now?

If a realistic defense spending level is adopted—even the President’s proposal; if we assume just that—the domestic spending cut will grow to $775 billion over 10 years, which is a 38 percent cut in real terms.

We have seen proof in the last few weeks that these levels are unrealistic. The so-called spending caps are already being breached by emergency spending labels to new funding. We have already heard from the chairman of the Appropriations Committee that these limits, or caps, are going to be lifted in any event. The House tends to use emergency spending to get around the caps. Apparently, we are going to be more forthright and just lift the caps.

So most people in Congress already believe that whatever they acknowledge publically or not—that the caps are simply not going to hold. So we already have strong evidence that the basis of the surplus projection is not realistic or credible.

The proposal that we are faced with is going to take the economy backwards, just as we are climbing out of a deficit ditch.

In 1992, the deficit in the Federal budget was $290 billion. We made remarkable progress which has brought us now to the threshold of surpluses. It came in large part because of a deficit-reduction package which President Clinton presented in 1993 and which we passed by a margin of one vote. We should not now, by passing a tax bill such as the one before us, head down the path toward new deficit.

The alternative that Democrats offered yesterday was far better, by all three tests—the test of fairness, the test of prudence, the test of credibility. Don’t cut veterans’ programs. What you need to do is invest in education. Don’t cut social programs. Social Security belongs to the American people, just as this money belongs to the American people. The surplus belongs to the American people. So does the Medicare program belong to the American people. Our education program, helping people through college, belongs to the American people, just as the surplus does.

These are taxpayers’ dollars. There can be no dispute about that. But the veterans’ program is the American people’s program. When we cut veterans’ health care, we are cutting into something that the American people want. It is their program, just as the surplus, just as the taxes, are the American people’s.

The American people are speaking loudly, at least to me, at least in my office, when I go back home to Michigan every weekend and talk to the American people. What they are telling me is: Pay down the debt, protect Social Security, protect Medicare. Do what you need to do to invest in education. Don’t cut veterans’ programs. But we don’t need this tax cut that is being proposed at this time, not just because it is unfair to middle-income Americans but also because most of the benefits go to the upper fifth—but we don’t need the tax cut because we want debt reduction, real debt reduction.
That is what they are telling us. That is what the American people, who produced this surplus, who send us the tax money, are telling us. They are telling us that loudly, not just in public opinion polls—in the mail that we open up, in the phone calls we get, and in the personal pleas we get when we go home.

That is exactly what we should do: To hold off on any tax cut and reduce the debt with the money that otherwise would go to that tax cut, again, not just because it is unfair—which it is—but because it is unwise and imprudent.

Mr. President, I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Texas.

Mr. GRAMM. Mr. President, it is my understanding that the Democrat side of the aisle has completed their run of speakers. They have a little time left. I have a little bit more. But it would be my intent, if it is even possible, to go ahead and try to answer all of these points that have been made, and try to deviate from my background as a schoolteacher and not take all day, and then go ahead and yield back my time, and then you would yield back theirs, and then we will set my vote aside and let Senator KENNEDY offer his amendment, if that will suit everybody on time.

The only thing I want to be sure of is: since I want to be sure I get to answer every point that has been made—I would like to be the last speaker on my substitute. So if that works with everybody, I am happy about it; if not, we can do it another way.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. The Senator's proposal is entirely agreeable. I cannot, however, let pass the notion that Texas may be the State in the Union where a former professor of economics refers to himself as a sometimes schoolteacher. But that is the way it is. We look forward to hearing all he has to say.

Mr. REID. Will the Senator yield for a question?

Mr. MOYNIHAN. Sure.

Mr. REID. So we have someone here to speak when the Senator finishes, could the Senator give us an estimate of when he might complete his statement on this amendment?

Mr. GRAMM. Mr. President, how much time do I have?

The PRESIDING OFFICER. Eighteen and a half minutes.

Mr. GRAMM. I will be through before that. Senator KENNEDY may want to start making his way over here.

Mr. President, we are about to wrap up the debate on this amendment. I think sometimes it is easy to get carried away and get in the business of trying to look at people's motives. I would like, in my concluding comments, to try to set this whole thing in perspective.

I wonder sometimes if our Democrat colleagues do not just rediscover every once in a while how progressive—and that is the term that was made up by the people who wanted the Tax Code to be highly skewed, where higher income people paid the great preponderance of taxes in America.

We are today talking about cutting income taxes. Our dear colleague from Minnesota points out that if you make less than $30,000, you are going to get less than $100 of income tax cuts in this bill. But that fails to recognize is that 50 percent of Americans pay only 4.3 percent of the income taxes; 32 percent of American families pay no income taxes whatsoever.

So I know it makes for a good sound bite to say 32 percent of Americans will get no income tax cut if you cut taxes across the board by 10 percent, but they do not get a tax cut because they do not pay income taxes.

Tax cuts are for taxpayers. The people who get a tax cut under this bill get no food stamps. Is that an outrage? People who get a tax cut under this bill do not qualify for Medicaid. Is that an outrage, that they do not qualify for Medicaid? People who get a tax cut under this bill do not qualify for Aid to Families with Dependent Children. Is anyone outraged about that? I am not, because AFDC, food stamps, Medicaid are not for everybody; they are for poor people. Tax cuts are for taxpayers.

So when our colleagues stand up and say the top one-quarter of the taxpayers in America will get 60 percent of the tax cut under this bill, don't forget that the top 25 percent of income earners in America today pay 81.3 percent of all the taxes.

Why would anybody be shocked that a group of people who pay 81.3 percent of the taxes might get 60 percent of the tax cut? In fact, what our dear colleague from South Carolina said is that the Roth bill is, from the point of view of the existing Tax Code, putting a heavier burden on higher income people. My amendment does not do that. Now, some of our colleagues, a few minutes ago, suggested that I was offering the House bill. The House tax cut bill is 457 pages long. The tax cut I am offering is 46 pages long. This is a very simple tax cut. At the end of my comments, I will go over what it does and does not do.

It is true that the top 1 percent will get more tax cut than the bottom 50 percent. The top 1 percent of income earners in America earn 16 cents of every dollar earned, but they pay 32.3 percent of the taxes. The bottom 50 percent pay only 4.3 percent of the taxes. So if you are giving a tax cut, people who pay taxes get it. If you are giving welfare or Medicaid, people who are poor get it. I don't know why that comes as a shock to our Democrat colleagues.

Our dear friend from South Carolina said the rich get it all. Well, the plain truth is that the average family in America making $50,000 a year, they are rich, according to the Senator from South Carolina. But the average family making $50,000 a year will get $624 in a tax cut by the 10-percent across-the-board tax cut. Is it is that only rich people are getting the tax cut? Well, you have to remember that when the Democrats, in 1993, raised taxes, they defined "rich" as anybody making over $25,000 a year when they taxed people earning $25,000 a year on their Social Security benefits. I hope people are not confused when they hear the Senator from South Carolina say under the Gramm amendment rich people get it all. I hope they understand that rich people are making more than $25,000 a year. When Senator Hollings was saying, yes, he voted to raise taxes on Social Security, that was on rich people who made over $25,000 a year. Don't forget the code words when we are talking about these things.

There are a lot of people on the Democrat side of the aisle who say hold off on the tax cut. Well, I don't find that unappealing. Just to level with people, if you could stop the rhetoric that the President has proposed spending every penny of the surplus and hold off on the tax cut and have an election—I believe we are going to have a Republican President; I think I know who it is; I believe we are going to have a Republican majority in both Houses of Congress. I think we could do a better job 2 years from now. So when Senator LEVIN says hold off on the tax cut, why do I not end up supporting his position?

Well, the problem here is this is the Congressional Budget Office analysis of President Clinton's budget. He is proposing to spend $1.033 trillion, not only every penny of the surplus, but he is having to plunder Social Security for 3 out of the 10 years. So while our colleagues, are saying don't cut taxes, what they are not telling is that the President has proposed spending every penny of the non-Social Security surplus, plus part of the Social Security surplus.

We are already $21 billion over the budget this year. I would be willing to wait when we had a President who I think would support a better tax package, but under President Clinton's budget, we will have spent every penny of the surplus before we can elect a new President. So that is why we have to act now.

The second thing is about how large this tax cut is, how outrageous, how obscene. If you want to spend the money, any tax cut is obscene. If you don't want a tax cut, all tax cuts are for rich people, all tax increases are on rich people. So most people, at least in their language, don't want this tax cut.

But the problem is, all tax increases are on working people and our tax cut is for working people. The question is, Is it too big?

But on their Side, Clinton became President. Government was taking in taxes. 17.8 cents out of every dollar earned by every American. Because of the massive tax increase in 1993 and because
people, as incomes have gone up, have moved into higher brackets. Government is now taking a peacet ime record 20.6 percent of the economy in Federal taxes.

Now, if we took all $1 trillion of the non-Social Security surplus and gave it back to the American worker in tax cuts—and I remind Senators, we are giving less than $800 billion because we are keeping $200 billion for Medicare and for emergencies—if we gave it all back, the tax burden, at 18.6 percent of every taxpayer's income, would still be substantially higher than it was the day Bill Clinton became President. So even if you adopt our tax cut and even if the President signed it, when he left office and when this tax cut was fully implemented, he could say: Taxes were substantially higher when I left than when I came—even though supposedly we are talking about a huge tax cut.

Now, finally, if you take the arithmetic and you say: How big is this tax cut relative to the level of taxes we are collecting, over a 10-year period, the tax cut is a whopping 3.5 percent. Over a 10-year period, if we adopt our tax cut, we are reducing revenues by 3.5 percent.

How can the President say this tax cut endangers the American economy? In fact, the day before yesterday he was saying it endangers women's health care; if we let working people keep more of the money they earn, it is going to hurt women's health.

I don't know, if this debate goes on another day or two, he may say that infantile paralysis will be back, that polio will suddenly descend on America. If you let people keep more of what they earn, it could happen. The buck has to come back. The point is, we are talking about 3.5 percent tax cuts over 10 years.

Why are we doing this? We are doing it because we are going to collect $3 trillion over the next decade and we are above the level we are going to spend. We are taking $2 trillion and putting it away so when we get a President that has the courage to fix Social Security—we do not have such a President today. I am sad to say, but when we get one, we will have the money and we will be ready to do it.

Then out of the trillion that is left, we are saying, let us give eight-tenths of it back in tax cuts and let us keep two-thirds for Medicare and for any emergencies we might have.

Our colleagues say, if you give these tax cuts, the money is gone forever. That is interesting because we raise taxes round here all the time. But yet when they spend this money on $1.033 trillion of new programs, it is as if we can snap our fingers and have it back.

The truth is, you can always get money back that you give to the American public in tax cuts. If we start 81 new programs, what we are saying is that President Clinton wants to do, we will never be able to end those programs. That is what the debate is about.

I see that one of my colleagues who had asked to speak before, came and waited for others to speak, has come back. How much time do I have at this point?

The PRESIDING OFFICER. The Senator has 6 minutes.

Mr. GRAMM. I yield that Senator 5 minutes of my time, and then I will sum up with the last minute.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Mr. President, I have heard the remarks of the Finance Committee Chairman, Alan Greenspan, invoked in this debate as if the Chairman would oppose the tax-relief bill. That is not my understanding of where Mr. Greenspan stands on the issue. I want to include for the RECORD at the end of my remarks a copy of a Wall Street Journal editorial on the subject that ran on July 27, 1999.

When Chairman Greenspan testified before the Banking Committee last week, he said tax cuts would not cause interest rate cutting and apply the surplus to debt repayment—but here is the part of the quote that many in the media have failed to report. He said he would defer tax cuts:

... unless, as I've indicated many times, it appears that the surplus is going to become a lightening rod for major increases in outlays (emphasis added). That's the worst of all possibilities, from a fiscal policy point of view, and that, under all conditions, should be avoided.

Mr. Greenspan went on to say, "I have great sympathy for those who wish to cut taxes now to pre-empt that process, and indeed if it turns out that they are right, then I would say moving on the tax front makes a good deal of sense to me."

Mr. President, Chairman Greenspan's view is important because opponents of this tax relief bill claim that the Federal Reserve Board opposes its enactment by raising interest rates to the cool economy. But Mr. Greenspan's remarks make it clear that the real threat to continue prosperity is bigger government, not tax relief. And if the tax overpayment is not returned to taxpayers, I think it is clear that it will be spent long before it can be applied to debt reduction.

I just consider that President Clinton is proposing new spending amounting to $26 billion—more than the 10-year cost of the tax-relief bill that is before us. Remember, too, that our tax bill accounts for only about 25 percent of the available surplus. In other words, we are only proposing to refund about 25 cents of every surplus dollar to the people who sent it to us—hardly a risky or irresponsible thing. Seventy-five cents of every surplus dollar would be dedicated to preserving Social Security and Medicare, and funding other domestic priorities.

Remember, to the extent that there is a surplus, we will have taken care of our core obligations already—things like education and health care, running our national parks, and providing for the national defense. It may be true that refunding the overpayment will mean we cannot fund some low priority programs, but that is the point: taxpayers ought to be able to decide how to spend their own hard-earned money before Washington.

Critics of the tax-relief bill also claim that it cannot be justified because projected surpluses may never materialize, that Congress and the President will be unable to live within the spending limits we agreed to on a bipartisan basis only two years ago. In other words, they contend that spending the surplus is a predetermined outcome. To me, that is not a reason to defer tax relief. It is the very reason we need to pass tax relief—before Washington can find new ways to spend the tax overpayment.

Mr. President, I think it is important to clarify that we are talking about what to do with the non-Social Security surplus. Our plan saves all of the Social Security surplus for Social Security. President Clinton says that it is his goal as well, but his budget would actually spend $158 billion of the Social Security surplus on other programs. If our colleagues on the other side of the aisle would end the filibuster against the Social Security lockbox bill, we could pass it and make sure the Social Security surplus is not spent.

Let me turn for a few moments to the specific provisions of the tax-relief bill that is before us today. I want to begin by commending the chairman of the Finance Committee for producing a bill that fully meets the instructions of the budget resolution we passed earlier this year and provides a full $792 billion in tax relief over the next decade.

But I must say that I would have written the bill very differently. It seems to me that there are too many provisions that are targeted too narrowly. For example, the bill includes a tax break for the renovation of historic homes. That is great if you intend to engage in such renovation. But if you do not have the means to own a historic home, or do not want one, you get no relief.

People with a foreign address would have their frequent flyer miles exempted from the 7.5 percent air passenger ticket tax.

Generation of electricity from chicken manure we earn a tax break.

And if you are fortunate enough to get certain scholarships, your award would be excluded from tax.

These four provisions alone—and each may have merit in its own right—have a combined revenue impact of about $4 billion over 10 years. Money that I would prefer to put toward broad-based, growth-oriented tax relief that help all taxpayers.

While there are many worthwhile provisions in the Finance Committee bill, a better approach is embodied in an amendment that will be offered by Senator PHIL GRAMM of Texas. Whereas the committee bill attempts to spread
relief among some 130 parts of the Tax Code, the Gramm amendment would focus on just five areas, using the surplus to finally correct some of the most unfair and egregious provisions of the law.

The Gramm amendment would, for example, expand on the provisions of the White House Conference on Small Business last year indicated that they favor repeal of the death tax. When Californians were asked to weigh in with a ballot proposition, they voted two-to-one to repeal their state's death tax. The legislatures of five other states have enacted legislation since 1997 that will either eliminate or significantly reduce the burden of their states' death taxes.

Talk to the men and women who run small businesses around the country and you will find that death taxes are a major concern to them. The 1995 White House Conference on Small Business identified the death tax as one of small business's top concerns, and delegates to the conference voted overwhelmingly to endorse its repeal. Remember, this is a tax that is imposed on a family business when it is least able to afford the payment—upon the death of the person with the greatest practical and institutional knowledge of that business's operations.

Although the death tax raises only about one percent of the federal government's annual revenue, it exerts a disproportionately large and negative impact on the economy. In fact, Alicia Munnell, a former member of President Clinton's Council of Economic Advisors, estimates that the costs of complying with death-tax laws are roughly the same magnitude as the revenue raised. In 1988, for example, that amounted to about $23 billion. In other words, for every dollar of tax revenue raised by the death tax, another dollar is squandered in the economy simply to comply with or avoid the tax.

Over time, the adverse consequences are compounded. A report issued by the Joint Economic Committee last December concluded that the existence of the death tax this century has reduced the stock of capital in the economy by nearly half a trillion dollars. By repealing the death tax and putting those resources to better use, the Joint Committee estimates that as many as 240,000 jobs could be created over seven years and Americans would have an additional $24.4 billion in disposable personal income.

Unlike the Finance Committee bill, which leaves the death tax in place indefinitely, the Gramm amendment would repeal the tax—pull it out by its roots. The House has already passed similar provisions, and the Senate should, as well. Death-tax repeal is a must.

Mr. President, there are three other components of the Gramm amendment that I will touch on only briefly. First, it would reduce marginal income-tax rates by 10 percent across the board. In other words, all taxpayers would see their tax bills reduced, proportionate to how much they pay. This is probably the fairest way of returning the tax overpayment.

Second, the amendment would index capital gains for inflation, recognizing that the Treasury should not reap the benefit of inflationary policies.

Third, it would provide a full deduction for health insurance for the self employed.

Mr. President, the Gramm amendment would provide broad-based relief, and would do so in a way that is not only fair, but which would keep the economy growing and providing a better standard of living for all Americans.

I will vote for the Gramm amendment. If it is defeated, I will vote for the underlying bill in order to get it to conference where the bill could be improved. I will, however, reserve judgment about whether to support the conference report until I can see if it comes close to the Gramm amendment on the House bill.

Before concluding, I ask unanimous consent that the Wall Street Journal editorial from July 27, 1999, which I mentioned at the beginning of my remarks, be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

REVIEW & OUTLOOK—TRUTH AND TAXES

Ronald Reagan once famously noted that "facts are stubborn things," but that was before the Clinton Presidency. One consequence of Clintonism is that facts have been irrelevant to political debate, as for example in the current fight over tax cuts.

Under the new Clinton rules, by now imbedded in media coverage, it doesn't matter whether something is true; what counts is whether it works politically. Thus last week, Federal Reserve Chairman Alan Greenspan found himself hailed as a hero of the Democratic Party, allegedly for trashing the House Republican tax-cut bill.
Mr. Greenspan: "My first priority, if I were given such a priority, is to let the surpluses run.”


Mr. Greenspan: “As I’ve said before, my second priority is if you find that as a consequence of those surpluses they tend to be spent, then there’s more in the camp of cutting taxes, because the least desirable is using those surpluses for expanding outlays.”

For some reason the press corps never mentioned this spending caveat, as large as it is. We don’t know how they missed it, because the Fed chairman said he’d delay tax cutting “unless, as I’ve indicated many times, it appears that the surplus is going to become a lightening rod for public increases in outlays. That’s the worst of all possible worlds, for a fiscal policy point of view, and that, under all conditions, should be avoided.”

"I heard him sympathize for those who wish to cut taxes now to pre-empt that process, and indeed, if it turns out that they are right, then I would say moving on the tax front is one of the best deals of sense to the tax law." Now, also keep in mind that Mr. Greenspan is a central banker. He runs monetary policy, which means he runs the political campaigning room to raise interest rates from time to time. Like all central bankers, he gets irrationally exhuberant about deficits, which he fears and wants to return and complicate this task. Ergo, he’d prefer surpluses to pile up from heavenly to eternity.

Yet, if the surpluses are going to be spent, he’d still rather cut taxes first. And indeed, last week Mr. Greenspan repeated his belief that budget deficits and interest rates are “zero” and that he prefers a cut in the marginal tax rates.

As it happens, last week the Beltway’s media sleuths also ignored some startling facts from the Congressional Budget Office. CBO—historically no friend of tax-cutting—compared Congress’s budget proposals with Mr. Clinton’s. And it found that, despite its $800 billion minus $245 billion for USA Accounts, another provision.

$111 billion for Medicare, including $188 billion for the new prescription drug benefit, less other savings; $426 billion for USA Accounts, another potential handout; $328 billion for additional discretionary spending—$127 billion for defense and $201 billion in nondefense programs; and $142 billion for higher debt service costs because of the higher spending.

The net is about $702 billion, while Mr. Clinton’s new spending would amount to $826 billion. In short, Mr. Clinton isn’t against the GOP tax cut because he wants to spend it. He’s against it because he wants to spend that money instead of the tax cut. Which by Mr. Greenspan’s own testimony last month means the Fed chief would endorse spending first.

And, by the way, don’t believe Mr. Clinton when he claims, as he did in his Saturday radio address, that “the GOP tax cut is so large” that it more than pays for the cuts in vital areas, such as education, the environment, biomedical research, defense and crime fighting.” As CBO also shows, since 1990 domestic spending programs and entitlements increased by 5% a year—that’s roughly double the rate of inflation.

Mr. Clinton has taken to lying with such frequency that his whoppers are barely even noticed. We’re not optimistic that anyone else will keep him honest. But we thought our readers might enjoy this flabbergasting.

Mr. KYL. To reiterate, the bill includes a tax break for the renovation of historic homes. That is great, if you intend to engage in such a renovation and you have a historic home. But if you don’t have that kind of a home, it is not going to do you any good.

People with foreign addresses would have their frequent flyer miles exempted from the 7.5-percent passenger ticket tax.

Generation of electricity from chicken entrail would earn a tax break. If you are fortunate to get certain scholarship, you could be excluded from a tax. These four provisions alone, which may well have merit, have a combined revenue impact of about $4 billion over 10 years—money I would prefer to put toward the reduction of the $792 billion tax cut that Mr. Greenspan has been proposing. That is why I support his amendment.

Let’s take one of the provisions of his amendment, whereas, the committee’s bill requires, for nonfarmers to spend relief money on about 130 different parts of the Tax Code, the Gramm amendment focuses on just 5 particular areas, using the surplus to finally correct some of the most unfair and egregious provisions of the law. For example, it eliminates the marriage tax penalty.

The Finance Committee proposal goes a long way toward working on that marriage penalty, but it does not eliminate it. The Gramm proposal would do that. It is not fair that we overtax families just because they are married. The impact is estimated to cost the average couple an extra $1,400 a year. About 21 million American couples are affected. It is no wonder both spouses in the family are having to work. One, in effect, is working for the family, and the other is working to pay off the taxes. They are upset with this marriage tax penalty. I support that provision.

While we deal with the death tax in the Finance Committee proposal, we don’t eliminate it. It ought to be eliminated. The Gramm proposal eliminates it along the lines of the Kyl-Kerrey bill. I appreciate Senator Gramm including our provision in his amendment. The death tax is the most unfair tax the United States has. It is a tax on a tax. The death tax is a tax on a tax.

If you want to tax people because they make some economic decision to spend money, to take money out of an account, to sell an asset, then tax that economic decision. They understand going in what the consequences are going to be. But nobody chooses to die. Why their heirs should have to pay a tax because of a death is beyond most of us. It brings in about 1 percent in revenue. It is not worth it. An awful lot of small businesses and farms, which have all of the assets tied up in equipment and the capital of the business itself, end up having to sell their assets in order to pay the taxes.

The idea that it was to prevent the accumulation of wealth no longer works. In today’s world, when you have to sell the business, you usually sell to some big conglomerate that then takes it over.

But what would happen under this bill is that the 10 percent tax cut would mean that this family—say a coach and a teacher, making $70,000 a year—would get an $800 tax cut; actually, it would be an $809 tax cut because of the 10 percent across-the-board cut; they would
get a $1,400 tax cut from the marriage penalty elimination, meaning, in total, they would get $2,200 in tax cuts. That is roughly, I think, what working middle America is about.

Mr. President, I yield all my time back.

Mr. MOYNIHAN. Mr. President, this side of the aisle yields all our time back.

Mr. GRAMM. Mr. President, I ask unanimous consent that the Gramm amendment, No. 1465, be temporarily set aside in order for Senator KENNEDY to offer a motion relative to prescription drugs. I further ask consent that following the debate time on that motion, the Senate then proceed to a vote on or in relation to the Gramm amendment, No. 1465, to be followed by a vote on or in relation to the Kennedy motion. I ask unanimous consent that no other amendments be in order to the amendment prior to the vote. I further ask consent that there be 2 minutes equally divided prior to each vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, the Senator from New York, on behalf of the Finance Committee, is recognized to yield on our distinguished friend and long-time colleague, Senator KENNEDY of Massachusetts. We welcome him back to the debate.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I understand we now have a 1-hour time limitation, am I correct, and the time is divided?

The PRESIDING OFFICER. Thirty minutes on each side.

Mr. KENNEDY. I yield myself 10 minutes, Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 10 minutes.

MOTION TO RECOMMIT

(Purpose: To modernize and improve the Medicare program by providing a long-overdue prescription drug benefit, by reducing or deferring certain new tax breaks)

Mr. KENNEDY. Mr. President, I send a motion to the desk.

The PRESIDING OFFICER. The clerk will report the motion.

The assistant legislative clerk read as follows:

The Senator from Massachusetts, Mr. KENNEDY, moves to recommit the bill to the Committee on Finance, with instructions to report back within 3 days, with an amendment to reserve amounts sufficient to provide a prescription drug benefit to all Medicare recipients, in the context of modernizing and strengthening Medicare, by reducing or deferring certain new tax breaks in the bill, especially those which disproportionately benefit the wealthy.

Mr. KENNEDY. Mr. President, as was indicated in the motion, senior citizens deserve coverage of prescription drugs under Medicare, and it is time for Congress to see that they get it. This amendment presents a clear choice between prescription drug coverage for the elderly and unnecessary new tax breaks for the wealthy.

This debate is about priorities. New tax breaks are a priority for the Republicans. Prescription drugs for senior citizens are not. If senior citizens were the priority, we would be debating a Medicare prescription drug bill today. If senior citizens were the priority, we would be debating a tax bill after we had taken care of Medicare and Social Security—not before.

These Republican tax bills have $230 billion in new tax breaks for people with incomes over $300,000 a year. They restate the three-martini lunch deduction.

There are sweetheart deals for the insurance industry, the timber industry, the oil industry, and large multinational corporations. But there is not one dime for Medicare prescription drugs for senior citizens.

Medicare is a clear contract between workers and their government. It says, “Work hard, pay into the system when you are working, and you will have health security in your retirement years.” But that commitment is being broken today and every day, because Medicare does not cover prescription drugs.

When Medicare was enacted in 1965, coverage of prescription drugs in private insurance policies was not the norm—and Medicare followed the standard practice in the private market. Today, ninety-nine percent of employment-based health insurance policies provide prescription drug coverage—but Medicare is caught in a 34 year old time warp—and too many seniors are suffering as a result.

Too many seniors today must choose between food on the table and the medicine they need to stay healthy or to treat their illnesses.

Too many seniors take half the pills their doctor prescribes, or don’t even fill needed prescriptions—because they can’t afford prescription drugs. Too many seniors are paying twice as much as they should for the drugs they need, because they are forced to pay full price, while almost everyone with a private insurance policy benefits from negotiated discounts. Too many seniors are ending up hospitalized—at immense costs to Medicare—because they aren’t receiving the drugs they need at all, or cannot afford to take them correctly. Pharmaceutical industry profits are increasing, but the source of miracle cures for a host of dread diseases, but senior citizens will be left out and left behind if we do not act.

The 21st century may well be the century of life sciences. With the support of the American people, Congress is on its way to our goal of doubling the budget of the National Institutes of Health. This investment is seed money for the additional basic research that will enable private and public sector scientists to develop new therapies that will improve and extend the lives of people in the United States and around the globe.

In 1998 alone, private industry spent more than $21 billion in research on new medicines and to bring them to the public.

These miracle drugs save lives—and they save dollars too, by preventing patients from hospitalization and expensive surgery. All patients deserve affordable access to these medications. Yet, Medicare, which is the nation’s largest insurer, does not cover out-patient prescription drugs, and senior citizens and persons with disabilities pay a heavy price for this glaring omission.

Prescription drug bills eat up a large and disproportionate share of the typical elderly household’s income. Senior citizen spend three times more of their income on health care than persons under 65, and they account for one-third of all prescription drug expenditures, yet they make up only 12 percent of the population.

The greatest gap in Medicare—and the greatest anachronism—is its failure to cover prescription drugs. Ninety-nine percent of all employment-based plans—ninety-nine percent—cover prescription drugs today. But Medicare is still treating the 1960’s as if it were mid-1990’s when the private plans on which Medicare was modeled did not provide this coverage.

Because of this gap and other gaps in Medicare, and the growing cost of prescription drugs, the average senior citizen spends only 50% of the out-of-pocket medical costs of the elderly. On average, senior citizens now spend almost as much of their income on health care as they did before Medicare was enacted. And Medicare was enacted because there was a crisis in health care for the elderly in the 1960’s. How can we fail to act today, to deal with the health care crisis for the elderly in the 1990’s?

Prescription drugs are the single largest out-of-pocket cost to the elderly. The average senior citizen fills an average of eighteen prescriptions a year, and takes four to six prescriptions daily. Many elderly Americans face monthly drug bills of $100, $200 or even more.

America’s senior citizens and disabled citizens deserve to benefit from new discoveries in the same way that other families do. Yet, without negotiating power, they receive the brunt of cost-shifting—often with devastating results. In the words of a recent report by Standard & Poor “Drugmakers have historically raised prices to private customers to compensate for the discounts they grant to managed care consumers.” The private customers receive rebates. To in this report are largely the nation’s mothers, fathers, aunts, uncles, grandparents, and grandfathers.

Despite—and to a large extent because of—Medicare’s lack of coverage for prescription drugs, the misuse of such drugs results in illnesses that cost Medicare $20 billion or more a year, while imposing vast misery on senior citizens. It is in their best interest, and in the best interest
of Medicare, to design a system that encourages the proper use, and mini-

mizes the improper use of prescription drugs. Substantial savings can be found if pharmacists are educated on senior citizen-prescription drug interactions and on ways to iden-
tify, prevent, and correct prescription drug滥用.

Beneficiaries, too, must follow in-
structions that are dispensed with the medication itself. Too often, we hear stories of seniors who are being asked improper questions. They take half doses or oth-
erwise try to stretch their prescription, to make it last longer. That is not right, and it is not fair to any senior citizen. People are confident that the

drugs they need will be covered, proper usage will improve, and so will the quality of life for senior citizens.

During the course of this debate, we will hear many arguments from the op-
ponents of this amendment. Their argu-
ments are as predictable as they are wrong.

First, we will hear that the sponsors of this excessive tax cut are all for a Medicare prescription drug benefit, too. But even after the tax cut, they still have $253 billion of surplus left. But we all know that those estimates are as phony as a three dollar bill. As we will see in a moment, even though emergencies will cost us $90 billion over the next 10 years if present trends continue. Their budget

presents with cut domestic programs from Head Start to education to high-
way construction to law enforcement by half a trillion dollars over the next ten years, cuts that no one believes will ever happen.

Republicans hope they can continue to play “let’s pretend” until this reck-
less and irresponsible tax cut passes the Senate, then it’s too late—too late for today’s senior citi-
zens, who need prescription drug cov-

erage—too late for tomorrow’s senior citizen, who needs solvency—too late to protect Social Security—

缺口 to meet pressing needs to edu-
cate the nation’s children, support bio-

dedical research, fight crime, protect the environment, and meet all the other pressing needs that are priorities for the American people.

This is an issue of priorities. Repub-
licans may say that there is enough money left over to protect seniors. Let them put their votes where their mouths are. An amendment does not set aside enough money out of the tax
cut to provide a prescription drug ben-
cut before we vote to pass a tax bill. This would be a simple vote for any Senator who cares about senior citi-
zens. Tax cuts are a priority for the Rep-

ublicans. Prescriptions drugs for sen-
ior citizens are not. If senior citizens were given the same vote as we would be debating—
a prescription drug coverage bill to-day—not a tax cut bill. If senior citi-
zens were the priority, we would be debating to care of Medicare and Social Security—

not before. If senior citizens were the

time. If senior citizens were the

only ones who have stable, secure, affordable Medicare coverage, they are the very poor on Medicaid. The idea that only the impoverished should qualify for needed hospital and doctor care was popular with Republicans more than 30 years ago, and we fought against the en-

actment of Medicare. The American people rejected that cruel doctrine—

and Medicare for all was enacted. Today, we are being asked to reject the equally indefensible propo-
sition that poverty is the price that

senior citizens should have to pay to
get the prescription drugs they need.

A couple of Marshfield, Massachu-
setts vividly demonstrates why we need to act now. Their plight is rep-
resentative of millions of other senior citizens. A couple lives across the street from me. They live on a fixed income of $30,000 a year from Social Security and a retirement pen-
sion. They are not poor. Their income is not below 135% of poverty. In fact, it is not even below 200% of poverty—but it is not enough for them to afford the prescription drugs they need. Both have substantial medical needs, and being out of the Medicare HMO—but 19% of the couple’s income is still spent on prescription drugs.

By April, the couple had already exhaus-
ted their HMO’s $150 quarterly cap for prescription drug coverage. The $956 cost of the wife’s medications for May and June will come completely out of their pockets. She has been rationing her medication—not taking it as pre-
scribed, in an attempt to stretch the medicine to last. She was a stroke victim five years ago. Yet, she has to cut back considerably on her most expensive prescriptions. She is also in a very difficult time with the left side of her body, and cannot move her left arm.

She says, “My muscles are really
tight, and it is a result of not taking my Methocarbamol, because I am try-
ing to stretch my Medicare dollars. We don’t go out, we can’t afford gas, and we have had to cut down on gro-
cerries.”

Every senior citizen in America could find themselves forced to choose be-
 tween a decent retirement and the medica-
tions they need to survive. No person and no family should have to make that unfair choice. This is what our amendment is all about.

Senior citizens need and deserve pre-
scription drug coverage under Medi-
care. Any senior citizen will tell you that—and so will their children and grandchildren.

I would like to just reiterate an ear-
lier point. The debate this week is real-
ly about priorities, and there are many of us who believe that, prior to moving toward any of these kinds of tax breaks, we ought to secure Social Secu-

rity, we ought to ensure the security of the Medicare system, and include in the Medicare system a prescription drug benefit program.

I have listened over the course of the past 2 days, as well as earlier in the

year, to those who say we can afford the kind of tax breaks that are being recom-

mended. They say that we will have sufficient resources at the end of the

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mended. They say that we will have sufficient resources at the end of the
come out of this Senate dealing with tax breaks is also going to include an important prescription drug benefit for the senior citizens of this country. That is what we are saying.

We say send this legislation back to the Finance Committee, and then we ask the Finance Committee to report back within a period of 3 days.

There are a number of acceptable proposals. The proposal by the President of the United States is one that I favor. Senator FELLEr and I also have a proposal that I favor. But this motion simply requires the Finance Committee to come back with funds sufficient to provide prescription drug coverage to all Medicare beneficiaries. It doesn’t specify one proposal over another. That is, in effect, what this amendment is really all about.

We believe that coverage of prescription drugs is necessary in order to effectively upgrade Medicare to deal with modern realities. There are other considerations in the Medicare program that the President and others have outlined which deserve consideration.

But today we should say that before we pass significant tax breaks, we are going to make a commitment that a prescription drug benefit program be put into place.

It is a matter of enormous importance. It makes an incredible difference in the quality of life of the senior citizens of this country.

Prescription drugs in the current system are completely inadequate. Those who rise to oppose it will say: Let us just have a partial program because there are only about one-third that have no coverage. We went through those numbers earlier. Only the poorest seniors have affordable, reliable and adequate coverage.

Those with retiree coverage cannot be certain it will continue. Those in HMOs are being told that their coverage is going to be cut by $500 or $1,000 a year. Others are being dropped because their plan is leaving the program. Seniors who can get into medigap are shelling out thousands of dollars a year for coverage that is inadequate.

Coverage of prescription drugs is an issue of life and death for our senior citizens. Some would like to limit our assistance to only some of the elderly. Are we going to say now on this important issue that we should turn Medicare into a poverty program, a Medicaid program? Clearly, we should not.

There are those who say, well, Mr. President, we only have a small group that aren’t covered. Let’s target it at that. But every kind of indicator shows that coverage is declining every year for those who are fortunate enough to have some coverage now.

Our program is very clear and simple. Again, it says that this will be a priority. We said: Send this legislation back to the Committee. Have it come back to the floor with funds reserved to have a prescription drug program that is going to be worthy of its name. It says that before we see the major kinds of tax breaks and tax cuts in this bill, we should meet the needs of our senior citizens.

Every Member of this body can give chapter and verse about what is happening in their communities, and about how important this is. I am sure that others in this body have had the opportunity, as I have, of visiting a nursing home or a senior citizen gathering and asking them: How many of you are going out of your pocket for prescription drugs every month? You see all the hands go up. You ask them: How many are paying $75 a month? You will find about half to three-quarters of them. How many are paying $50? Half or three-quarters of them. How many are paying $100 or more? You will still see many of those hands in the air.

We are finding that many of the senior citizens are skimping on their prescription drugs—they take half of it or skip days—despite all of the negative health implications that has.

It is interesting that for the five most common preventable conditions or diseases in the elderly, just five preventable diseases for which prescription drugs are available, the Medicare system pays $30 billion a year in hospitalizations. Many of those hospitalizations could have been avoided if those senior citizens had been able to afford the prescription drugs recommended by their doctors.

That is what we are talking about. We are going to pay for it either on the front end or the back end.

This motion makes sense because it is the right thing to do from a health point of view. It is the right thing to do from a bottom line point of view. It is necessary if we are going to meet our continuing responsibilities to our senior citizens.

I would like to mention on the floor of the Senate a petition I just received from Silver Springs, MD. It is from the Homecrest House Resident Council in Silver Spring, MD. They wrote, "We are enclosing our petition signed by most of our 300 residents. We are sure that you voice a concern of our friends around the Nation, seniors and disabled. We do without other necessities in order to buy needed medications.

Here are the names from just one senior citizen center. Three hundred and one residents sign the petition. They understand the importance of this particular program.

Again, this debate is about priorities. Are we going to have tax breaks for the wealthy and for special interests or are we going to have the protection of our seniors?

Final point: I was listening with great interest to the debate on the other side about whether we are going to accept the House proposal. The fact is, that House proposal has a lot of tax goodies. They want the restoration of the three-martini lunch.

Many Members thought we freed ourselves from the tax breax for the three-martini lunch in 1993. It is back in the House bill.

This bill has all sorts of other tax goodies for special interests, tax goodies for various industries, including the insurance industry, the timber industry, the coal and gas industry, for foreign tax credits, and others that I think are questionable.

Out of all those issues that are out there, I say prescription drugs for the elderly people are more important than putting into place the tax privileges in this bill.

This motion will put the Senate on record in favor of closing the largest gap in Medicare. A vote to reject it is a vote to put a higher priority on new tax breaks for the wealthy than on quality medical care for senior citizens. I know where the American people stand. It is time for the Senate to decide where it stands.

I hope this motion will be accepted.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. I yield myself 3 minutes. I want to comment on the history that our distinguished friend, the senior Senator from Massachusetts, makes about the origins of the Medicare program.

He was the Senator at the time. I was a member of the administration at the time and was involved. A basic decision was made, and thank goodness it was, that Medicare, medical assistance to the aged, would not be a poverty program. It would not be dependent upon income. The idea was that programs for the poor inevitably become poor programs. I think this has been the case over the years.

The second point I make deals with 1965 and the years that led up to it. The pharmaceutical revolution in ways began with the discovery of penicillin in London in the 1920s, and medications of the kind we now know today have been a basic part of medical care. There was a time when hospitals were about all you could do for ill people. Now so much more can be done, principally through pharmaceuticals.

Indeed, if you had to make some bizarre choice between providing hospital care and providing the full range of pharmaceuticals, one could very well choose the latter.

The Senator spoke of five lifesaving medications which are unavailable to people who instead go to hospitals where they can receive consolation, but no true treatment.

This is a very wise and necessary motion. This Senator, for sure, will support it.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I yield such time as I may consume.
There is no question that Medicare is important. It makes it all the more important that any new benefit expansion be carefully designed to balance needs and affordability, both now and over the longer term.

Mr. President, Congress cannot hazardly paste one politically motivated change after another on the Medicare program and call it reform. We must be careful. We must be deliberate. To know how important this is, we simply look back to 1999, when Congress—again out of politics, and in a rush—pasted together the Medicare Catastrophic Coverage Act.

Within six months of enacting that legislation, Congress and the people realized the debacle, and we were forced to repeal it within the year.

So we've been down this road before, Mr. President. A rush to legislation that not only failed to serve those whom we intended to help, but that actually set back progress more than a decade.

There is no question that Medicare reform is necessary. And there is agreement on both sides of the aisle that prescription drugs for the elderly must be a critical component of the reform. But now is not the time to address this issue. I can assure you that the committee will continue to proceed with Medicare reform as a top priority. We look forward to working with Senator Kennedy and others who are concerned about this issue. Likewise, we will continue to give the President's recent proposal careful consideration.

By proceeding methodically, but cautiously, Mr. President, Congress will construct a package that is complete—one that meets the pressing needs in the lives of the seniors who depend on the Medicare program. The amendment Senator Kennedy offers—as well as the President's prescription drug benefit, as it now stands—provides only limited coverage to Medicare beneficiaries. By waiting... by proceeding constructively... and by working in a bipartisan effort to reform Medicare, Congress can construct a more complete and lasting reform—reform that will prepare the Medicare program for the new millennium.

This effort does not have to wait long. The Finance Committee intends to continue its Medicare reform following the August recess.

I fully intend to include a prescription drug option as part of the plan we will offer. At that time, the Senate will be able to more fully and carefully examine this legislation. This will be a long-term plan, in the long-term interests of everyone. I compliment Senator Kennedy on his continuing commitment in addressing social needs, but now is not the time to move on it.

I ask my colleagues to vote against the Kennedy amendment.

I yield the floor.

Mr. KENNEDY. I yield to the Senator from Minnesota, 5 minutes.

Mr. WELLS... Mr. President, I ask unanimous consent the privilege of extending social needs, but now is not the time to move on it.

I ask my colleagues to vote against the Kennedy amendment.

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I ask my colleagues to vote against the Kennedy amendment.

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do would be to make sure there is prescription drug coverage for elderly Americans. I hope there will be 99 or 100 votes for this amendment. There should be.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I yield 10 minutes to Senator FRIST.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. FRIST. Mr. President, I rise to speak against the amendment offered by my colleague, the Senator from Massachusetts. The Senator from Massachusetts has introduced an amendment which suggests we set aside this bill, recommitting it to the committee of jurisdiction, so they will incorporate funding for a new prescription drug benefit in the existing Medicare program.

I have several points to make. First of all, I think most important is that the Senate, this very body, has already set aside funds for Medicare modernization. This has now become a familiar chart on the floor of the Senate, but I think it is very important. It goes right to the heart of why this amendment should and hopefully will be defeated today. This is the plan. The U.S. Congress' use of the surplus, the almost $3.3 trillion surplus: Debt reduction, $1.9 trillion; tax cuts, $792 billion.

We talked about that. But what is most important: for this particular amendment the $505 billion that is set aside over the next 10 years specifically address issues such as Medicare modernization, including things such as the prescription drugs, which I, as a physician, believe is very important that we address as we modernize, strengthen, and bring Medicare up to date.

Let me repeat: The Senate, this very body, has already set aside funds for Medicare modernization, including prescription drug coverage.

First, what have we done? How can I say that with such determination? The congressional budget plan has $505 billion over 10 years. Very specifically, we say it again and again and again; it is for domestic priorities. That money is set aside, aside from the tax cuts, the tax relief, and the debt reduction.

No. 2, the Senate has already specifically, in a reserve fund, set aside $90 billion, a reserve fund, for long-term Medicare reform. Again, I refer people to April 15, the day we passed in this very body the concurrent resolution for the year 2000, in section 203, reserve fund for Medicare. We lay it out. The charts are in the back, in terms of coming up with the $52.4 billion over 10 years.

No. 1, $505 billion is set aside for such things as Medicare modernization; No. 2, we specifically set aside $90 billion for Medicare modernization in a reserve fund, which I quoted from.

No. 3, in the President's very plan, which he introduced a couple of weeks ago, the net cost of the coverage, he said, for prescription drug coverage, was $46 billion for 10 years. That $46 billion is much less than the $90 billion we have already put in our reserve fund and is only a tenth of the $505 billion we set aside, but we do it right. We have a real plan. We do not do it piecemeal. We lay it out. Bring to life a system that was very good for 1965, 1970, 1980, 1990, but it is not good for the year 2000, 20005, 2010, specifically when the demographic shift hits, when we have a doubling of the number of senior citizens. That is the framework we set forward, and it is what we need to address.

Our job, our challenge now that we have the money set aside—we do not need to recommit it, send it back for more dollars and cents—is to fix the system inside this framework, and we do it in three ways. We need to modernize Medicare benefits, bring it up to date. The 1965 car is not up to today's standards and we can modernize it. We demonstrated in the bipartisan plan, the Medicare Commission—I will come back to what we actually said. We need to modernize. No. 2, we need to strengthen our Medicare commitment, our commitment to the seniors, to the generation of today, the future generation—we need to make sure we can fulfill that commitment. And No. 3, the issue of prescription drugs.

Shortly after I came to the Senate, about 5 years ago, I had a patient who was a transplant patient, somebody whom I transplanted. When I was running for reelection, he was 64 years of age. When I transplanted him, he was about 62. When I was elected in 1985, he had Medicare. He had to give up his private plan. His private plan did not cover prescription drugs. When he got to be 65, because we do not have a modern Medicare program there today, he had to give that up.

What we need is a system that does not only focus on prescription drugs but modernizes the overall program to match individual patients in a system which values choice, values freedom with those specific needs. That is what we set out to do in the Bipartisan Commission.

We need to strengthen our Medicare program so it will be there. We all know most young people today do not believe Medicare will be there for them. We need to make sure that it is. For our seniors, for our patients, and individuals with disabilities—again, somebody with diabetes is going to be on prescription drugs later. Someone with chronic heart disease or debilitating arthritis needs prescription drugs. It shows the inadequacy of our Medicare system today and in fact we do reimburse for hospital beds, we reimburse a little bit for preventive care, but not enough, and not anything at all for those people who need prescription drugs.

I say this because I am the strongest advocate, or as strong as others, that we must make prescription drugs a part of our proposal. The Bipartisan Medicare Commission—bipartisan, Democrat, Republican, 17 members—got together and came up with something that has comprehensive Medicare modernization and reform, of which prescription drugs is an integral part, to upgrade that machine which is going to be servicing all of us someday.

How did we do it?

No. 1, provide full Federal funding for immediate prescription drug coverage for low-income seniors; that is, up to 135 percent of poverty.

No. 2, we require in the National Bipartisan Commission—I should say, our recommendation was approved by a majority of the members, not a supermajority, but a majority of members did vote for that—it required all plans participating with the Medicare program to make an enhanced benefit package available which includes prescription drug coverage and protects prescription drug benefits, because we have set that money aside; this body has done that.

The challenge before us, and the work before us, is to modernize Medicare, to strengthen Medicare. There is no doubt that it will be there for the next generation, with a focus on the patient, to make it less rigid, more comprehensive, have more preventive care, have it be less costly to the seniors. We should be able to do that. There are solid proposals before us to do that.

Let me briefly talk about what this Medicare Commission came up with. Again, remember that the majority of members supported this proposal. We did not have a supermajority.

The four appointees by the President of the United States voted against this proposal, but a majority of members, 10 of the 17, did vote in favor of it. What it basically does is set up a Medicare benefit available in policy. There so that other prescription drug proposals out there that need to be discussed and should be discussed.

President Clinton put a proposal on the table. That program, I believe, is inadequate for a whole host of reasons which I hope we have the opportunity to discuss as we go forward. It is a little disingenuous to say—and I think in some ways this amendment implies the least that hard-working families do not deserve tax relief today, which we have shown we can give with the priorities that have been laid out, until we set aside funds for Medicare modernization by just adding prescription drug benefits, because we have set that money aside; this body has done that.

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Basically, prescription drugs today are provided for about 28 million people. Sixty-five percent of people in Medicare today have some prescription drug coverage. How do they get it? Employer-sponsored plans, with Medicaid and Medicare—we call for both; it is called dual eligible—and medigap insurance.

The proposal we came up with, and hopefully we are ultimately going to pass once we meet that challenge, is prescription drugs provided through employer-sponsored plans today, dual eligible today, and medigap today. This group provides about 65 percent of all Medicare recipients, individuals with disabilities, and senior citizens with some coverage. It can be strengthened with some coverage.

We basically say let’s supplement that, let’s direct our attention at the 35 percent of people who do not, and we do that through focusing on low income, up to 135 percent, No. 1, and, No. 2, saying that going to the table and participates in a plan—Mr. President, I ask for 2 more minutes to complete my remarks.

Mr. ROTH. I yield 2 more minutes.

Mr. Frist. Thus, our proposal, which we have discussed, to fix the system will supplement by offering people up to 135 percent complete and full coverage, a high option plan for anybody who actually comes to the table.

I present all this today to make the point: 1. The money, the budgetary framework, has been set, has been passed by the Senate. We set aside the $505 billion specifically in the resolution; the $90 billion—the President’s own plan costs only $46 billion, and we have already addressed the problem of the money. The job of the Senate and the Congress is to fix the system for the American people. A bipartisan proposal that is on the table is the premium support plan.

Let us attack this plan. Let us attack the plan. Let’s not drop that issue. That is unnecessary. Supporting the Kennedy amendment does not do that today. We need to support freedom for seniors, give that freedom of choice, that freedom to match specific needs with a plan. We need to address Medicare. We have a plan to do that. We have already set aside the resources to do that.

The political tactics we are witnessing do nothing to modernize Medicare, do nothing to focus on that individual patient and the quality of care they receive.

I close by saying that before 2 o’clock or in the next 2 to 3 minutes, I will be submitting an amendment which addresses the Medicare issue.

The PRESIDING OFFICER. The Senator’s time has expired.

Who yields time?

Mr. KENNEDY. I yield 6 minutes to the Senator from West Virginia.

The PRESIDING OFFICER. Mr. Voinovich. The Senator from West Virginia is recognized.

Mr. ROCKEFELLER. Mr. President, I have several points to make. The other side has talked constantly about we are going to fix the system. We cannot do prescription drugs until we fix the system. It is a question totally of priorities. I will put a little dose of reality into this.

No matter what my colleagues on either side of the aisle might think, we are not going to reform Medicare this year on a systemic basis. If it happens the way the majority party wants, it is going to be vetoed by the President. It is not going to happen.

The reason before the Senate on this amendment is, Do we want to take the tens of millions of Americans who have no prescription drugs and give them the benefit of prescription drugs now through voting for the Kennedy amendment, of which I am proud to be a cosponsor, or do we want to say, oh, let’s wait and fix the system, and then when we fix the system, which may be 3, 4, 5, 6 years from now, we will do prescription drugs because that is sort of neat and tidy.

The world does not work like that. The real world of the Congress and the White House does not work like that. We are either going to do tax cuts as they want to do it over there, or we are going to do prescription drugs and maybe some modest tax cuts as we want to do it over here. That is the choice that needs to be made.

The distinguished chairman of the Finance Committee Senator Roth talked about catastrophic health care. He said beware of that experience. My reaction is the opposite. Remember that experience as the reason not to back off from making a hard choice. That was one of the best bills on health care this Congress ever passed. The Senate did not back off on catastrophic health insurance. Three times they tried to repeal it in the Senate, and 3 times we had 73 votes to defeat repeal because catastrophic health insurance was not on the table. We did not get the message out to seniors. That was our fault. But do not say beware of catastrophic health insurance. The House backed off. We did not. It was good legislation.

We are here to do the right thing. The right thing is to pick between the priorities. Do we want to wait 4, 5, 6, 8 years to fix Medicare until we get a bipartisan consensus? People talk about a bipartisan consensus for Medicare reform. It is not here. They talk about the Breaux-Thomas commission, the Medicare Commission. Everybody talks about the bipartisan thing. It was not bipartisan.

There were two Democrats who voted for it, yes, but it is not bipartisan. There is not a bipartisan consensus on the floor of the Senate today of what to do about Medicare, and there will not be one until we have some more iterations which I cannot yet explain because I am unable to.

Are we going to stand quietly by while the average senior in West Virginia has a gross income, from all sources, of $10,600 a year, and from which you then are to subtract $2,000, virtually all on prescription drugs or on medical out-of-pocket expenses, leaving that senior with $8,600 a year to live all of life? Are we going to let that person hang until the Senate, in its ultimate wisdom, comes to a sense of what is Medicare reform, and are we going to agree on it?

My priority is to do prescription drugs now. Pass the Kennedy amendment. Do it now. They talk about having a $2 billion reserve. The Senator from Tennessee said we have fixed the problem. I am very sorry to say that that reserve talks about “may be spent for,” so it might be prescription drugs, it might be disasters, it might be a whole collection of things, but there is no Medicare prescription drug benefit that is in their plan.

In fact, if I could put it more boldly, under the Republican tax plan, there is no money for Medicare reform. There is no money for prescription drugs. It does not exist. I will hear arguments, and numbers will be thrown back and forth, but that is the fact. It does not exist. That is the reason for the Kennedy amendment—pick a priority: Tax cuts, for the most part for people who do not need them or, in a very small measure, in a very small amount of money, prescription drugs for people who desperately need them, who do not in the form of a cliche but in the form of real life, have to pick each week whether they are going to eat, have heat in their homes, or have prescription drugs.

I say to the Presiding Officer, I say to my colleagues, try to live on $8,600 a year, as our seniors do in West Virginia. You could not do it. Prescription drugs are the reason the money gets so scarce for them. We can solve that problem by passing the Kennedy amendment. I think it makes an absolute moral obligation to do so.

To wait for Medicare reform to be fully formed is a hoax upon those people. They do not know that we do not have a consensus on reform Medicare. They do know that they are hurting. They do know that they do not have prescription drugs. And they do know that some of them take up to 12 drugs a day, and they cost, and it is coming out of their pockets.

Medicare has no prescription drug benefits. These seniors are not on Medicaid; they are on Medicare. So they have nothing. So the money has to come out of their pocket. That is wrong in America.

So the question is the priority. Are we for giving those people prescription drugs—a modest amount of money—or are we for simply going ahead with the $92 billion tax cut and then saying, well, just wait until Medicare is reformed someday, and then perhaps we will consider prescription drugs? I think the choice is clear.

I thank the Presiding Officer. The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 2 minutes to the distinguished Senator from Louisiana.
Mr. BREAUX. I thank the chairman of the Finance Committee.

I will be very brief and comment on the amendment of my good friend, the senior Senator from Massachusetts.

I do not harbor any disagreement that we ought to have prescription drugs in the Medicare program. But it is interesting that the recommittal motion tells the Finance Committee to report it back in 3 days. I guess we could go over the weekend and, on Monday, Tuesday, and Wednesday write a prescription drug program and modernize Medicare and reform Medicare, but I doubt whether that is humanly possible, unless the senior Senator from New York wants to spend the weekend doing all of this and finishing it up by Monday morning.

There is no question that there is a need for prescription drugs in the Medicare program. But I say to my colleagues, that is not the way to fix Medicare, we have a program that is becoming insolvent. It is going broke in the year 2015. J ust adding more benefits to the program, without reforming the structure of the program, is like having dessert before you eat your spinach salad. It is necessary to add more benefits to a program. But bear in mind, we have a program that is structurally going insolvent. We spend more money today than we take in. J ust adding more benefits, without taking the time to fundamentally reform the program, is not responsible.

The distinguished chairman of the Finance Committee said he planned to actually begin a markup in September on a comprehensive Medicare reform bill which will include prescription drugs, doing it in a timely fashion. I suggest that after that is reported out, that is the time to look at how much money we need, and then pare down the tax cut, combine the two, and have something that can be signed into law. I think we cannot do it over the next 3 days. I think the chairman has outlined a program that makes more sense and that I think is really doable.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 8 minutes to Senator DOMENICI.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. Chairman, fellow Senators, I did not know that Senator BREAUX was going to come to the floor. I am delighted that he has. I want to state on the record that he has been before the months by just putting a quote from the distinguished Senator from Louisiana, a Democrat, here for everybody to see:

"Medicare must not be used as a wedge issue by any legislation before this Congress is whether to cut taxes or whether to save Medicare. That's not the choice we're facing. I support a tax cut, targeted, and I'm dedicated to saving Medicare. It's not an either/or position.

That is from a distinguished Senator who is on the committee that will do both—will reform Medicare and will write the tax laws. I give him a great deal of credit because he is a man of his word when it comes to these issues.

Frankly, it is not correct that it is either Medicare, prescription drugs, reform, or the tax cuts. The truth of the matter is, Senator BILL Frist has just showed you.

I hear Senator after Senator get up on that side and say there is no money for Medicare in this budget, there is no time. We are really holding it up for you seniors because we want to take care of Medicare.

Frankly, I have nothing but compliments for the distinguished Senator from Massachusetts, Mr. KENNEDY, because he is one who is concerned about our senior citizens across America. They have children and need all these things that the Tax Code provides? They say, we just want to do anything but give them help, so we will even hold up their bill, chairman of the Finance Committee—I say to the seniors across America, I have seen them produce a tax bill that I believe you will love because you care about your sons and daughters; you care about the married members of your family. This bill before us stops penalizing marriage for 22 million American families. I ask the seniors, isn't that a good piece of work? It makes child care more available for more families. Isn't that a good piece of work? It makes child care more accessible. And guess what. The President plans to veto these—all in the name of "we can't afford tax cuts."

To be honest with you, the truth of the matter is, when you finish with that Congressional Budget Office analysis, you are spending 23.4 percent of the surplus for tax cuts, you are putting the entire Social Security surplus over the next decade and you still have $505 billion left to be used over the next decade for high-priority items. So for those who have come to the floor and said there is no money, there is $505 billion over the next decade. Do you want to use $300 billion of it for Medicare? Some say that is too much. The President thought $46 billion was enough. That is very interesting. We still have people talking about how much money we are going to need to reform Medicare. I don't know how much. I trust the Finance Committee with the leadership of BILL ROTH, to produce a bipartisan bill. The President had proposed $46 billion as the entire amount necessary. Remember, the chart my friend BILL Frist put up said there is $505 billion over the next decade.

Mr. BAUCUS. Will the Senator yield?

Mr. DOMENICI. I will yield a little bit. You want to ask about the authenticity of my charts. I already explained it and you weren't here. Mr. BAUCUS, I want to hear it.

Mr. DOMENICI. I heard your attack on it last night, but I was home so I couldn't come down here.

Mr. BAUCUS. Well, you stayed away.

Mr. DOMENICI. Let me finish.

The President asked for $46 billion for the entire reform package on Medicare. What are we talking about? Holding up a tax bill that takes care of the seniors and working families of our senior citizens. They have children and need all these things that the Tax Code provides? They say, we just want to do anything but give them help, so we will even hold up their bill, chairman of the Finance Committee—I say to the seniors across America, I have seen them produce a tax bill that I believe you will love because you care about your sons and daughters; you care about the married members of your family. This bill before us stops penalizing marriage for 22 million American families. I ask the seniors, isn't that a good piece of work? It makes child care more available for more families. Isn't that a good piece of work? It makes child care more accessible. And guess what. The President plans to veto these—all in the name of "we can't afford tax cuts."

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Mr. BAUCUS. What have you done is, you have gone back to CBO and said, OK, let's assume that there is no inflationary increase.

Mr. DOMENICI. That is not true. Mr. BAUCUS. It is true. That is the assumption.

Mr. DOMENICI. That is not true, Senator. I did the budget resolution. Mr. BAUCUS. What have you done is, you have gone back to CBO and said, OK, let's assume that there is no inflationary increase.

Mr. DOMENICI. That is right. Mr. BAUCUS. Which is not CBO's assumption. But what you have done is, in order to show there may be, under your figures, there may be a $500, $400 billion in spending, the yellow mark, you went back to CBO and said, I need to show a number, that yellow bunch there. What you did was, you said, CBO—

Mr. DOMENICI. Is this off my time? Mr. BAUCUS. Just a second. You said, OK, CBO, give me a baseline that
I want you to produce. What I want you to produce is a baseline that shows no inflation after the year 2000 on spending caps up to the rest of the 10-year period.

If you do that, of course, you get that chart. And I am not the CBO numbers under which the Senate Finance Committee operated. That is not the numbers under which the House operated. That is not the numbers under which the rest of us operated. So that is why I am making this number not is not operating off the same numbers. You produced your own numbers by telling CBO to produce them the way you wanted them produced.

Mr. DOMENICI. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. A minute of the time yielded.

Mr. DOMENICI. I ask Senator ROTH, may I have 1 additional minute?

Mr. ROTH. One minute.

Mr. DOMENICI. Let me assure fellow Senators and explain what this is. This is a true assessment of the surplus in total dollars, if you assume that for the next 10 years discretionary spending is what so we could find out how much new money is there, available to spend, because the discretionary programs are not entitled to an inflationary add-on. They are entitled to what we add on. If you want to know where their numbers came from, they came from the budget resolution we produced, which had $181 billion in discretionary spending. That was something we came up with. I asked them to take that out. And when they took it out, they said: Now you have this much to spend. You have $50 billion.

If you would like to certify that and ask the Congressional Budget Office, is this correct, they will tell you absolutely, because we got it from them.

Mr. BAUCUS. Mr. President, I am not going to answer questions now because I want to finish my argument.

The PRESIDING OFFICER. There is a half minute left under the control of the Senator from Delaware. The Senator from New York has 5 minutes 51 seconds.

Who yields time?

Mr. DOMENICI. He just yielded me a half minute.

The PRESIDING OFFICER. A half minute has been yielded by the Senator from Delaware.

Mr. DOMENICI. Whatever baseline anybody wants to use, there is roughly $405 billion above a freeze available to be spent on discretionary spending and on Medicare reform. That is all we try to show in this chart. Before you start the chart, you can spend however much you want, but I decided to spend none so we could put it in perspective. And how much this is that we can spend out of this surplus, and these are authentic numbers. They are correct, if you start with that assumption.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. How much time do I have?

The PRESIDING OFFICER. Five minutes 51 seconds.

Mr. KENNEDY. I yield a minute to the Senator from Montana.

Mr. BAUCUS. Mr. President, the point I am making is, those numbers are not operating off the same numbers. They are correct, if you start with that assumption.
Older Americans Act programs as meals on wheels, protections against abuse and neglect, and home care services. The proposal clearly shows that programs like these would be cut significantly on S. 1429.

The Senate Finance Committee tax cut proposals would rob Medicare of the funds needed for modernization and future solvency, but programs for frail seniors need to remain independent. This massive tax cut is bad medicine for older Americans.

We deeply appreciate your efforts to attempt to protect and strengthen the Medicare program and its beneficiaries and to add a meaningful new prescription drug benefit.

Sincerely,
JAMES FIRMAN, President and CEO.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: The National Hispanic Council on Aging (NHCoA), its chapters and affiliates, enthusiastically support your amendment to the Budget Reconciliation Bill S 1429 that allows for medical prescription drugs for those in need. Elderly, of every economic means, will greatly benefit from this amendment.

It is our hope that the proposed cuts in taxes bill is not approved. Rather, that these amendments provide Medicare beneficiaries to receive earlier, better, and more comprehensive care. The use of part of the projected budget surplus to pay for this benefit is an appropriate use of those funds and is crucial to improving health and outcomes for Medicare beneficiaries. We appreciate your leadership on this issue and look forward to continuing our work together to include this amendment in the Budget Reconciliation bill.

Sincerely,
MARTA宋TOMAYOR, Ph.D., President.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: The American Nurses Association, the only full-service professional organization representing the nation’s registered nurses through its 53 constituent associations, strongly supports your amendment to S. 1429, the Budget Reconciliation bill now being considered by the Senate, that would direct the administration and implementation of a prescription drug benefit for Medicare.

ANA believes that enhancing the benefits package under Medicare, including a prescription drug benefit, would enable beneficiaries to receive earlier, better, and more comprehensive care. The use of part of the projected budget surplus to pay for this benefit is an appropriate use of those funds and is crucial to improving health and outcomes for Medicare beneficiaries.

We appreciate your leadership on this issue and look forward to continuing our work together to include this amendment in the Budget Reconciliation bill.

Sincerely,
MARJORIE VANDERBILT, Director of Government Affairs.

NATIONAL COUNCIL OF SENIOR CITIZENS, Silver Spring, MD, July 28, 1999.

Senator EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: The National Council of Senior Citizens (NCSC) is following closely the debate on S. 1429, the Finance Committee tax bill. It is important that any tax bill this session allows for the use of some of the expected on-budget surplus to bolster the Medicare program and create a universal Medicare pharmacy benefit.

NCSC, therefore, strongly supports your motion to recommit S. 1429 back to the Finance Committee and to enact a pharmaceutical benefit for all Medicare beneficiaries. NCSC believes that the Congress must use this historic fiscal opportunity to assure Medicare’s solvency and to meet the pharmaceutical needs of forty million Medicare beneficiaries.

We urge all members of the Senate to support your motion to recommit.

Sincerely,
STEVE PROTULIS, Executive Director.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: On behalf of about five million members and supporters of the National Committee to Preserve Social Security and Medicare, I am pleased to endorse your amendment to the Taxpayer Refund Act of 1999, S. 1429. I understand that your amendment, if enacted, will mark a portion of the projected budget surpluses to establish a universal prescription drug benefit under Medicare.

Medicare beneficiaries spend nearly three times as much on pocket costs as the under 65 population, significantly because of the absence of prescription drugs in the basic benefits package. Three-fourths of Medicare beneficiaries have some chronic health problems, which require ongoing treatment with prescription drugs. Many seniors do not fill prescriptions on a regular basis because of cost considerations.

It is imperative that we do not squander the opportunity presented by the projected surpluses. Our first priority must be to extend Social Security solvency, improve and strengthen Medicare, and pay down the federal debt. Your amendment would modernize Medicare benefits in a way that meets one of the most pressing needs for current and future seniors. We support your amendment and applaud your consistent leadership on this issue.

Sincerely,
MARTHA A. MCASTEEEN, President.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: On behalf of the Epilepsy Foundation, the national voluntary organization that works for people affected by seizures through research, education, advocacy and service, this is to support your efforts to provide funding for a Medicare drug benefit program. As the Senate considers S. 1429, the Budget Reconciliation Bill, it is particularly important to assure that Medicare beneficiaries with epilepsy, for whom out-of-pocket expenses for seizure medications can be significant, have access to prescription medications at an affordable price. We also support for other programs important to individuals with epilepsy who may face limited financial resources, such as Medicaid and Social Security.

As baby boomers age, there will be increasing numbers of age-related seizure disorders. It is estimated that 60,000 new cases of epilepsy occur each year among elderly Americans. By the year 2020, it is projected that one out of every two people developing epilepsy will be 65.

In addition, many low-income, young, disabled individuals with epilepsy are Medicare beneficiaries. For these individuals, access to prescription drug coverage at an affordable price is difficult.

I look forward to working with you to ensure that Medicare beneficiaries with epilepsy can continue to afford to follow their prescribed drug therapy.

Sincerely,
ERIC R. HARGIS, President and Chief Executive Officer.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: Consumers Union supports your prescription drug amendment which is consistent with our goal of extending affordable prescription drug coverage to all Medicare beneficiaries.

The need is great. The average Medicare beneficiary uses 18 prescriptions each year, and average prescription drug spending is projected to be $1,100 in the year 2000. More than half will spend over $500. Seniors and other Medicare beneficiaries suffer financial hardship because of their out-of-pocket prescription drug costs.

Private prescription drug coverage is inadequate. High-priced, and unavailable to many beneficiaries who can be denied coverage. Only 24 percent of Medicare beneficiaries have retiree drug coverage, and this number is expected to decline as Medicare beneficiaries rely more on Medicare HMOs. HMO coverage for prescriptions is not available in all geographic areas, and has proven unreliable with many HMO’s pulling out of the market. Some medigap policies offer prescription drug coverage, but coverage is very limited and the extra premium charged for a policy with prescription drug coverage is likely to actually exceed the maximum benefit. Our analysis of medigap policies on the market during 1998 for 75-year-olds found that the average premium for medigap plan J, which provides at most a $1,250 prescription drug benefit, was about $1,850 higher than the average premium for medigap plan C (which has nearly identical benefits other than the prescription drug benefit). This coverage represents extremely poor value for consumers.

The potential for prescription drugs to benefit those covered by Medicare has increased substantially since Medicare was enacted. Our nation’s thriving economy and our government’s dramatically improved budget status make it the right time to take this urgently needed step.

Sincerely,
GAIL SNARR, Director, Health Policy Analysis, Washington Office.


Hon. EDWARD M. KENNEDY, U.S. Senate, Washington, DC.

DEAR SENATOR KENNEDY: This letter is written in support of your amendment S. 1429 to the Budget Reconciliation Bill. The Gerontological Society of America, an organization of 6,000 professionals in the field of aging, is vitally concerned that the tax cuts as proposed in the current Budget Reconciliation Bill will seriously jeopardize support for prescription drug coverage under Medicare.

The cost of prescription drugs has increased at an average of 6 percent annually and is the leading factor in today’s rising health care costs. This has particular impact on elderly as they are more likely to be using, and even dependent on, multiple prescription drugs.

The cost of prescription drugs has increased at an average of 6 percent annually and is the leading factor in today’s rising health care costs. This has particular impact on elderly as they are more likely to be using, and even dependent on, multiple prescription drugs.
I hope you are successful in convincing your colleagues to support this important amendment. Sincerely, Carol A. Schutz, Executive Director.


Re: Kennedy amendment on prescription drugs.

Hon. Edward M. Kennedy, U.S. Senate, Washington, D.C.

Dear Senator Kennedy: We are writing as Co-Chairs of the Health Task Force of the Consortium for Citizens with Disabilities to support your amendment to include and protect sufficient funds within the pending Budget Reconciliation Bill (and within the budget surplus) to allow for the design of a new prescription drug benefit for Medicare beneficiaries.

CCD is a Washington-based coalition of nearly 100 national organizations representing the more than 54 million people living with disabilities in the United States. The five million Medicare beneficiaries with disabilities are dependent on prescription drugs to maintain sufficient function, control disease progression, and prevent secondary medical conditions. It is imperative that we acknowledge the benefit need and implement appropriate budgetary policies to begin to lessen the cost burden on the nation’s most vulnerable populations.


Hon. Ted Kennedy, U.S. Senate, Washington, D.C.

Dear Senator Kennedy, The National Association of Area Agencies on Aging (N4A) supports your amendment to the tax legislation currently on the Senate floor which recognizes the need for a universal prescription drug benefit for Medicare recipients. The largest out-of-pocket expenditure for Medicare beneficiaries is for drug coverage. Many beneficiaries are required to pay for their own prescriptions at a time when the cost of medication is rising sharply. Medicare needs to be modernized to recognize the remarkable advances in preventing and treating illnesses through drugs since the program’s inception in 1965 and N4A applauds your efforts in this direction.

N4A is the umbrella organization for the 655 area agencies on aging (AAAs) and 230 Title VI Native American aging programs in the U.S. Through its presence in Washington, D.C., N4A advocates on behalf of the local aging agencies to ensure that needed resources and support services are available to older Americans. We look forward to continuing to work with you on all endeavors that promote the dignity and independence of older Americans.

Sincerely, Jance J. Jackson, Executive Director.


Hon. Edward M. Kennedy, U.S. Senate, Washington, D.C.

Dear Senator Kennedy: We have learned that during consideration of the Senate tax bill, you intend to offer a motion to recommit the bill to the Senate Finance Committee with instructions for the committee to develop financing for the establishment of a Medicare prescription drug benefit. The American Lung Association and its medical section, the American Thoracic Society, strongly support your efforts to move the issue of this Senate tax benefit to forefront of Congressional activity.

America’s seniors need prescription drug coverage under the Medicare program. Far too often, Medicare beneficiaries are forced to choose between purchasing the drugs they need or paying for food and housing. This intolerable dilemma is not just a problem for a few low-income seniors. It is a chronic problem being faced by middle class senior citizens.

While there are a number of difficult issues that must be resolved before Congress can move forward with the creation of a much needed Medicare pharmaceutical benefit, no issue is more urgent than how to pay for the new benefit. Congress now faces a wonderful opportunity. The expected budget surpluses have created a rare opportunity for Congress to address one of the most glaring inadequacies in the Medicare program, the lack of a drug benefit. Before Congress can responsibly consider any tax cut, Congress must first ensure that federal resources exist to provide prescription drugs to our nation’s senior citizens. Recommitting the tax bill to the Senate Finance Committee is an appropriate first step in this process.

Again, thank you for your leadership on this issue.

Sincerely, Fran DuMelle, Deputy Managing Director.


Hon. Edward Kennedy, U.S. Senate, Washington, D.C.

Dear Senator Kennedy: This is in support of your prescription drug amendment to the tax bill. The National Osteoporosis Foundation (NOF), the only non-profit, voluntary health organization solely dedicated to eradicating osteoporosis, represents 250,000 members. To NOF it is far more important that seniors receive the protection they need under Medicare than it is for Americans to receive a tax cut. First we need to protect our senior citizens and people with low incomes before we provide tax breaks for people of means.

Sincerely, Bente E. Cooney, MSW, Director of Public Policy.

Mr. Kennedy, Mr. President, virtually every major organization that represents senior citizens or persons with disabilities is in urgent support of this particular motion. They know what is happening. There isn’t a Member who hasn’t gone home and met with seniors in the state that doesn’t know what is happening. It is not good enough to say we care about it and we will handle it some time in the future. A chance to handle it now, in the next 15 minutes.

We have a chance to put the Senate of the United States on record and say: OK, we will work the details out now, but we are going to allocate the resources for it. We don’t have to do as my friend and colleague from Tennessee says—that we can wait until 10 years and see where we are; or as our friend from Louisiana said, we can deal with this some time in the future.

The seniors deserve better. They need an answer and they need it now. They need a message from the Senate that says we hear you, we know what is of concern to those seniors and make this the great country that it is. They deserve this kind of a protection.

There is an enormous need and incredible consequences. It is a matter of life and death for many senior citizens. Let us say that it is at least—at least—as important to guarantee that there will be funding for prescription drugs as it is for a tax benefit. Many of us believe it is more important, but with this motion to recommit the bill we are saying it is at least as important as any tax cut bill itself. I hope this motion will be accepted.

Mr. ROTH. Mr. President, has all time on both sides expired?

Mr. ROTH. Mr. President, I make a point of order against the amendment under section 305 of the Budget Act on the grounds that it is not germane.

Mr. KENNEDY. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable section of that act for consideration of the pending motion.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second. The yeas and nays were ordered.

Amendment No. 1405

The PRESIDING OFFICER. Under the previous order, the Senate will return to the consideration of the amendment to section 305 of the Gramm-Rudman-Hollings Act of 1985. There will be 2 minutes of debate, to be equally divided.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS CONSENT AGREEMENT

Mr. ROTH. Mr. President, I ask unanimous consent that notwithstanding the filing requirement, it be in order for the manager to offer an amendment that has been cleared by both managers.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, it is not a matter of one side of the aisle or the other on Senator Gramm’s amendment. Now for the first time, we find
ourselves in complete agreement with the chairman of the Finance Committee, that the amendment is a disaster. We don't have to characterize the existing proposal, but it is not everything we would hope for. That is something chairman himself said dreadful, and he is right to do so. I think we are right in a situation such as this to overcome partisanship. It would be wicked, indeed, to join the Senator from Texas, and then where would we be? But we won't. I hope on our side we will have better choices than the Finance Committee and show him that we share his view of the unacceptable extravagance of the proposal, the amendment of the Senator from Texas, which will soon be voted on. Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk proceeded to call the roll.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SARBANES. Mr. President, will the Senator yield for a question?

Mr. MOYNIHAN. Yes.

Mr. SARBANES. I ask the ranking member on the Finance Committee this question with respect to the Gramm amendment. In the course of the debate, was there any discussion on what this amendment would cost—not in the first 10 years but in the next 10 years?

Mr. MOYNIHAN. I think there was not. Were there such a debate and discussion, it would have been chilling.

Mr. SARBANES. This is the great exploding tax cut. I was looking at the very document the Senator from Texas himself distributed. It is clear that the marginal income tax rate cuts don't go fully into effect until the year 2008. By his own figures, it would cost $73 billion in the first 5 years, and $451 billion over 10 years; and it is not getting into full effect until right near the end of the 10-year period. So if you extrapolate out, you are going to have an incredible increase in its cost.

The same thing is true with virtually every provision that is in this amendment, with one exception. All of the others get phased in. They don't take full effect until close to the end of the 10-year period. Then you are given these cost figures which, of course, are over the range of the period. So, obviously, in the next 10-year period, these tax cuts are going to explode out of sight. Amendment that was put the Nation right back into the deficit box. Is that not a reasonable analysis, I ask the ranking member?

Mr. MOYNIHAN. The measure before us, which is moderate by the standards of the Sen. A. from Texas, would cost in the outyears, in the second decade, $3 trillion. Mr. SARBANES. Not that of the Senator from Texas, but the other one.
They have waited long enough. They need this; they depend on it. Prescription drugs are a lifeline for our senior citizens. I hope this motion will be passed as part of a tax program, and that there will be a designated fund available for a prescription drug program for all Medicare beneficiaries.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I yield the time to the distinguished Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. FRIST. Mr. President, I rise in opposition to the motion of the Senator from Massachusetts for several reasons. First and foremost, this very body has already set aside funds specifically for Medicare modernization and specifically for inclusion of prescription drug coverage. The congressional budget plan has given us the figure of $505 billion. In our resolution passed just 2 months ago, we have $90 billion set aside specifically. The President’s own proposal, his own proposal for Medicare prescription drug coverage, is $46 billion, much less than the $90 billion we have already directed to this cause.

We need to focus on fundamental modernization, repair of the Medicare system to include prescription drug coverage. That is something that is before us, not this issue of money just for prescription drug coverage. That is something that is before us, not this issue of money just for prescription drug coverage. The congressional budget plan does not provide targeted tax relief to all Americans. It has several features that I would like to point out. First, it gives a generous tax deduction to millions of Americans whose employers do not provide health insurance. In other words, those who buy insurance through a company, but the company itself does not pay for the insurance, this helps make that deductible.

Second it corrects a flaw in the alternative minimum tax which, if left uncorrected, will result in the application of the alternative minimum tax to millions of American families who currently don’t pay it.

Third, the bill contains some very important environmentally and urban renewal initiatives. Despite all the meritorious provisions in the bill of Senator ROTH, I believe $800 billion in tax cuts is too big. What if the budget surpluses needed to pay for tax cuts don’t materialize? Does any one of us believe that there is agreement on both sides of the aisle concerning the need to give individuals and families a well-deserved tax refund from the $3.3 trillion surplus?

I appreciate the fact that Senator BREAUX, with his amendment, offers a deeper cut than the alternative introduced yesterday, but I am concerned that it still does not go far enough. It does not go far enough to provide the much needed relief Americans require to meet the necessary and important priorities in their lives. It does not go far enough to offer broad-based tax relief that will be necessary to gain the bipartisan support needed to pass this bill in the Senate.

For example, Mr. President, the Breaux amendment does not lower the
Mr. President, I suggest it is time for a reality check by Members of both parties as to where we are and what we are attempting to do.

We in the United States in this period of time are in a very unique, and I would also say a very unfortunate, period in the sense that other countries around the world would love to have the problem that is facing all of us in the Senate this afternoon: We are faced with a country that has a $1 trillion surplus.

That is a problem that most countries would love to have. It is a problem because we are now faced with the question of what we are going to do with a $1 trillion surplus. Some have said all of it should be used in the form of a tax cut and given back to the American people. We can argue about how they do that. But, for the moment, let’s just say they have decided all of it should go to a Republican side of the aisle say, no, we can’t do that. It should be a very small tax cut, and the rest should be reserved for other functions of Government.

I point out to my colleagues what I think the rest of the American people already fully realize. They know if the proposal on that side of the aisle—an $800 billion tax cut—should pass and get sent to the President, it is clearly going to be vetoed, and nothing will result from this other than a debate. We will end up with nothing more than a political argument to make against each other. If we pass the Republican bill, and it ultimately goes to the President, there will be a big ceremony in the White House where he will veto that piece of legislation. He will then have a powerful political argument to say the Republican Party has wasted the trillion dollar surplus. There are some on the Republican side of the aisle who will say that is a great argument. The White House and administration will blame the Republicans for wasting the trillion dollars and giving an unnecessary and unrealistic tax cut that is targeted to the wealthiest people in this country. That is a great argument for us.

While the political parties may have a short-term political gain, I suggest that the real losers, if this is what is going to happen, are the American people because they end up with nothing—no tax cut, no decision on how to spend the surplus, with no money being allocated to real Medicare reform, and no pressure to continue to work on a Medicare reform proposal.

I suggest there is a different way we can look at this problem instead of a political opportunity. We can look at it as a policy opportunity to do something realistic, and that is the amendment before this body does.

It is a $500 billion tax cut that is targeted to people who really need help in this country. There are some arguments that say the people who the people don’t want any tax relief. If you explain it properly when you go back, people do need help. People in the middle-income brackets would like to have
The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. I thank the Senator from Delaware.

Mr. President, I was listening to my colleague, Senator BREAUX from Louisiana, and I had to respond to what he said because he said it—like he says everything—very well, regarding the whole question of reality tests and good politics versus good policy.

I speak against this amendment, not for the sake of good politics but for the sake of good policy. I speak against this amendment understanding that reality test, as I think about the lives of people in our country. I want to say one more time on the floor of the Senate—and I have said it a couple of times—that I do not understand this kind of bidding war on tax cuts. I understand very targeted tax cuts to those citizens who need it the most. I understand very targeted tax cuts that speak to the concerns and circumstances of hard-pressed working families. But I think the vast majority of people in the United States of America—and I think this is the meaning of American democracy—are saying this: You all are sort of—I don't know what the word is—trying to pander to us and you have this argument that you have made for years—I am not saying all colleagues for this amendment have made this argument for years, but it goes something like this: This money belongs to the people, and we are going to give it back to you, whatever there is in surpluses, which, of course, is all based upon assumptions we make. And, hopefully, these assumptions will be borne out about economic performance.

I really think the vast majority of people in America and the vast majority of people in this country are saying this: No, not to us but to our children and grandchildren, and whatever you have by way of surpluses—now we are focusing on the non-Social Security surplus—put it into reducing the debt to get the debt off the backs of our children. Make sure there will be Social Security and Medicare for our children and our grandchildren as it has been there for us; and, finally, make sure that our children and grandchildren have the same opportunities that we have.

We can't do that. I came to the floor the other day and said about my own party's proposal at $300 billion—$200 billion less than $500 billion—that we have not even talked about tax cuts, and we have these tax cuts turned into the tune of $500 billion at the same time. It doesn't add up.

To use the old Yiddish proverb, "You can't dance at two weddings at the same time.

If you look at the non-Social Security surplus, three-quarters of it is based upon cuts or the caps in domestic spending.

We say we are concerned about veterans' health care, we want to have community policing, we want to have environmental cleanup, we certainly want to make sure we deal with what is becoming a crisis of affordable housing, and then all of us are forever and ever talking about children and education. We talk about all those people who do not have any health insurance. We talk about prescription drug benefits for the elderly. How are we going to do all of that at the same time that we are going to have $500 billion of tax cuts? We are not.

With the Democratic proposal the other day on the floor with $300 billion of tax cuts, we were still several hundred billion dollars under where the caps take us. In other words, we were several hundred billion dollars—I think close to $300 billion—short of making up the cuts in discretionary spending. With the $500 billion it is worse.

I want to know where the give is going to be.

In all due respect, as I look at the pattern of our powerlessness in America today, it is a very distorted pattern of power. I know the Pentagon will get its resources. I know we will make sure that we invest in things like medical research.

I can just imagine with the squeeze on—that is exactly what you are going to have, deep cuts in discretionary spending for a decade, and then God knows where this takes us in the next decade—what is going to happen.

We are going to go from 1 percent Head Start funding—pre-3-year-olds, Early Head Start funding—to less than 1 percent. We are going to go from 40 percent, or a little over 40 percent funding for Head Start, ages 2 to 5, to less than 40 percent. We are going to go from barely covering 20 percent of affordable child care needs for low-income families—much less moderate income and much less working families—to less than 20 percent.

That is the problem with this amendment.

My colleague from Louisiana said it is a compromise. It is a reality test. It is a compromise between the political center of gravity of where Republicans are and where Democrats are, but it is not based upon where I think the political center of gravity is in the country. I know that sounds presumptuous. Maybe it even sounds arrogant. I swear I don't mean it. I don't mean it. I really believe the vast majority of people in our country are for tax cuts that are very targeted, that speak to the concerns and circumstances of really hard-pressed families, and they want to see the rest of us deal with Medicare. They want to make sure we have Social Security, and people want to see some investment in our children. They want to see opportunities for children in this country. We can't do it with this.

The other side has several hundred millions of dollars more—well over $300 billion more—of cuts in discretionary spending if we go for their $500 billion package. Where are we going to cut? You mean to tell...
Some people say: Wait a minute. You are not reducing the debt enough. We reduced the debt more than Clinton’s proposal. Maybe that is good. I think that is probably good. Concerning the tax cut and total of the estimated surplus: Some people may say: Maybe the estimates aren’t right. Maybe they are too optimistic. And even though we are only taking one-fourth of the surplus and allowing people to keep it, they don’t want to give it back to the taxpayers. They’d rather spend it. Well, that is not what a tax cut is. A tax cut lets people keep more of their money. They do not have to get it back from Washington, DC. Is it their money, or is it Washington’s money? It is their money. Is it not a gift from us? We are taking it from them right now. In some cases we are taking too much. In some cases the taxes we are taking from people are unfair. I am going to talk about that because the bill before us alleviates some of those problems. It doesn’t solve all the problems, but it alleviates some of the problems. Is it the best bill imaginable and perfect? No. But it does go a giant step toward eliminating inequalities and happenances as the tax bill. I say “injustices.” There are some cases in the 1999 Tax Code where the taxes are unfair. It is absolutely unfair for a married couple to have to pay more taxes than if they were living together and unmarried. It is unfair to have a tax penalty for being married—absolutely unfair. That is in the Tax Code today. The bill of the Senator from Delaware eliminates that. We want to get rid of it. Unfortunately, that doesn’t happen under the Democrats’ proposal. Let me talk about that for a second. Somebody says: Well, you eliminate the marriage penalty. What does the House do? The House basically doubles the exemption for single people and for couples. That is one way of taking care of the exemption. But it doesn’t eliminate the fact that a lot of people have combined incomes that push them into higher income brackets.

For example, an individual with a taxable income of $25,000 is taxed at 15 percent. Anything above that, they are taxed at 28 percent. That is kind of simple. Let’s say you have two teachers who are married, and they have a taxable income of $25,000. If they file as individuals, they are both taxed at 15 percent. If they are married, their combined income pushes them into a 28 percent tax bracket. They are penalized. It just so happens as it works out, that in this case they are penalized $1,400.

Where did I get that? They have a combined income of $50,000. Theyfiled a joint tax return, actually kicked in at $42,000. They have $8,000 that is taxed at a 14 percent rate. It is higher than what somebody is paying at the 14 percent rate. Senator Roth’s bill moves the bottom rate from 15 to 14.

The difference between 28 and 14 is 14 percent. Fourteen percent times the number of thousands, if it is $10,000, that is $1,400.

This hypothetical couple pays an additional $1,400 more per year for being married. We shouldn’t penalize them for that.

In the bill each couple has the option of being taxed individually. If one member of the couple is taxed at 28 percent, fine. It doesn’t mean the next spouse has to be taxed at that rate as well. Maybe the income of that spouse, male or female, might be significantly lower. It would be taxed at a lower rate. Why tax them at the highest rate? We shouldn’t do that. We eliminate that in this bill. That is not insignificant.

The example I gave was a $1,400 difference. CBO says the average marriage penalty is $1,400. We should be able to eliminate that, and we do eliminate it in this bill. Who benefits? Nineteen million married returns would have that inequity eliminated. That is in this bill.

I will touch on the bracket expansion. I wasn’t particularly fond of this idea. I thought, why move the 15 percent rate to 14 percent? What does that mean? Somebody asked me the other day on a radio show: Does that mean to me as a taxpayer? It means we pay less tax for all taxpayers. Any taxpayer will benefit. How much do you benefit? Individuals, up to $250; and a couple, $430. Therefore, a couple who makes up to $48,000 receives a $430 benefit. Somebody said the tax benefit in the bill is only 50 cents a day. Their numbers are not adding up. The benefit of that is $430 a couple.

I will touch on the bracket expansion. I want to compliment our colleagues on the pending amendment. They expand the 15 percent bracket up. We have that in this bill, too. The pending bill authored by Chairman Roth. We expand the 15 percent bracket. That means a lot of people who are paying 28 percent will pay 15 percent. We increase that by $5,000 per couple or $2,500 for an individual. That means a couple will save $2,500. If they have a combined income of $42,000, we save them $700 by reducing the rate from 15 to 14. For a couple earning $40,000 or more will save $1,130 under the bill. That is almost $100 a month.

I use the test sometimes of my son and his wife. He sells cars, and she is a schoolteacher. They have one child. How will this benefit them? From those two provisions alone, they will save almost $100 a month in taxes, and they are a middle-income, tax-paying family. I think that is a good provision. What comes next will be marriage penalty relief, the average married couple will realize significant savings from this bill.
For instance, those items together come to $1,100 just in the rate reduction and the expansion of the 15-percent rate. Then there is $1,400 savings in eliminating the marriage penalty. Now we are talking about $2,500 per year for a couple making $40,000, $50,000, or $60,000 a year. That is not insignificant. That is $200 a month.

We are helping a lot of people. The number of people who would benefit from expanding the 15-percent rate upward to 28 percent, or 30 percent, is a reduction of 13 or 14 percent—13 percent by the substitute offered and 14 percent by Chairman Roth's proposal. Chairman Roth's proposal says to individuals in that category, we are going to cut their rate in half for that additional $5,000. That is a significant savings. Add that all together, and we are talking about $2,500 for a couple who make $40, $50, or $60,000. That is not insignificant.

Mr. President, 98 million people will benefit from the reduction in the 15 to 14 percent income bracket, 80 million who have incomes less than $75,000. In other words, it is a tax cut for taxpayers, not necessarily targeted the way as some others might like, but it is a tax cut weighted on the lower end of the tax schedule.

Moving the 14-percent bracket up, 16 million middle-class people will benefit from that provision; 19 million married returns will benefit from elimination of that marriage penalty.

Then there is something else that hardly anybody is talking about. We have a provision that eliminates the penalty called alternative minimum tax that disallows a lot of the tax credits we have already passed. In 1997 we passed a tax credit, $500 per child. It was $400 last year, $500 this year. That is law. I know a lot of the people arguing against the Republican tax bill didn’t like it when we passed that in 1997. It is a provision that was worked on with Gene Sperling, and he said the President supported the $500 tax credit for a child.

Maybe a little history would be in order. The President campaigned for it in 1992, and he forgot about it in 1993 when he raised taxes on all Americans. Not only did he forget about it, but he did a tax increase rather than a tax cut. It wasn’t until 1995 that the $500 tax credit passed again. That was when Republicans took control. We passed the bill, and the President vetoed it. We passed it again in 1997, and he signed it. Now they are trying to take credit for it. They didn’t want a tax cut in 1995, they didn’t want a tax cut in 1997, but we gave it to him and he signed it. Now that is law.

Because of AMT, a lot of people are not able to take full advantage of that tax credit or child care tax credit—13 million families, and I tell my colleagues this number is growing making year. Senator Roth's amendment has significant relief. My colleagues will be interested to know that is $96 billion. Over one-tenth, about 12 percent, of the entire tax bill is targeted toward AMT relief on American families. I have not heard anybody talk about it. If anybody thinks that provision is wrong, offer an amendment to strike it out.

If anybody thinks the marriage penalty relief is too generous again, probably about 15 percent of this entire package—is too generous, if Members don’t think we should have marriage penalty relief, offer an amendment and take it out. If Members don’t think the rate cut from 15 percent to 14 percent—which is $298 billion, which is the biggest provision in this entire bill, which is three-eighths of the entire bill—if Members don’t think it should be in there, take it out. I would oppose any such amendments, because these provisions are at the heart of this legislation and are what make this bill a tax cut for taxpayers on the lowest end of the ladder.

A lot of people say the Republican package is a tax cut for the rich. It is not true. Those people have not read the bill. This bill reduces taxes for all taxpayers, including people at the lowest end of the economic ladder.

The provisions I discussed are $506 billion out of $792 billion. That is over half of the savings already described. I haven’t heard anybody single out any of those sections and say: that is a bad provision, we shouldn't have that provision.

Let me discuss a couple of other areas in the bill and why we should pass the bill. Let me talk about estate taxes. A lot of people are not aware of how the amendment of the Senator from Delaware works. It replaces the unified credit with an exemption. Most people say: What in the world are you talking about? Unified credit, under the existing system, says we will credit you so much in taxes, and you don’t have to pay; but above that, you start paying taxes at whatever rate it is. It is a stepped down percentage on the existing estate. Once you start paying taxes, you start paying taxes at a 39.5-percent rate. If you have a taxable estate of $1 million, 39 percent goes to the Government.

What we do by replacing the unified credit with an exemption is, once you run out of the exemption, you start paying taxes at the lowest rate, which is 15 percent. That is a big difference. That is a big difference for estates that are barely taxable. So, if you are over $1 million in inheritance tax, once we move the estate tax, once you start paying taxes, you start paying taxes at a 39.5-percent rate. If you have a taxable estate of $1 million, 39 percent goes to the Government.

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The PRESIDING OFFICER. The Senator may proceed.

Mr. NICKLES. Looking at the provision offered by our colleagues, in the substitute the $19 billion is an advance deduction tax relief and the estate tax relief offered by the underlying proposal is $93 billion. So it does a lot more in estate tax relief and it outdistances the substitute.

I happen to believe in estate tax reform very strongly, and not only does it benefit the wealthy, I happen to believe it is a matter of fundamental fairness and freedom. People should be able to pass their property on to their kids without Uncle Sam coming in and saying that you have to divide the interest. Everybody gets it. We are free to use the Tax Code to encourage health care. It should apply to all income levels.

When we allow people to buy homes and we say you can deduct your interest, we do not say you have to work for a generous employer who is able to pass their property on to their kids. We do not say everybody in America? We do not do that today. If you are not let it apply to everybody in America? We do not do that today.

I want to touch on one other thing, and that is the self-employed health care deductibility. The chairman's bill says, for self-employed persons, we are going to allow 100 percent deductibility. We had this debate actually when we were debating the Patient Credit and it was undermined in the measure we passed on the floor of the Senate. I argued then if we want to increase health care access, we should allow a tax deduction that is not something that is self-employed person, you deduct 45 percent, but GM or any other corporation in America, you deduct 100 percent. This provision is in his bill. It is not in most of the other bills. I do not believe it is in the substitute.

I tell my colleagues that those things we need which will help American families. That is not just a tax cut for the wealthy. That is not something that my colleagues can demagogue. They may want to, but if they want to demagogue, where do they want to cut? Do they want to eliminate the permanent R&D credit? Do they want to eliminate the self-employed deductibility? Do they want to eliminate the marriage penalty? Do they want to eliminate the reduction in rate from 15 to 14 percent of their own money. They are going to be sending in over $3 trillion dollars a year from $2,000 to $5,000. We do that and we have a plan to help in health care; it has a plan to help increase savings and retirement and 401(k)s; it has a plan to allow people to keep more of their own money; it eliminates taxes.

I yield the floor. I thank my colleagues for their input.
these tax reduction goals while meeting these balanced national objectives, and it is this plan, the “October plan.”

This plan is also based on a recognition that even in good economic times, it is important to recognize that these are not perfect economic times. The United States today faces twin economic problems:

First, record levels of consumer debt. The current economic expansion is threatening by mounting middle-class consumer debt more than any other single indicator. Middle-income families with young children are应当ing more debt in home mortgages, credit card bills, and educational expenses than at any time in our national history.

This plan is designed to respond to that need by moving 4 million Americans, people who earn $50,000, $60,000, $70,000 in family income, with young children, and moving them from the 28-percent bracket to the 15-percent bracket where they belong.

This Government has no right to go to a family that earns $60,000 and $70,000 in family income, every month to educate its children, provide housing, clothing, and food, and take 28 percent of that income for the Federal Government. I do not believe it was ever our intention.

Prosperity and inflation moved people into these tax brackets. For a long time, some of us lived with the illusion that people who lived at these modest incomes somehow had expendable income, as if they were living lives of luxury. Then we discovered that the Federal Government should not be charging capital gains taxes on people who earn $2,000 and $3,000 a year.

We should be doing everything we can to encourage these people to save for an emergency, prepare for the future, and this bill deals with that reality, in response to the fact that the other crisis in American economic life today, beyond high consumer debt, is a virtual collapse in national savings. This year, the United States has a national savings rate of minus 1.2 percent, the lowest rate since the year of the Great Depression. We are the only developed nation in the world with a negative savings rate.

This legislation responds to that reality. We eliminate the capital gains taxes on the first few thousand dollars of savings, which, in part, takes 4 million taxpayers off the tax rolls entirely. Young families and probably large senior citizens who want little security in life. They should pay nothing, and that is what this bill provides.

Those are the twin objectives we have: Reduce consumer debt by lowering taxes on the middle class by moving people from the 28-percent bracket to the 15-percent bracket; and, second, by encouraging savings, both as Senator BACHMANN has done by an expansion of the IRA, and in our case from $2,000 to $3,000.

This Government should be doing everything possible to encourage Americans to save money, if not for our larger economic purposes, then simply because 50 percent of Americans have no pensions; 60 percent of Americans are not saving money because this Government has made it economically irrational to do so, and the Tax Code is the answer to changing that reality.

Our bill is clearly defined and explained. It is simply $500 billion over the course of this next decade. It removes 3 million people entirely from the tax rolls by increasing the standard deduction and eliminating taxes on modest savings. Three million people, largely senior citizens, will pay nothing.

Second, as I suggested, we move 4 million people from the 28-percent tax bracket to the 15-percent tax bracket, meaning that a family of four earning $71,000 will now have $2,000 less in taxes arguing reduced in half and have money available for their own family needs. For a single person earning $37,000, this translates into a $600 tax cut. A family earning $71,000, as I suggested, receives a $1,300 tax cut.

We also do more. We eliminate the marriage penalty entirely in the standard deduction. We increase and expand the child care tax credit to remove American women from this dilemma and provide them with the resources where they choose between going to work to pay the mortgage and knowing their children are safe by allowing affordable child care.

The PRESIDING OFFICER. The Time yielded to the Senator from New Jersey, Mr. BREAUX.

Mr. BREAUX. The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. I yield 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 10 minutes.

Mr. SPECTER. I thank my colleague from Pennsylvania.

Mr. PROCTOR. I join in sponsoring this centrist approach. In my view, the tax proposal to cut $792 billion over 10 years is too much. It may be that the United States would be best served by not having any tax cut at all, but it appears we are headed for some tax cut. And a group of centrists, so-called moderates, have joined together on the proposal which is now on the floor for a tax cut of some $500 billion.

Mr. BREAUX. The PRESIDING OFFICER. The Senator from Pennsylvania has expired.

Mr. TORRICELLI. I close by urging my colleagues to join with me in this bipartisan plan for reasonable and affordable tax relief. I yield the floor.
so that a figure in the $500 billion range appears preeminently reasonable.

Earlier today, about an hour ago, the Senator from Minnesota, Mr. WELLSTONE, said he did not think the major country factor on this tax cut was. Well, it is hard to assess where the majority of the country is. What is going to happen in the course of the next 6 weeks, probably, presumably, likely, is that a tax cut will come out of the Republican Congress. The plan is, if this amendment is not adopted, the House and Senate will go to conference, and there will be a resolution of the issue by the end of next week, before we start the August recess.

Then there will be an opportunity for Americans to digest the positions taken by the Republican Congress, contrasted with the position taken by the President's Administration and what the Democrats have in mind.

I believe if the Senate were to enact this amendment, on the $500 billion tax cut, we would be in the position to have some realistic negotiations. It is perfectly obvious, at this stage of the proceeding, that the aura of politics is very heavy in this Chamber, very heavy in the House Chamber, very heavy over all of America—less heavy, frankly, outside the beltway.

During the August recess, as I undertake my open-house town meetings, I am anxious to get guidance as to what the American people, but I believe very strongly the majority of the country is. What is going to happen to the appropriations bills.

We are now operating under the 1997 Balanced Budget Act. Speaking for my subcommittee, which has jurisdiction over three major Departments—the Department of Education, the Department of Health and Human Services, and the Department of Labor—the allocation of $80 billion is totally insufficient when we look at what we had appropriated last year, what the inflation rate has been—however small, it is a factor. Looking at the financing of the National Institutes of Health, which have made such dramatic achievements; the financing for Head Start, Healthy Start, and worker safety; that is a matter which has to be reconciled, has to be negotiated with the White House during September, before we go into October where we have the highly publicized possibility of the so-called train wreck.

But those are factors which have to be taken into account. There again, an approach of $500 billion leaves greater flexibility to accommodate other pressing needs of the Government.

Later during the consideration of this tax bill, I will have an opportunity to speak about an amendment which I have pending, which is the flat tax. That is a proposal to simplify taxes in America so they could be filed on a single postcard.

I regret that this measure has not received greater attention, notwithstanding the introduction of the flat tax proposal in the House of Representatives by Majority Leader ARMLEY in the fall of 1994, and I introduced it—the first bill in the Senate—in March of 1995, which really provides some very substantial relief on simplicity and breaks the $500 billion tax cut is not to be, but I will have an opportunity a little later to explain, in some detail, the flat tax proposal.

Mr. President, inquiry as to how much time I have remaining of the 10 minutes allotted.

The PRESIDING OFFICER. One minute.

Mr. SPECTER. I thank the Chair. In conclusion—the two most popular words of any speech—I believe that the American people, America needs to be governed from the center, and America wants to be governed from the center.

Where we have the competing proposals—the one which was defeated yesterday is the Democratic proposal at $295 billion; the competing proposal of $792 billion—the $500 billion figure will provide more flexibility for other needs of America, will move to the center, will give better assurances that adequate funding will be available to protect Social Security, to provide Medicare reform, to provide important programs such as prescription drugs, to provide for the needs of funding necessary for the National Institutes of Health, the other important items yet to be resolved under an arrangement with the White House on the pending appropriations bills.

I join my colleagues in urging adoption of the Chafee-Breaux proposal. The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Alaska.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. MURKOWSKI. I thank the Chair, and I shall not take the full 10 minutes.

Mr. BAUCUS. Mr. President, might I get some understanding of the order. I wonder if there is some way we could go back and forth.

Mr. MURKOWSKI. I was under the impression we were talking on different sides of the amendment.

Mr. BAUCUS. If we understand that the next speaker will be the Senator from New Jersey, that would be helpful.

Mr. ROTH. That is correct.

Mr. BAUCUS. I thank the Chair.

Mr. MURKOWSKI. Mr. President, the issue before us today is whether we should replace the Finance Committee's tax relief bill with a lower $500 billion tax relief bill. I commend the authors of the amendment for their effort to provide tax relief to the American people, but I believe very strongly that the Finance Committee bill is a better, balanced approach.

Let's examine it for a moment. For example, middle-class families would receive far less relief under the $500 billion amendment because the 15-percent bracket is not reduced. The marriage penalty relief in this amendment will not affect the 30 percent of married couples who itemize deductions.

The biggest flaw in the authors' approach is their belief that this $500 billion tax cut would be approved by our President. He has stated already he would not sign a tax bill, a $500 billion tax bill that cuts taxes by more than $300 billion. And the Director of the OMB has indicated that a $500 billion tax cut would be vetoed. So we have a veto threat.

We also have a responsibility to the American taxpayer. As a member of the Finance Committee, I rise in strong support of the Taxpayer Refund Act proposed by Finance Chairman ROTH. I commend his chairmanship, the professional staff, and the Joint Tax Committee staff who have worked so hard in putting this together. It has been very difficult, but it is fair, it is difficult, and it is in the interest of the American people to have some realistic negotiations. It is an obligation of this body to give some of it back.

What Senator ROTH and my colleagues on the Finance Committee have done in this bill is to take about $791 billion of those tax overpayments and return that money to the American people, the hard-working American taxpayers. All of the $1.9 trillion Social Security surplus will be used to reduce property taxes. The American people should share. They know to whom this refund belongs. It is an obligation of this body to give some of it back.

We also have a responsibility to the American family a refund of the taxes they are now overpaying to the Federal Government which has resulted in the surplus. The Congressional Budget Office projects that the total budget surplus over the next 10 years will be $2.9 trillion. Nearly $1 trillion—that is, about $996 billion—of that surplus comes from overpayments of income and other taxes. The American people should share. They know to whom this refund belongs. It is an obligation of this body to give some of it back.

We have heard from the President that he will veto this bill because the tax refund is too large, and the liberal Washington press mindlessly parrot the President's statement and argue that we should not provide such a large refund.

First of all, the President wasn't very supportive of any kind of a refund. He is coming around now. Think of the media, the media that parrot an argument that has no foundation, that
tire in 11 years, this bill expands retire-

taxes by $300 billion, we could not

 taxpayer? Or does the President object

the tax rate paid by the lowest income

President Clinton objects to—reducing

of the marriage penalty. Is that what

the 15-percent rate to the 14-percent

than $410 billion, results from cutting

toed because it provides a tax refund to

impose even more higher taxes on the

President comes along and wants to

when we are running a real surplus in

10 years. In other words, at a time

nance $1 trillion in new spending. De-

The Democrats automatically jump

to a conclusion: Interest rates are

going to go up. There is no proof of

that. There is no indication of that.

That is scare tactics, Mr. President.

What is wrong with giving American people

more dollars in their jeans to spend or save if they wish?

Mr. KERRY. Will the Senator yield

for a question?

Mr. MURKOWSKI. I will yield at the

end of my statement. I will be happy to

at that time.

We only have to go back to December

of 1980, under the Carter administra-

tion. Some people have forgotten. Do

you remember what the inflation rate

was? The inflation rate was better than

11 percent. Interest on the prime rate

in this country was 20.5 percent. Im-

agine that. What was that due to? Par-

tially the oil shock. So here we have an

opportunity where we can have a sig-

nificant refund, and the beneficiary is

the American people.

The fact is that what the President

wants us to do is not to provide a tax

refund to the American people. Instead,

he wants to take that surplus to fi-

nance $1 trillion in new spending. De-

spite his claim that he wants to cut taxes

by $300 billion, CBO has scored the

President's budget as actually rais-

ing taxes by $3 billion over the next

10 years. In other words, at a time

when we are running a real surplus in

the hundreds of billions of dollars, this

President comes along and wants to

impose even more higher taxes on the

American people so he can finance a

big and growing Government.

The bill before us should not be ve-

ted because it provides a tax refund to

every single American who pays taxes.

The lion's share of the tax cut, more

than $500 billion, would result from cut-

ting the 15-percent rate to the 14-percent

rate and the almost total elimination

of the marriage penalty. Is that what

President Clinton objects to—reducing

the tax rate paid by the lowest income

taxpayers? I support many of the pro-

visions in his bill. Many of the pro-

visions in his bill are in this bill. I ex-

press my sincere hope that the bill's

good provisions will stand. I agree with

much of what Senator SPENCER said

about some of the ramifications if we

continue on our present course. This is

basically "Roth lite" as far as the bill

goes. It is very much modeled after it.

Mr. MURKOWSKI. I urge support of

the Finance Committee chairman's

bill.

Mr. BREAUX. Mr. President, I yield

5 minutes to the distinguished Senator

from Vermont.

Mr. JEFFORDS. Mr. President, I thank

the Senator for yielding the 5

minutes. We have worked closely to-

gether on this bill. I am here to rec-

ommend passage of it.

First of all, I commend my chairman,

Senator ROTH. I support many of the pro-

visions in his bill. Many of the pro-

visions in his bill are in this bill. I ex-

press my sincere hope that the bill's

good provisions will stand. I agree with

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about some of the ramifications if we

continue on our present course. This is

basically "Roth lite" as far as the bill

goes. It is very much modeled after it.

It just cuts it back somewhat so we can get some sort of tax relief.

This $500 billion centrist alternative

represents an attempt by some of us to

find a middle ground. The Senate fi-

nance Committee has approved tax

cuts of roughly $800 billion. The Presi-

dent has said he will veto a bill of that

size. The Senate Democrats have pro-

posed tax cuts of $300 billion, and the

President has signaled his willingness

to sign a bill with that level of tax
cuts.

The bad news in all this is that the

parties are at an impasse. One side is
dug in at $800 billion; the other will not

budge from $300 billion. The good news

is that both sides agree that we can af-

ford and achieve some level of tax cut.

I hope both sides agree that a tax cut is appropriate,

sooner or later we will have one.

What those of us sponsoring his cen-

trist amendment are saying is: "Let's

compromise. Let us take a step toward

the middle. Let us settle on a figure we

can agree on. And let us get this tax
cut done—sooner, rather than later. If

neither side can give ground, if we lock

ourselves into hard and fast positions,

this whole process will come grinding

to a halt. How the process will ulti-

mately play out is anybody's guess. It

could mean we have another govern-

ment shut-down. Or it could mean we

end up with an omnibus bill like we

had last year. It does not have to be that

way. This should not turn into a game of "chick-

en" between political parties. But both

sides will have to give a little.

In the end, I think we will ultimately

end up with a tax bill that is some-

where between $500 billion—other

words, around $500 billion. I do not see why we can not settle

on an acceptable mid-point now.

You can get a lot of tax relief with

$500 billion. The centrist package will

provide for broad-based tax relief for

most taxpayers. Taxpayers who do not

itemize deductions will see a big in-

crease in the standard deduction. This

increase is not just tax relief. It is also
tax simplification. With a larger stand-

dard deduction many taxpayers will

no longer have to itemize their ded-

uctions. Taxpayers who itemize will

also get a break, as the 15-percent

bracket will be expanded.

Up to $15,000 that was formerly taxed

at 28 percent will now be taxed at 15

percent. This 13 percent reduction in

tax will mean savings up to $650 for

married couples.

Our centrist package also addresses

the marriage penalty. It eliminates the

marriage penalty in the earned income

deduction, and eliminates part of the

marriage penalty in the earned income

credit. Our Tax Code should not punish

marriage—especially among the work-

ing poor. Right now two low-income

people who marry often find them-

selves in a bit of a hardship because

the new couple has a much smaller

in-
It is always tempting to believe the best solution to a conflict is to split the difference. But that is not true when one side is taking an extreme position. That is what is happening.

In this case, splitting the difference would be a terrible policy. It would force either unreasonable cuts in education, defense, and other priorities or, more likely, it would eventually force excessive cuts in Medicare and Social Security.

Supporters of large tax cuts have been coming to the floor arguing that we have a $3 trillion surplus to divide up. But that is wrong. I have even heard the arguments being made about how well regarding the original Finance Committee bill of $752 billion was, and claiming that it is the only fair thing to do—to give it back to the people who paid the bills in the first place. The fact of the matter is, we are all on a mortgage; all of our citizens share a mortgage, all of us in this room and outside in the countryside. It is our national debt.

I don't know any family that, given a chance to get a couple ofbucks in their pockets—less than $350 in the tax cut for modest-income earners of $38,000—would not rather have their mortgage paid off for them. That is one condition we ought to be in—paying off our mortgage and paying off our national debt, not giving it back in forms that produce most of the benefits for people in the wealthiest of the lot.

We were talking about people who are wealthy, who make $800,000 a year—by any judgment, they are pretty well off in this country—getting $23,000 a year worth of tax cuts in the original bill. Now we are in the compromise stage, and we are down at a level that still, frankly, doesn't make economic sense.

It is expected that we are talking about a surplus. Well, first, I want to point out it is a projected surplus. Tax cuts are not free. They are hard to get. Anybody who has looked at CBO's projections truly believes that they are without question. To be fair to CBO, even they have acknowledged their estimates are uncertain.

They depend not only on guesses about our economy, but they depend on assumptions that the Congress will make drastic cuts in a broad range of popular programs from veterans' health care, to education, to law enforcement. If Congress merely maintains defense spending at the levels requested by President Clinton, all of these other programs would have to be cut about 40 percent.

Alan Greenspan, Chairman of the Federal Reserve, who is clearly the most esteemed spokesman on the economic condition in our country, has said: Hey, be careful. The Fed Chairman told the Banking Committee in an article from the Washington Post this very day: It would be unwise to cut taxes now altogether of the forecasts that could be far off the mark. If Congress goes ahead with a major tax cut, I think it also has to be prepared to cut spending significantly in the event that the forecasts on which they are based are wrong.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LAUTENBERG. I thought I had 10 more seconds.

Mr. ROTH. I yield 2 minutes from the bill.

Mr. LAUTENBERG. Mr. President, it is less time than I thought I would have to speak on this subject. I have waited patiently. I guess I will try to wrap it up now.

The projected surplus is truly a mirage. If Congress were to maintain basic Government functions at this year's level, it would be a $1 trillion non-Social Security surplus, yes, but it would be more like one-tenth of that, or $100 billion, by the time we finish with this tax cut.

We are slashing prospectively important domestic programs such as VA and other programs, try to find trick ways to satisfy our obligation to the Veterans' Administration and to the Census, which is clearly identified in our Constitution as an obligation, now calling it "emergency" spending. The result, we have been observing, is some sleight-of-hand work. I hate to use that term, but that is what I see, "cooking the books," making sure we take whatever forecasts suit the situation the best.

There is no way to do what we want to do, what we are obliged to do, if we are going to give away $500 billion in tax cuts. There are better ways to deal with our financial or fiscal condition. Alan Greenspan confirms that.

I hope this Senate will respond to the American people's desire. Get rid of the mortgage, pay down the debt, and then talk about tax cuts that are targeted specifically to modest-income people.

Mr. BREAUX. I yield 5 minutes to the distinguished Senator from Maine, Ms. COLLINS.

Ms. COLLINS. I thank my colleague from Louisiana.

Mr. President, I rise today in strong support and as a proud cosponsor of the Chafee-Breaux bipartisan compromise plan. I commend the Senator from Louisiana and the Senator from Rhode Island for their leadership in bringing Members together to craft this important proposal. This amendment represents a fair, prudent, and responsible compromise between the competing proposals we have been debating. It is a sensible bipartisan plan.

In crafting this proposal, our bipartisan coalition has been guided by several principles. The first is perhaps best summed up by the expression, "Don't count your chickens until they are hatched." We know, based on CBO estimates for the next 10 years, that we may have a projected surplus of $3 trillion. However, $1 trillion of that surplus goes to a surplus in the Social Security trust fund. I don't think we should spend a penny of the Social Security trust fund surplus for either tax cuts or for spending increases on non-
Social Security-related programs. That should be reserved for paying Social Security benefits and for Social Security reform.

That leaves roughly $1 trillion to decide how we are going to allocate. Our bipartisan coalition believes against the possibility that the current surplus projections may not be fully realized in the years to come. Our proposal allows for additional amounts of the public debt to be paid down, as well as reserving extra funds that could be used to preserve and protect Medicare, to strengthen education, and for other priority programs.

Our second principle is to target the tax relief we are providing. In this time of economic good fortune, we should focus on the 4 million lower-income and middle-income families. Our proposal would do just that. It allows for additional public debt to be paid off while removing 3 million low-income taxpayers from the tax rolls altogether. It slices the marginal tax rate nearly in half for another 4 million Americans.

The third principle we have adhered to is quite simply pragmatism. In order to craft, to pass, and actually enact into law, we must propose a plan that enjoys bipartisan support. Our proposal meets this test and in the process offers a blueprint for reasonable tax relief that should and could become law. Indeed, I predict that ultimately what will be signed into law will be very close to the proposal the bipartisan coalition has put forth today.

In addition to this broad-based tax relief, our proposal includes a number of concer...
I remind all of us about the needs of the American people, of families, working men and women. What about their needs? Many working families across my State, even in this time of plenty with a strong economy, are having trouble paying the mortgage, putting something away for retirement, affording a college education for their children. These families—at a time when we are adding $1.8 trillion to Social Security, $210 billion for Medicare, and the other for discretionary spending—were unable to send $1,000 for an average family across my State to help meet their pressing needs. It is the right and appropriate thing to do.

This proposal honors our values—our most basic values—and eliminates entirely the marriage penalty. No longer will people be penalized by the Federal Tax Code simply because they choose to get married. We should encourage marriage. We should not discourage marriage.

This proposal makes child care, care for a sick parent, and health insurance for those who are without it more affordable. These are the right things to do.

I think it is important to recognize that we can cherish our values and promote them by reducing taxes just as easily and sometimes better than through increased public spending. This proposal has room for a $45 billion drug benefit under Medicare, the $210 billion allowing for that to extend the life of Medicare to the year 2020, adding $1.8 trillion to Social Security, $210 billion for Medicare, and the other for discretionary spending over the next 10 years.

There has been a lot of talk and a good deal of disagreement about the appropriate level for discretionary spending increases. I must say, with all due respect, I cannot agree with my colleagues in the majority because I find the assumptions and accounting procedures used are such that they are at best suspect at best. They ask us to believe they can hold to spending caps over the next 10 years that they have already admitted they cannot abide by in this very year. That simply is not possible.

Yesterday I listened to one of my colleagues on the Senate Banking Committee have an amazing colloquy with the Chairman of the Federal Reserve Board in which he essentially said, Mr. Chairman, the reason I am supporting this measure is that I cannot keep from spending irresponsibly. He looked at the Chairman of the Federal Reserve and almost asked him: Mr. Chairman, stop me before I spend again.

Colleagues, we have been elected to this body to make tough choices and set priorities. I believe we can and should. The prescription of the major-
there, that would take our Nation back into deficit and endanger the critical economic gains we have made over the past several years.

So I ask, why not stay the course that has raised the standard of living of millions of American families? Why would we wait a year? It is the question before us, which would mean a motion to strike the entire major tax cut, paid for by a surplus in the next 10 years, the more it looks to be stimulate.

What we need now, I argue, is a little more of the fiscal discipline and responsibility that helped bring this economy to the point of great growth it is at now.

In other words, we would be robbing Paul to pay—Paul, while simultaneously robbing our economy of the dynamism we have labored so hard to create. And to what purpose? None that I have heard, except to return to the American people a surplus that is not going to be there.

What we need now, I argue, is a little more of the fiscal discipline and responsibility that helped bring this economy to the point of great growth it is at now.

I thank the Senator from Delaware, and I yield the floor.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. I yield 5 minutes to the distinguished Senator from Maine.

Ms. SNOWE. I thank the Senator. Mr. President, I congratulate Senators Breaux, Chafee, Jeffords, and Kerrey for reigniting the centrists on an issue that certainly is important to the American people.

It is interesting that we are here today confronted with a major issue, and it is not surprising that various Members of this Senate, the House, and the President have different positions on an issue of such significance. What we have agreed to do with the package that has been offered by Senator Breaux and Senator Chafee is to bridge the gap between what the President has offered, what the House has offered, and the package that has been offered by Senator Roth and the Senate Finance Committee. We are trying to bring the differences together to preserve the viability of a tax cut for the American people.
The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I inquire as to whether the distinguished chairman has additional time. We can rotate.

Mr. ROTH. I yield back the remainder of my time.

Mr. BREAUX. I yield 5 minutes to my distinguished colleague, Senator LANDRIEU.

The PRESIDING OFFICER. The Senator from Louisiana.

Ms. LANDRIEU. I thank the Chair. Mr. President, I rise to support my senior colleague from Louisiana and thank him and Senator CHAFEE for bringing us together and for bringing this measure before the Senate and before the American people, a measure that, in my mind, is a very good starting point for where we need to be and on what we need to be focused.

It does a couple of things of which I am very proud. First of all, a couple of things for which I believe I ran for the Senate to try to do. One, it is very fiscally responsible. It pays down a significant portion of the publicly held debt and gives tremendous benefits to the market and to our economy because of that saving. Second, it also sets aside a prudent amount of money, and under the leadership of my senior Senator, it enables us to not only throw more money at Medicare, which we need to do for prescription drugs, but it provides a floor of a framework for us to really put in some systemic reforms if we could come to an agreement to strengthen a program that is depended on by almost everyone in our Nation.

It also gives us a starting point and a proposal to reduce taxes, not for the very rich, not for those who have already benefited from this booming economy, but it gives us an opportunity, through strategic tax cuts, to make it possible for more people to enjoy this new historic economic boom that we are experiencing.

It does this in very strategic ways, and I will hit on a few in a moment. Particularly my good friend, Senator Joe Lieberman, who just spoke. He has learned through that review that over the last 50 years, the average rate of growth has been 3.3 percent. This plan is based on a very conservative projection, I believe, of a 2.4 percent growth. I do not concede the point that these projections are off. I will concede that on the other side, in terms of the spending projections, we are talking different things. But we have never, as Senator Bayh pointed out, spent the inflationary standard.

There is room to pay down our debt, provide for reform of Medicare, provide a new and very much needed prescription drug benefit, leave room for some reasonable, responsible new spending for programs, and give some strategic relief to hard-working American families, families that are struggling every day to put their children through school, and who are struggling to keep an elderly person at home with the added expense so they do not have to live alone or live in a nursing home that perhaps is not appropriate for them.

There are many important parts of this bipartisan plan that help average, hard-working families begin to be a part of this new economy.

One of the things I want to mention that is actually interesting but not a part of this plan, and I hope as it is massaged and improved and perfected over the next weeks there can be some strategic tax relief to encourage low-income families to begin saving, just as we have the Roth IRA plan and the traditional IRA plan, those who have really helped a lot of middle-income Americans.

But today there are many Americans who live in Louisiana who do not make enough money to set aside $2,000 a year. And I think it is very possible through this tax proposal, that we could structure some tax relief to enable these lower-income, hard-working Americans, to begin savings accounts that can promote their wealth, promote their economy, and help them to participate in the new economy.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Ms. LANDRIEU. If I could have 30 seconds to wrap up.

So besides the program I have just described, there is family tax relief, savings and investments, education—tax relief for small businesses; their No. 1 request to us is for some tax relief so they can continue to afford insurance for themselves and small businesses throughout this country. There are many others—tax credits for the renovation of historic homes, and some other things that create jobs, stimulate investment, and give people the tools they need to participate in this new economy.

I thank my senior Senator. I am proud to be a part of this bipartisan effort. I ask unanimous consent to be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BREAUX. Mr. President, as a great political philosopher once said: You have to know when to hold them and know when to fold them; you have to know when to walk away and you have to know when to run.

I do not think this is the time to run or to walk away, but neither do I think that either of the two parties at this time is supportive of the concept that has been offered by our centrist coalition.

However, while I think that time does not arrive yet today, I think some time before the year's end both sides will come to reach an agreement that what we have offered on the floor is the right approach and one which will allow us to get something done with regard to this type of a tax cut and reservation of funds to do what we need to do in the coming year.

I hereby ask that my amendment at the desk be withdrawn.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 1442) was withdrawn.

Mr. MOYNIHAN addressed the Chair.

Mr. MOYNIHAN. May I stress the admiration of this Senator, and I think many, for the case that the Senator from Louisiana and the Senator from Rhode Island have made and their colleagues in the centrist coalition?

I note the trenchant counsel of that philosopher, from Bourbon Street: When to hold them, when to fold them. I say, it is very clear that their time will come again, sooner perhaps than we know.

With that, I yield 10 minutes to the Senator from Massachusetts.

Mr. CHAFEE addressed the Chair.

Mr. MOYNIHAN. Forgive me, sir. I withhold that. I think the Senator from Rhode Island wishes to speak.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. I briefly, I congratulate my colleague, Senator Breaux, from Louisiana, for his presentation and organization of this whole effort that we have had. I believe there is going to come a time—not tomorrow, not the day after but before long—in which this proposal, which he and I and so many others have worked on, is going to be accepted by this body. I certainly hope so.

I thank Senator MOYNIHAN for the kind comments he made about the efforts we have made.

I thank the Chair.

Mr. MOYNIHAN. Again, I emphasize that this was a bipartisan effort, with Senator CHAFEE on the Republican side. I say to him, semper fi.

On that note, I yield to Senator JOHN KERRY.

Mr. KERRY addressed the Chair. The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. CHAFEE. I yield the distinguished ranking member.

Mr. President, I appreciate the hard work and the thinking that went into the so-called centrist approach. I would like to associate myself with that thinking and with the reasonableness that I think guides most of their actions.

But may I say, respectfully, that something is in the air in Washington that I think is clouding people's thinking a little bit, about where we are on the whole tax bill.

I am all for giving a tax cut when you have the money to give as a tax cut. But everybody here understands...
some plain truths. Notwithstanding those plain truths, the Senate has in front of it a $792 billion tax cut.

A moment ago we were talking about a $500 billion tax cut. The fact is that most of the analysis that is reasonable, discernible, it is certainly possible to do in the in-the-sky sort of dreaming about the future—suggests we have nothing near a $1 trillion, let alone a $3 trillion, surplus.

Everyone here has accepted the fact that a $2 trillion is going to go to go down the debt and protect Social Security, and, indeed, a little bit for Medicare, hopefully. But that set aside, whatever prospect there is for a surplus is outside of that $2 trillion. The problem is that the hard reality already tells us an entirely different story from that which Senators are acting on in voting on the size of the tax cut on which we are voting.

We are already breaking the caps. There are appropriations bills that every budget that are being marked up in a fictitious manner with an understanding that come September or October there is going to be an agreement to change the caps because you cannot meet the appropriations bills without changing the caps.

We are already $30 billion-some over the caps. We are doing it with the fiction of emergency spending. We are calling the census an emergency spending.

Everybody knows these games are being played right now. Nevertheless, the Senate is poised to act on this fictitious surplus.

I do not know one Senator who has gone back to their constituents and said: We're going to cut veterans' benefits. We're going to cut highways. We're going to cut border guards. We're going to cut the Coast Guard. Nobody is saying we are going to cut these things. But there is one plausible reality of this budget is that unless you increase the spending of discretionary by something reflecting inflation, you are going to cut.

I heard the Senator from Indiana say: What is it that says we're going to go out into the future increasing these budget accounts by inflation? The fact is, we have done it every year. We do that. That is what happens. It gets more expensive.

The Government isn't somehow exempt from the inflation figures and factors to which the rest of the economy is subject. Prices go up. Costs of contracts for the Government go up. Fuel costs go up. Insurance—whatever it is. The fact is, we are already now what is happening to medical costs in the country. Yet everyone knows we are not sufficiently laying out the amount of money that it is going to cost the Government to do its business. Not withstanding that, we are poised to carve to tax to increase a percentage of give-back that predicates that if you go down that road and you free Government at the level that the figures are based on, you are going to have a 38-percent cut, or so, in all of the discretionary budget.

Tell me the year in which we have not increased defense spending. Tell me the year, particularly, that the major-inflation—and no one here has said to America they are going to reduce those accounts across the board by X percentage—you are going to spend an additional $595 billion. So you have to subtract that $595 billion from the so-called $1 trillion that has been set aside from the $3 trillion because we are protecting Social Security with $2 trillion.

That leaves about $400 billion. But every year we have had an average of $50 billion of the people suggesting there are going to be no emergencies next year, even though every year we have had a budget there has been an emergency expenditure? Just taking the average of $50 billion, you will have absolutely predictable, and additional $31 billion in Social Security Administration costs. Those aren't counted into the Republican bill. You will have absolutely $178 billion of additional interest rates because of the money you are paying down on the debt. You will have to pay that interest. That is not calculated. That is an additional $178 billion. That leaves us conceivably with this little red block, not a trillion dollars, but this little red block, which might amount to $12 billion or so, depending on what we do for prescription drugs, for Medicare, and a lot of other issues facing America.

The real choice in front of the Senate is considerably different than the fiction we are being fed. I heard the discussion yesterday talk about the reality that we lived through in the 1980s, the creation of fiscal crisis as a means of achieving ideological and political goals. I respectfully suggest that what we are looking at is a form of Stockman 2. That is what is going on. This is Stockman 2. We are going to come in with a tax cut that has no money, that isn't predictable, and we are going to create a new crisis in our Government, where there is going to be a set of choices that a lot of people here will love because we know they hate those particular expenditures. But they are expenditures that time and again, year in and year out, our fellow citizens have said they want us to make. And time and again, the Congress, when it has had that great clash with the President, has capitulated and made them.

So this is a remarkable new kind of thinking, when what we are doing is a mistake, we are going to come in and say we will make it a lesser mistake, but it is still somehow better thinking. So instead of $791 billion, some people would argue we ought to do 500 or 300. The fact is, all of those figures are out of sync with the reality of what we have in front of us.

We don't even show a real budget surplus until the year 2006. In the year 2005, we are going to spend plus some little measure of inflation, the way we have traditionally, you have only $29 billion of surplus by the year 2006. That is the hard reality. I hear my colleagues come to the floor and say: We have the highest measure of taxation against our gross domestic product that we have ever had. What they don't tell you is the reason it is so high is because so many people are caching in on their capital gains. We lowered the capital gains tax. They don't tell you the capital gains tax isn't even counted in the measure of the gross domestic product. So you have a completely artificial set of numbers, when they come in and tell you your tax rate is so.

That is the way it is supposed to work. That is why we have a progressive tax structure. When the economy does brilliantly, you are supposed to give people more money. The Government so that you have the ability to do the things that are important for the long-term of our country.

Recently, I had the pleasure of meeting with a number of high-tech presidents. And to a person, these people, who are fueling the engine of our productivity growth in America and creating the high value-added jobs, will tell you they need an America that has a citizenry that is educated and capable, that depends on investment. You don't measure the debt of this country by the figures that show up on debt. You measure the debt of this country by the people who can't access those high value-added jobs, who don't have child care and the ability to live with clean water and clean air and so forth.

Mr. President, I think we are measuring things backwards, wrong. I think we are on a very dangerous track which will have long-term implications for the full measure of the citizens of our country. I express that concern as we come, sometime, to a vote on this issue.

Mr. MOYNIHAN. Mr. President, Senator Bingaman has an amendment he will offer.

AMENDMENT NO. 1462
(Purpose: To express the sense of the Senate regarding investment in education)
Mr. BINGAMAN. I appreciate the courtesy.
Mr. President, there is an amendment that I believe has been filed. I send it to the desk.

The PRESIDING OFFICIAL. The clerk will report the amendment.

The legislative assistant read as follows.

The Senator from New Mexico [Mr. Bingaman] proposes an amendment numbered 1462.

Mr. BINGAMAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICIAL. Without objection, it is so ordered.
The amendment is as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. SENSE OF THE SENATE REGARDING INVESTMENT IN EDUCATION.

(a) FINDINGS.—The Senate finds the following:

(1) The Republican tax plan requires cuts in discretionary spending of $775,000,000,000 over the next 10 years.

(2) If defense programs are funded at the level requested by the President, funding for domestic programs, including those providing for schools, would have to be cut by at least 38 percent by 2009.

(3) Such cuts in funding for public schools would deny:

(A) Access to critical early education services to 430,000 of the 835,000 young children who would otherwise be served by Head Start in fiscal year 2009.

(B) Services to 9,000,000 children under the program for disadvantaged children under title I of the Elementary and Secondary Education Act of 1965, almost 1⁄2 of those who would otherwise be served.

(C) Access to Reading Excellence programs to 480,000 children, making those children less likely to reach the goal of being able to read by the third grade.

(D) The opportunity to learn in smaller classes in the earlier grades to 1,000,000 children.

(4) If discretionary cuts are applied across the board, funding under the Individuals With Disabilities Education Act (IDEA) would be cut by $3,400,000,000 by the year 2009, resulting in a reduction in the Federal share of funding, rather than the increase in funding requested by school boards and administrators across the Nation.

(B) The Pell grant, which benefits nearly 4,000,000 students, would have the maximum grant level reduced to $2,175, from the current level of $3,850.

(7) Such a level in Pell grants would be the lowest level since 1997, and would deny low and middle income students critical financial aid, increasing the cost of attending college.

(8) Nearly 500,000 students would be denied the opportunity to work their way through college with the help of the work-study program.

(9) Nearly 500,000 disadvantaged students would be denied extra help in preparing for college through the TRIO and Gear-up programs.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that:

(1) If discretionary cuts are applied across the board, it would result in very substantial reductions in current educational programs.

(2) If defense programs are funded at the level requested by the President, funding for domestic programs, including special education, Pell grants, and Head Start, and to fully fund the class size initiatives included in IDEA special education, Pell grant, and Head Start, and to fully fund the class size initiative.

Mr. BINGAMAN. Mr. President, this amendment has a very simple purpose. The purpose is to protect the current investment that we are making in education.

The amendment seeks to decrease the tax breaks that disproportionately benefit upper-income taxpayers in order to maintain the current level of funding for education with an increase, a small increase for inflation. If the Republican tax bill we are considering is accepted as written, Congress must cut discretionary spending by more than $775 billion over the next 10 years. When we say discretionary spending, of course, we are talking about domestic discretionary spending, which includes education, and we are also talking about national defense, what we spend on our military.

If we say the portion of discretionary spending that is spent on our military is likely to be funded at the level requested by the Joint Chiefs of Staff, in effect, what we are doing is, we are likely to do better than the Joint Chiefs' request—then domestic programs have to be cut 38 percent. By those "domestic programs," in this amendment I am talking about education. If these cuts are spread across the board, it would result in very substantial reductions in current educational programs.

Let me show to my colleagues a chart that tries to make the point. I think it makes the point very well. It shows with this red line, starting in the year 2000 and going to the year 2009, we are spending nearly $34 billion on education in the Federal budget. That includes what we spend on education through the Education Department but also the Head Start. We have included Head Start because we consider that a program that assists greatly in preparing students for school. So we are spending a little below $34 billion this year.

If you take the Republican plan, as I understand it, and take the logical assumption that we are going to have the kind of cut in domestic programs we have to have in order to get enough room for this size tax cut, then you see that what from $34 billion down to a little over $19 billion by the year 2009.

An education freeze, of course, would keep it right at 34 billion, but that would not make any provision for inflation. What we are doing in this amendment is the Senate should go on record as requesting that the tax cut be reduced by $32 billion so that we have room not only to maintain Federal funding for education where it is today but also to allow it to increase as inflation increases.

The Senator from Massachusetts made a very good point a few minutes ago: The cost of buying services, of paying utility bills, of doing everything goes up for the government as it does for everyone else. It certainly goes up for the schools.

Now, we have not built into this amendment, I should point out, any provision for the fact that we are going to have tens and hundreds of thousands of new children coming into our school system in the next 10 years, and we are not proposing increases in education funding to account for that. We should be, quite frankly, but we are not. We are also not proposing increases for any new education programs that have been added to the tax code. As my colleagues' testimony, as I am sure all of my colleagues have, and he says: Start no new spending and cut no taxes. That is his basic position, to let the surpluses run and let's get our fiscal house in order.

I don't agree with that position. I believe there are some areas in our Federal budget where we should increase spending. Education is the first priority. I see it. But if we take the Republican plan as it is proposed, it would mean that 430,000 of the 835,000 children who would otherwise be served by the Head Start program would lose services by the time we get to the year 2009. It would mean that more than 5.9 million of the 14.6 million children who live in high-poverty communities would lose essential education services under title I. The title I program is the largest education program we fund here in Washington. It would mean that 480,000 of the 1 million students who currently are served by the Reading Excellence Program would lose the opportunity to learn and to have that additional help by the time we get to the 10th year of the Tax Code.

Pell grants, which currently benefit nearly 4 million students—if we assume we are going to continue to provide a grant to 4 million students, then you have to slash that from $3,850 per year, which is today's level, down to $2,175 by the year 2009. Nearly 500,000 disadvantaged students would also lose that extra help.

In my home State, these statistics could be brought down to a very concerning level. One example is Head Start. We have about 8,000 young people in our Head Start Program in my State today, which is about half of what we should have; that is, half of those who are eligible. We would have to lose about 3,000 fewer if this tax bill were agreed to.

I hope very much that we can get a strong vote of support. I believe the American people do not want to see a Republican tax bill adopted at the expense of continued support for education as we go into this new century. Everyone realizes that our future depends upon how well we can prepare young people for the opportunities they will have in the 21st Century. One example is Head Start. We have about 8,000 young people in our Head Start Program in my State today, which is about half of what we should have; that is, half of those who are eligible. We would have to lose about 3,000 fewer if this tax bill were agreed to.

Before I yield to the floor to my colleagues to speak in favor, I hope, of
this amendment, let me also say a couple of words about another motion I am going to propose and which will be voted on when we get into the long list of motions. It is a motion to do something which is very modest, as this amendment is very modest. This is, it only involves $32 billion. We have been talking about trillions for the last 2 days. This other motion would be to have the bill go back to the Finance Committee with instructions to report back with an amendment providing that at least $100 billion be applied to debt reduction. That is a small thing to ask. I think of it more as a tithe than anything else.

If we are talking about nearly $800 billion in tax reduction over the 10 years, we ought to say let's go back and at least take $100 billion of that, which is surplus that we can anticipate, and commit that to debt reduction. That will be another item that I believe is very meritorious. I think all Senators will support it. I think it is the responsible thing to do. I do it because, in my State, whereas there is disagreement about new spending programs and whether we should fund those or not, there is disagreement about a lot of other items we are debating. There is a strong consensus that we need to make a downpayment on debt reduction as part of this reconciliation bill. This reconciliation bill is a blueprint for where we intend to go in the next 10 years.

I hope the blueprint we finally adopt shows that we intend to maintain funding for education, at least at current levels. I will be arguing each year I serve that we have to maintain increasing funding for education, not cutting. We should at least maintain the current level. I also hope we will adopt a roadmap for the next 10 years that contemplates substantial debt reduction. I propose this other motion, which we will vote on later in the debate, on that subject.

I see I have some colleagues who wish to speak. I know the Senator from Maryland does. Let me yield her 10 minutes to speak on this, or the bill, whichever she prefers.

The PRESIDING OFFICER. The Senator from Maryland is recognized.

Ms. MIKULSKI. I thank the Chair, and I thank the Senator from New Mexico.

Mr. REID. Will the Senator yield for a unanimous consent request?

Ms. MIKULSKI. Yes.

Mr. REID. Mr. President, it has been cleared, as I understand it, on the Republican side and over here that all votes will occur when all time has been used on whatever amendments have been offered up to that time.

Mr. REID. Mr President, it was brought up to me, but we haven't had a chance to get it cleared.

Mr. REID. Mr President, perhaps we will offer the request in a few minutes.

The PRESIDING OFFICER. The Senator from Maryland.

Ms. MIKULSKI. Mr. President, later today Senator JOHN KERRY, Senator ROCKEFELLER and I will make a motion which protects our senior citizens in the wake of the Balanced Budget Act of 1997. I would like to talk about this but I also rise to support the amendment offered by the Senator from New Mexico. Senator Sarbanes' approach, his amendment is well thought out. It brings intellectual rigor, sound public policy, and responsible fiscal policy to this debate, and really meets a compelling human need.

How I wish the rest of this debate reflected the Bingaman amendment, because I believe we have embarked upon a debate on these tax cuts which are, indeed, reckless. I believe the other party is practicing very reckless economics. First of all, we don't really have a surplus; we have a promissory note of a surplus. No. 2, we are looking at an area where we are not sure what the projections will be, and we need to be prudent. Therefore, we should use the taxpayers' dollars to meet compelling human needs, and stay the course in terms of our research and development.

While we are in the midst of debating boated tax cuts, we have marines who are on food stamps. I don't see how we can say we have this large commitment, do a tax cut, and have marines on food stamps. The marines say "semper fi"—"always faithful." They are faithful to the United States and we have to be always faithful to the Marine Corps and to the military. Correct?

Right over there in Quantico, they are getting food stamps and they run consignment shops. That is not right.

The Senator from New Mexico offers this excellent amendment that says: Stay the course on education.

When I travel in my own State, people don't come up to me and say: I have a marriage penalty. They say: I am married, I have children, and I want them to have the same kind of good education that you receive in the military. I make sure we have good public schools, well-trained teachers, and structured a ferschool activities. That is what the Bingaman amendment does—it lets reserve funds stay the course for our children.

While we are looking at Senator Bingaman's amendment, there is another compelling human need that needs to be addressed. We have to reserve certain funds to correct the draconian effects of the Balanced Budget Act of 1997. The motion that I am cosponsoring will provide $20 billion to fix many of the problems in Medicare reimbursement. My colleagues might recall that in 1997 we passed a Balanced Budget Act. We were going to save money on Medicare. But we went too far in our cuts. HCFA went too far in its regulations. Guess where we find ourselves? In my own home State, 34 home health care agencies have closed. I have 10 public home health agencies primarily in rural counties. They were trying to treat snowmobilers to treat home-bound patients, and eight have closed because of the budget cuts. There is a terrible problem, and we need to go back and correct the draconian cuts of the Balanced Budget Act of 1997.

We also have a situation where we have skilled nursing facilities that are teeter-tottering on closing. Some may say: Oh that is all in making industry. Stella Morris isn't profit making. Hebrew Home isn't profit making. But I will tell you they will now have to find funds through private, philanthropic dollars even though the Government should be providing funds. In the States of New Mexico and New Mexico State who are being turned away from nursing homes because they are so sick, they have such complicated illnesses, that the nursing home can't take them because of the skimpy, spartan reimbursement policies that are the result of the Balanced Budget Act of 1997.

Some of those spartan reimbursements went to Medicare HMOs. I always thought that Medicare HMOs for the cost. But on a spartan reimbursement because our old-timers are sick. They need complicated prescription drugs. I thought that these HMOs that were essentially making a profit may have some problems. However, these HMOs provide seniors with extra health benefits that they cannot get in regular Medicare, oftentimes for no extra money.

Now, I will tell you that the non-profit HMO in my own State—Blue Cross Blue Shield— is pulling out of 17 rural counties in my State, as of 3 weeks ago in 17 counties, and 18,000 people will lose their Medicare Choice HMO. Why? Because Blue Cross Blue Shield is losing $5 million, and they can't afford to provide services.

Dear colleagues, I ask you to reexamine the premise under which we are operating.

No. 1, the surplus is not yet available. It is a promissory note. Let us use these surpluses to meet compelling human needs. Let us meet our national security responsibility and stay the course in research and development.

Let's support the Bingaman amendment on education. Let's deal with the issues that came from the Balanced Budget Act of 1997. Let's make sure our marines aren't on food stamps.

Let's make sure that those on food stamps and their children have access to public education so that in the next generation they won't have to be on food stamps.

Then we truly have been responsible. We are then getting our country ready for the millennium.

I wish to say one final word in closing. I thank the Senator from New Mexico for his strong advocacy for veterans, and particularly for veterans with disabilities. The Senator knows that we have an 18-month backlog. He has spoken to me about this.

In the States of New Mexico and New Mexico State, they have billboards complaining about the VA backlog.

I bring to the Senator's attention that in VA-HUD appropriations, we...
have under this budget allocation a 10-percent cut. We will not be able to deal with that backlog.

In fact, while we are opening tax loopholes, we might even be closing veteran hospitals.

I yield the floor to Senator BINGAMAN.

Thank you, Mr. President.

Mr. BINGAMAN. Mr. President, I thank the Senator from Maryland for her very insightful words and her kind comments about me but also for her leadership on these key issues. The $3 trillion-dollar surplus is that we will live within these caps. You can see from Senator BINGAMAN’s statement that if we do not do our investment, education will collapse. We will find ourselves underinvesting in education as we have in so many other programs.

The reality is, as was suggested before, that if we, in fact, simply fund the President’s proposal by the year 2009, we will be spending 38 percent in domestic discretionary spending. There is no way that we can do that. Frankly, the political reality is that there is no way we will save $3 trillion.

We have to recognize that we will be investing in these programs. We have to recognize, as Senator BINGAMAN has said, that one of our first priorities is to continue to invest in education.

Looking at these Republican proposals, the one that happened in the early 1980s. George Bush, when he was campaigning against President Reagan, described his economics as “voodoo economics.” It turned our supply-side theories of cutting taxes will stimulate the economy, pay for themselves, and lead to surpluses proved dangerously in error during the 1980s.

Perhaps what we are talking about today when we look at these Republican proposals is “deja‘ voodoo economics.” The theory is that we will return to the same kind of deficits, the same kind of economic instability that plagued us through the late 1980s and into the early 1990s until we did take some difficult votes. What Senator BINGAMAN is saying is let’s recognize the reality. Let’s recognize that we have to fund educational programs at least at the level of inflation. If we do that, we will have to invest at least about $132 billion.

That is what we should be doing. If we don’t do that, we are going to lose out tremendously in the title I programs—a Federal program that provides assistance and support for low-income areas. We understand the crisis in urban and rural education that this money is so effective in dealing with. Without it, urban systems and rural systems would be situated even worse. Without it, we would be fostering and contributing to two separate and terribly unequal societies. We have to keep our commitment to these young people.

We would also lose opportunities to reform education, for professional development programs, for opportunities to have smaller class sizes, for opportunities to go ahead and fix crumbling school buildings throughout the country. We would do something that all Members say we would never want to do, and that is renege once again on our commitment to special education.

I don’t know how many times I have been on the floor listening particularly to my colleagues on the other side who have been talking about how we will have to put more money into IDEA, the individuals with Disability Education Act, how we have imposed programs on localities promising robust spending, and we have never delivered. If we have not delivered on IDEA yet, if these tax proposals pass, we have a chance to deliver on our contribution to local school systems.

When we move to the area of higher education and Pell grants, work-study programs, the new LEAP program, which is an outgrowth of the State Student Center Grant Program, all of these provide opportunities for Americans to educate themselves beyond high school. We all recognize that might be the most critical issue we face as a nation—how do we enable citizens to assume the challenges of the next century.

Yet we dramatically cut these programs, denying opportunities to thousands and thousands of Americans. We have been on the floor listening particularly to my colleagues on the other side who are talking about how these Republican proposals pass, we will never have a chance to deliver on our commitment to higher education.

I commend and thank the Senator from New Mexico for his efforts and for his persistence.

I yield the floor.

Mr. WELLSTONE. Mr. President, I want to speak briefly about my support for Senator BINGAMAN’s amendment, which is a part of several of the Republican cuts in several key education programs. There is nothing more important to me than doing the absolute best I can—and encouraging
my colleagues on both sides of the aisle to do the same—to push, push as hard as we possibly can to re-order our spending priorities so that they better reflect the real concerns and circumstances of the lives of those whom we represent who are trying to raise and educate their kids, or send them to college.

Our goal should be to approve a tax plan that will send a clear, unmistakable message that this Congress cares about the fact that this Congress wants to ensure that children come to school prepared to learn and are given every possible opportunity to grow, to succeed, to excel. It is time to end photo op politics. It is easy for all of us to get our pictures taken with young children at schools, but the question is, have we done enough? The answer: we have not. I believe my colleagues’ proposal, modest as it is, moves us in the right direction. I know there are technical reasons why we couldn’t directly transfer funding for this year in the amendment—an approach which I wanted to take—but at least this amendment sends the right signal regarding a re-ordering of our priorities.

I consider this a matter of national security issue, a national priority. Making sure that the young are ready to learn is good for our democracy, or economy, and our national defense. It is our responsibility to make sure that teachers are qualified and equipped with the right tools, and that the opportunities for learning will be there in the afternoons long after the last class has been dismissed. I cannot say forcefully enough: this must be accomplished not at the expense or detriment of our children but to their collective advantage.

I’m behind the proposal to shift these excessive tax breaks to a plan that would fully fund the initiative to hire 100,000 new teachers to reduce class sizes. It’s no mystery that smaller class sizes translate into greater opportunities for children to get more individualized attention.

We’ve heard that the size of the Republican tax bill is such that it will require significant cuts in crucial education programs. We’ve heard that if defense is funded at the level requested by the president, we should anticipate at 38 percent ($180 billion) cut in domestic spending. That is the worst possible news for the millions of people who rely on vital initiatives like Title I, Head Start, and the Reading Excellence program. Absolutely ludicrous.

For instance, under this proposal: Nearly 6 million disadvantaged children would lose Title I services that help them meet basic academic needs; 270,000 summer jobs and training opportunities would be eliminated for low-income young people; 350,000 children would be cut from Head Start services that help them come to school ready-to-learn; and 549,000 children would be cut from the Reading Excellence program, denying them the extra help they need to read well by the 4th grade. Mr. President, allow me to share some examples from my own experience. Minnesota, like most states, receives only a portion of the Title I funding it needs as is. Our current allocation is about $88 million. If fully funded, we would receive approximately a quarter-billion dollars and over a hundred million additional dollars for concentration grants, according to the Department of Children, Families and Learning. Well, I suppose that’s a start. A cut of even half a percent on a program like Title I would be disastrous. But I can see it coming.

One-fourth of Minnesota’s Title I dollars goes to only two cities, either to Minneapolis or St. Paul, because both cities have high concentrations of poverty. How can we expect to eliminate the learning gaps among our children when so many others are left without opportunities?

Right now elementary and secondary education receive on average about eight percent of its funding from the federal government. It is imperative that we take bold steps to pass a tax measure that will, at the absolute least, serve to move us closer to providing the resources so badly needed in so many areas of education. But it seems clear we will not do that here.

Another area is a vital component of our national infrastructure is our schools. That is why I am an original cosponsor of Senator Robb’s school modernization effort that we will hear more about later. I think it too is a step in the right direction and I honestly believe it’s another sure way to say to our kids, “You matter. Your schools matter. Your future matters.” In Minnesota alone, there is a one-point-five billion dollar unmet need for school construction. Our average school is over 30 years old. Eighty-five percent of Minnesota schools report a need to upgrade or rebuild their building just to achieve “good” overall condition. Sixty-six percent report at least one unsatisfactory environmental factor like air quality, ventilation, acoustics, heating, or lighting.

My staff and I have visited nearly a hundred schools over the past eight months and we’ve heard stories of pathetic conditions throughout the state. I know many of you have heard these stories in your own states. In my state, for example, Two Harbors High School, which is on the north shore of Lake Superior is representative. Two Harbors is a thriving community, but each day its students must enter a facility that can’t meet some of their most basic educational needs. Three separate studies were conducted to assess Two Harbors’ facilities. The studies identified twenty-seven critical needs that are immediately necessary in ways of our schools. The original facility is sixty years old. The facility does not comply with the Americans with Disabilities Act. There are no teacher offices. The school does not permit the separation of middle level and senior high school level students. The list is extensive. I know we’ve heard it all before—the crumbling schools, the lousy physical environments, and the resulting distractions that once again detract from our children’s ability to learn. The question is “When are we going to wake up and actually do something about it?”

Mr. President, could go on but the time for talk is long past. The time to move and to move deftly is at hand. My colleagues’ proposal urges a major transfer of funding that goes straight to the heart of where our priorities ought to be. It calls for a real investment in real people, people who truly deserve it. Smaller class sizes. Access to quality education at an early age. A fairer share for individuals with disabilities. Help for low and middle income students who deserve every opportunity to attend college.

These are some of the most fundamental elements in a strong education system that values all its children, leaving none of them behind. What is the Republican alternative? Denying children access to the very things that would prepare them for healthy, happy, productive lives in the 21st century. I urge my colleagues to support this amendment.
IDEA by $3.4 billion, resulting in a reduction in the federal share of the funding, rather than the increase requested by school boards and administrators across the country.

The Republican assault on education does nothing for young children—it affects college students, too. It makes college less affordable for nearly 4 million low- and middle-income students—by slashing the maximum Pell grant to $2,175, the lowest level since 1967. It denies $300,000 students the opportunity to work their way through college.

Education for the nation's children must be a higher priority than tax breaks for the rich. The American people tell us that improving public schools is one of their top priorities. They support reducing class sizes. They support after-school programs to help children learn, and to reduce juvenile crime. They agree that every classroom should have a well-qualified teacher, and that technology should be part of the classroom.

They believe that all children should have the opportunity to meet high standards of achievement. They want us to make college more accessible and affordable. Instead of offering new tax breaks for the wealthy, Congress should be addressing the priority education needs of children and families across the country—and help all children get a good education.

Overcrowded classrooms undermine discipline and decrease student morale. Students in small classes in the early grades make more rapid progress than students in larger classes. The benefits are greatest for low-achieving, minority, and low-income children. Smaller classes also enable teachers to identify and work effectively with students who have learning disabilities, and reduce the need for special education in later grades.

The nation's students deserve modern schools with world-class teachers. But too many students in too many schools in too many communities across the country fail to achieve that standard. The latest international survey of math and science achievement confirms the urgent need to raise standards of performance for schools, teachers, and students alike. It is shameful that America's twelfth graders ranked among the lowest of the 22 nations participating in the international survey of math and science.

The teacher shortage has forced many school districts to hire uncertified teachers, or ask certified teachers to teach outside their area of expertise. Each year, more than 50,000 under-prepared teachers enter the classroom. One in four new teachers does not meet state certification requirements. Twelve percent of new teachers have had no teacher training at all. Students in inner-city schools have only 50% chance of being taught by a qualified science or math teacher. In Massachusetts, 30% of teachers in high-poverty schools do not even have a minor degree in their field.

Another high priority is to meet the need for more after-school activities. Each day, 5 million children, many as young as 8 or 9 years old, are left home alone after school. Juvenile delinquency peaks in the hours between 3 p.m. and 6 p.m. and, as supervised are more likely to be involved in anti-social activities and destructive patterns of behavior. We need to do more—not less—to meet workers' needs for additional job training opportunities, and to meet families' needs for affordable college education. The nation's workers require strong skills to compete in the new global economy. According to the Bureau of Labor Statistics, 42 percent of all jobs created between 1996-2006 will require education beyond high school.

Education is the key to future earning power. A college graduate earns almost twice as much as a high school graduate. By three early years, they are three times what a high school dropout earns.

Those who complete a post-secondary vocational degree or certificate are more likely to find those who do not pursue post-secondary education. But the average student debt is skyrocketing. In 1989-90, the average debt for undergraduates who borrowed was almost $10,000, an increase of 44 percent just since 1990-91. For graduates of four-year schools, the average debt was $12,000. In the 1990s, students have borrowed more in student loans than in the three preceding decades combined.

The time is now to do all we can to improve education across the country. The time is now to meet our commitment to help communities reduce class size, so that students get the individual attention they need.

The time is now to expand support for IDEA, so that more children with disabilities receive a high-quality education. The time is now to provide greater resources to modernize and expand schools to meet the urgent need for up-to-date facilities.

The time is now to expand support for IDEA, so that more children with disabilities receive a high-quality education. The time is now to provide better training for current and new teachers, so that they are well-prepared to teach high standards.

The time is now to increase funding for critical programs to raise academic standards for all children.

The time is now to make college and job training more accessible and affordable for all students.

I urge my colleagues to support Senator Bingaman's Sense of the Senate commitment to support increased funding for education. Now is the time to do what it takes to give every child a good education.

Mr. President, I yield to the Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I rise in strong opposition to the Bingaman amendment. As I read the amendment, it suggests we shift $132 billion from tax breaks that disproportionately benefit upper-income taxpayers to sustain our investment in public education and prepare children for the 21st century, including our investment in progress such as IDEA, education, Pell grant, Head Start, and to fully fund the class size initiative.

I will comment on every aspect of that particular statement. This amendment presents a false choice. It suggests to my colleagues that the American people Members either have to be for tax relief for the American people or to be for public education, but Members can't be for both. If Members really support public education, then they will want to shift $132 billion out of the suggested tax relief and put it into various aspects of public education. That is a false choice.

It proves one thing conclusively, the concern many Members have had as we have argued on the other side as they repeatedly say: We shouldn't give tax relief to the American people because we need to pay down the national debt.

If we do not pass the $792 billion tax relief, that money will not go to paying down the national debt. It will, as already suggested in the speeches on the other side in the last few minutes, immediately go into more spending.

IDEA funding is an important issue for school districts across the Nation. It is important in Arkansas but not an issue to be addressed by reducing the amount of hard-earned dollars that are returned to American taxpayers.

In addition, the Class Size Reduction Program is only in its first year. It has not even been authorized. It was first included in last year's omnibus appropriations bill and is being considered during this year's reauthorization of the Elementary and Secondary Education Act. That is where it should be considered. We should not be setting aside funds for a program that has not been authorized and has, quite frankly, done very little right now in reducing class size across the country.

The Class Size Reduction Program already forces too many regulations on school districts. Many States have already implemented class size reduction programs at a level of 19 or 20 students per year. The Federal class size program mandates a ratio of 18 to 20 students which is not the same as the one that States have chosen not to participate in the Class Size Reduction Program because of the excessive regulations that


Before we set aside Federal funds for the Elementary and Secondary Education Act, we have spent months conducting hearings to learn about the problems of our public schools. I support increased funding for IDEA. I believe that the appropriate place for class size reduction and many of these other education issues to be addressed properly is in the President's Class Size Reduction Program.

Class size reduction has not proven to be effective unless class size is significantly reduced to 12 or 13 students, which is not even envisioned in the President's Class Size Reduction Program. This proposal will reduce the lowest personal income tax rate, the lowest rate, from 15 percent to 14 percent, beginning in 2001 and then would gradually expand to 7 percent to 14 percent and expanding the bracket will benefit 61 percent of the poorest people in Arkansas. So, in all honesty, let's tell the American people the truth. This is not a tax break for the wealthy. It is a tax break for hard-working Americans who are paying far more than they should be in taxes. Under the Clinton administration, taxes have risen to the highest level in peacetime, a level of 21 percent of GDP—21 percent. In my home State of Arkansas, that amount translates into $7,352 in taxes per capita in 1998. I plead with my colleagues, let us not agree to this amendment. Let us not begin to dilute that which is already far too little relief for hard-working Americans who have a difficult enough time making ends meet each month. Oh, we can talk about wonderful Federal programs to benefit people, and they do. But if we start down that road, there is no stopping point. Let's take more of the $800 billion tax cut and let's spend it on this program and this program and this program because, after all, don't we know best what needs to be in the nation and it is the wrong way to go. In the $3 trillion surplus, $13 to $14 billion can be found to fully fund IDEA without taking it away from tax relief for the American people, it is the wrong way to go. In the $3 trillion surplus, $13 to $14 billion can be found to fully fund IDEA without taking it away from tax relief for the American people. IDEA is currently funded at $4.3 billion, which is about 10 percent of the cost of educating special education students. Therefore, about $17 billion would be needed to meet the federally-authorized commitment of 40 percent. That works out to an appropriation of an additional $13 billion to fully fund IDEA. I suggest to my colleagues, that $13 billion can certainly be found in the projected $3 trillion surplus for this obligation over the next 10 years.

This is a wrongheaded amendment, and it is the wrong place to do this. But it certainly proves that this $792 billion will not go to debt reduction. It will go to extensive additional spending programs. I could not vote for this proposed amendment of the distinguished Senator from New Mexico, apart from the $132 billion that it suggests we take away from tax relief, because it improperly characterizes the Republican tax relief package by saying it disproportionately benefits upper-income taxpayers. I suggest this is one of the great myths being perpetuated about Senator Roth's tax relief package that has been produced by the Finance Committee. This proposal will reduce the lowest personal income tax rate, the lowest rate, from 15 percent to 14 percent, beginning in 2001 and then would gradually expand to 7 percent to 14 percent and expanding the bracket will benefit 61 percent of the poorest people in Arkansas. So, in all honesty, let's tell the American people the truth. This is not a tax break for the wealthy. It is a tax break for hard-working Americans who are paying far more than they should be in taxes. Under the Clinton administration, taxes have risen to the highest level in peacetime, a level of 21 percent of GDP—21 percent. In my home State of Arkansas, that amount translates into $7,352 in taxes per capita in 1998. I plead with my colleagues, let us not agree to this amendment. Let us not begin to dilute that which is already far too little relief for hard-working Americans who have a difficult enough time making ends meet each month. Oh, we can talk about wonderful Federal programs to benefit people, and they do. But if we start down that road, there is no stopping point. Let's take more of the $800 billion tax cut and let's spend it on this program and this program and this program because, after all, don't we know best what needs to be in the nation and it is the wrong way to go. In the $3 trillion surplus, $13 to $14 billion can be found to fully fund IDEA without taking it away from tax relief for the American people, it is the wrong place to do this. But it certainly proves that this $792 billion will not go to debt reduction. It will go to extensive additional spending programs.

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of where we are with respect to Medicare. There is an amendment Senators Rockefeller, Mikulski, I, and others have introduced to ask the Finance Committee to go back and set aside $20 billion, about 3 percent of the total size of the budget in order to guarantee that we will undo the damage the Balanced Budget Act is currently doing to America’s health care system. Today, despite the fact that we have a remarkable economy, there are 43 million individuals in our Nation who do not have health care. I am afraid 1 out of every 2 Americans. Experts anticipate that is going to increase by 1.5 million per year.

For the uninsured, academic health centers, the teaching hospitals of our country, have created an enormous safety net. Teaching hospitals have stood by to ensure there is care available to everyone in our country when it is absolutely needed. Today, at a time when teaching hospitals are more important than ever before, the combination of cost containment measures imposed by managed care and the effects of the Balanced Budget Act in reducing Medicare payments has literally made the future of our Nation’s academic medical centers unclear.

I would like my colleagues to think about the impact of what is happening today because of the reduction of Medicare reimbursements. At the Medical College of Georgia in Augusta, the trauma center, the State University system’s medical school, officials are now raising room fees by an average of 28 percent and they are increasing the cost of lab tests and other services by 10 percent.

In Tennessee, Vanderbilt University recently decided it can no longer accept Medicare patients from outside the State.

In March, Massachusetts General Hospital eliminated 130 positions and raised patient fees. In New York City, which has the Nation’s largest concentration of teaching hospitals, city hospitals have cut their staffs by 10 percent since 1993.

In California, Medicare cuts are largely to blame for the loss of over 1,250 jobs at the USF, Stanford Health Care Network.

In May, the University of Pennsylvania health system announced it was going to lay off 450 people, 9 percent of its total health care workforce. Detroit’s hospitals have eliminated 4,500 jobs since January, but as my colleagues will tell you, the problems associated with the Balanced Budget Act are not unique to hospitals. In Massachusetts, as of mid-June, 20 home health care agencies have closed since late 1997.

The administration may be busy sort of brushing off some of this as the simple corrections of market inefficiencies, but I could not disagree more, and I think many of my colleagues would disagree with that.

I do not direct my colleagues’ attention to statistics to debate the bottom line for health care providers. This has never been a debate about the interest of hospitals or nursing homes. It is a debate about the fact that if we do not act, we will further reduce the access to quality care so critical for our Nation’s elderly, our Nation’s poor, and for our Nation’s rural communities. It means something to real people. In Massachusetts alone, in South Shore, in the last two years the South Shore Hospital has had to lay off close to 50 percent of their nursing staff; they have had to close their satellite offices, and their budget is more than 40 percent less than they require just to meet the needs of elderly and disabled patients. Who suffers as a result of that?

Let me share with you a real elderly couple, a man and a woman with heart disease, lung disease, asthma, and hypertension. The wife of this gentleman has heart disease. They are 89 and 90 years old and one of their greatest hopes has been to live together in the home they saved for years to buy, living as independently as they can in old age. They have been able to do it with the help of a visiting nurse from the South Shore Hospital. But now that is gone. Now, because the services are being cut because the Medicare reimbursements are so low, the impact is that those people can no longer continue to do it.

I recently received a letter from another constituent named Harlan Smith. He says the following:

Dear Senator Kerry: My 80-year-old father was discharged from my hospital to his home on Friday afternoon, and we are meeting with home health care nurses and physical therapists today to plan a strategy for my 80-year-old mother and us to manage him at home. This is ironic since the cuts from the Balanced Budget Act have caused my hospital to cut services to the point where my mother and family now have to hire the required help privately.

They cannot afford it.

These days, that story is repeated in countless communities across the country. When the Balanced Budget Act of 1997 was passed, the Congressional Budget Office projected the 335 provisions of the law were going to cut Medicare payments by $103 billion over 5 years. But today, CBO estimates that Medicare spending is going to drop $205 billion a 100 percent increase over what the expectations were supposed to be.

The projected net on-budget surplus for fiscal years 1998 through 2002 is $100 billion. You are seeing the surplus we will have in the country is basically going to come out of the hides of elderly infirm patients, people who cannot afford it, hospitals that are being forced to close, and medical care that is being cut.

When the Balanced Budget Act passed, total Medicare spending inflation was expected to drop from almost 10 percent in 1997 to approximately 5 percent in the outyears. But in April, the Treasury Department reported that total Medicare spending in the first half of the year had fallen by over 2 percent.

In 1999 alone, the BBA was projected to cut Medicare spending by less than $16 billion. Instead, we anticipate Medicare spending is going to fall by $38 billion in 1999—$22 billion more than was expected. Medicare hospital spending is plummeting, and the quality of care is plummeting with it.

When the Balanced Budget Act passed, CBO had projected a 2.5 percent increase in part A spending, hospital insurance, for 1999. But actually, spending fell almost 5 percent during the first half of the year, and the impact on hospitals is clear.

Total hospital Medicare margins are expected to decline from 4.3 percent in 1997 to only 0.1 percent this year. We have a fundamental crisis. I say to my colleagues on the other side of the aisle, as we are giving back this tax money, we need to consider the impact on our hospitals, on health care, on home health care, and rural communities. I beg my colleagues to try to find the money that is going to save us from the loss of the crown jewels of the American health care system—our teaching hospitals.

Mr. ROTH. Mr. President, I yield 15 minutes off the floor to this distinguished Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. I thank the Chairman. Mr. President, I have sought recognition to talk about my flat tax amendment which will be voted on by the Senate either this evening or tomorrow.

The most dramatic way to show what the flat tax is, is to hold up a postcard which is an income tax return on the flat tax. This postcard will take 15 minutes to fill out. Here is an enlargement of the flat tax which lists the identity of the taxpayer, the total income, the number of dependents, two deductions allowed, mortgage interest up to $100,000, charitable contributions up to $2,500, and then a flat 20 percent tax. It will take 15 minutes on tax simplification to fill out this return.

Contrast that, if you will, with the fact that we have a Tax Code with 7.5 million words; a Pledge of Allegiance which has 31 words; the Gettysburg Address which has 267 words; the Declaration of Independence, about 1,300 words; the Bible with 1,773,000 words; and the U.S. Tax Code with 7.5 million words with the pending legislation, which I have in my hand, which is another thick book of 443 pages to be added.

In offering an amendment on the flat tax, I have no illusion about its passing because the train is in operation to have a tax cut. The flat tax would be a total substitute on a comprehensive tax bill which would do great things for America.

First of all, the flat tax would eliminate double taxation so there would be no tax on estates. They have already
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been taxed; all the money is going into the estate. There would be no tax on dividends; that has all been taxed before it gets into earned surplus. There would be no tax on capital gains; that has already been taxed.

This is a situation for America because it lowers the tax burden on the taxpayers in the lower brackets. For example in the 1998 tax year, the standard deduction is $4,250 for a single taxpayer, $6,250 for a head of household and $7,100 for a married couple filing jointly. There are no personal exemptions for individuals and dependents is $2,700. Thus, under the current tax code, a family of four which does not itemize deductions would pay taxes on all income over $17,900—that is personal exemptions of $10,800 and a standard deduction of $7,100. By contrast, under my flat tax bill, that same family would receive a personal exemption of $27,500, and would pay tax on only income over that amount.

A family with an income with $35,000 in income would owe $2,569 in taxes under current law, but would only owe $1,500 under this flat tax—that is a savings of $1,065. A family of four with $50,000 would have a saving of $752.

What is possible because the tax loopholes enable write-offs to save some $393 billion a year. What is eliminated under the flat tax are the loopholes, the deductions in this complicated code which can be deciphered, interpreted, and found only by the $500-an-hour lawyers. That money is lost to the taxpayers. $120 billion would be saved by the elimination of fraud because of the simplicity of the Tax Code, the taxpayer being able to find out exactly what they owe.

This bill is modeled after legislation organized and written by two very distinguished professors of law from Stanford University, Professor Hall and Professor Rabushka. Their model was first introduced in the Congress in the fall of 1994 by Majority Leader Richard Armey. I introduced the flat tax bill—the first one in the Senate—on March 2, 1995, Senate bill 488. I reintroduced the bill in the 105th Congress, and reintroduced the bill in this Congress on April 15th, 1999—Income tax day—in a bill denominated S. 822.

So the bill has been well thought out, has been well documented, as being revenue neutral by Professors Hall and Rabushka.

My bill has added two deductions—one for interest on home mortgages for borrowing up to $100,000 for middle-income Americans and a deduction for charitable contributions for up to $2,500. These two deductions have been obtained because of the practical impossibility of having a Tax Code which eliminates those two deductions which is really the mainstay of America. But aside from those two modest deductions, it is a flat tax.

One hundred billion has been added on my bill to the Hall-Rabushka formula to accommodate $35 billion in losses due to the home interest deduction and $13 billion in tax losses due to the deduction on interest on charitable contributions. So we have a system which is tax neutral.

Another major advantage of the flat tax is that it would vastly increase productivity because it would no longer be looking to what they could save on tax loopholes. Instead, Americans would be devising their affairs on what would be most productive, because it would not do one any good to construct a tax loophole, diverting a lot of money from their productive effort. The flat tax, the energies of productive Americans would be devoted to what is productive and what can be accomplished.

This model, under Hall-Rabushka, projects that these savings—which would be tremendously increased—would far outweigh the individual taxpayer any of the benefits that they would receive at the present time.

Professors Hall and Rabushka project there would be an increase in the gross national product of some $2 trillion within 7 years, which would be an enormous boon to America.

As I say, this tax bill is well on the road. The train has left the station; and it is to be derailed by any substitute measure. But I do ask my colleagues to seriously consider the flat tax and, if nothing more, to cast a protest vote against the existing Tax Code which has 75 million pages, and the entire tax code would amount to 4,433 pages to that mountainous monstrosity.

The flat tax is enormously popular with the American people. The polls show that 61 percent of Americans favor a flat tax. I can personally attest to the fact that in my open house town meetings, the reference to the flat tax and the display of this postcard tax return is the only applause item in my speech. You might attribute that to the dullness of the speech, but the flat tax is an applause producer.

When people think about the time they spend on their tax returns, and the regulatory system, and the complexity of the tax returns, the fact that Americans spend 5.4 billion hours filling out tax returns, this is an enormously attractive matter.

I do not believe that the Senate has voted on a flat tax proposal yet. We Senators always hear that this group or that group is going to be watching a vote on a flat tax and, if nothing more, to cast a protest vote against the existing Tax Code.

It would be a strong signal to the Ways and Means Committee of the House of Representatives to take a good look at the flat tax.

Because Americans will see that they could fill out their tax return on a postcard, save the laborious hours and the complications and all those letters from the IRA saying, you owe $19.14 cents—which taxpayers like myself would rather pay but you can’t do that; you have to go back through all of your records—the release in productivity, the elimination of the capital gains tax, the estate tax, the tax on dividends, all of which has been discussed.

Mr. SPECTER. Mr. President, I have sought recognition to introduce my flat tax legislation as an amendment to S. 1429, the Tax Reconciliation bill. I reintroduced the flat tax legislation on April 15th, 1999 to provide for a flat 20 percent tax on individuals and businesses. In the 104th Congress, I was the first Senator to introduce flat tax legislation and the first Member of Congress to set forth a deficit-neutral plan for dramatically reforming our nation’s tax code and replacing it with a flatter, fairer plan designed to stimulate economic growth. My flat tax legislation was also the first plan to retain limited deductions for home mortgage interest and charitable contributions.

As I traveled around the country and held town hall meetings across Pennsylvania and other states, the public support for fundamental tax reform has increased dramatically. I would point out in those speeches that I never leave home without two key documents: (1) my copy of the Constitution; and (2) a copy of my 10-line flat tax postcard. I soon realized that I needed more than just one copy of my flat tax postcard—many people wanted their own postcard so that they could see what life in a flat tax world would be like, where tax returns only take 15 minutes to fill out and individual taxpayers are no longer burdened with double taxation on their dividends, interest, capital gains and estates.

Support for the flat tax is growing as more and more Americans embrace the simplicity, fairness and growth potential of a flat tax reform. A flat tax would be a strong signal to the Ways and Means Committee of the House of Representatives to take a good look at the flat tax. People do know what the flat tax is. They do have an idea about it. It is overwhelmingly popular. 61 percent of the public favors it; leaving only 39 percent, most of whom probably do not know about it. Anybody who knows about the flat tax that they would get their tax return done on a postcard in 15 minutes, would be very proud to have his or her Senator vote in favor of this flat tax.

In essence, the flat tax would vastly simplify the code. It would eliminate most of the 117,000 IRS Internal Revenue Service employees, would save most of the $7 billion now spent on the Internal Revenue Service, and would be a very strong signal to the Finance Committee in the Senate to take up the flat tax seriously. That has not been done.

It would be a strong signal to the Ways and Means Committee of the House of Representatives to take a good look at the flat tax.
Forbes opined in a March 27, 1995, Forbes editorial about the tremendous appeal and potency of my flat tax plan. Congress was not immune to public demand for reform. Jack Kemp was appointed to head up the National Commission on Economic Growth and Tax Reform and the Commission soon came out with its report recognizing the value of a fairer, flatter tax code. Mr. Kemp and I have argued for a flatter tax code for years. Mr. Kemp began to embrace similar versions of either a flat tax or a consumption-based tax system.

Unfortunately, the politics of that Presidential campaign denied the flat tax plan a fair hearing and momentum stalled. On October 27, 1995, I introduced a Sense of the Senate Resolution calling on my colleagues to expedite Congressional adoption of a flat tax. The Resolution, which was introduced as an amendment to pending legislation, was rejected.

I reintroduced this legislation in the 105th Congress with slight modifications to reflect inflation-adjusted increases in the personal allowances and dependent allowances. While my flat tax proposal was not adopted at my hometown hall meetings in Pennsylvania, Congress failed to move forward on any tax reform during the 105th Congress. I tried repeatedly to raise the issue with leadership and the Finance Committee to no avail. I think the American people want this debate to move forward and I think the issue of tax reform is ripe for consideration.

In this period of opportunity as we commence the 106th Session of Congress, I am optimistic that public support for tax reform will enable us to move forward and adopt this critically important and necessary legislation.

My flat tax legislation will fundamentally revise the present tax code, with its myriad rates, deductions, and instructions. This legislation would institute a simple, flat 20% tax rate for all individuals and businesses. It will allow all taxpayers to file their April 15 tax returns on a simple 10-line postcard. This proposal is based on three key principles which are critical to an effective and equitable taxation system: simplicity, fairness and economic growth.

Over the years and prior to my legislative efforts on behalf of flat tax reform, I have devoted considerable time and attention to analyzing our nation's tax code and the policies which underlie it. I began the study of the complexities of the tax code 40 years ago as a law student at Yale University. I included some tax law as part of my practice in my early years as an attorney in Philadelphia. In the spring of 1962, I published a law review article in the Villanova Law Review, "Pension and Retirement Plans, Governance and Operation for Closely Held Corporations and Professional Associations." 7 Villanova L. Rev. 335, which in part focused on the inequity in making tax-exempt retirement benefits available to some kinds of businesses but not others. It was apparent then, as it is now, that the very complexities of the Internal Revenue Code could be used to give unfair advantage to some.

Before I introduced the flat tax bill early in the 104th Congress, I had discussions with Congressman Richard Armey, the House Majority Leader, about his flat tax proposal. In fact, I testified with House Majority Leader Richard Armey before the Senate Finance and House Ways & Means Committees, as well as the Joint Economic Committee and the House Small Business Committee on the tremendous benefits of flat tax reform. Since then, and both before and after introducing my original flat tax bill, my staff and I have studied the flat tax at some length, and have engaged in a host of discussions with economists and tax experts, including the staff of the Joint Committee on Taxation, to evaluate the economic feasibility of a flat tax. Based on those discussions, and on the revenue estimates supplied to us, I have concluded that a simple flat tax at a rate of 20 percent on all business and personal income can be enacted without reducing federal revenues.

A flat tax will help reduce the size of government and allow ordinary citizens to have more influence over how their money is spent because they will spend it—not the government. By decreasing strong incentives for savings and investment, the flat tax will have the beneficial result of making available larger pools of capital for expansion of the private sector of the economy—rather than more tax money for big government. This will mean more jobs and, just as important, more higher-paying jobs.

As a matter of federal tax policy, there has been considerable controversy over the Senate breaks should be used to stimulate particular kinds of economic activity, or whether tax policy should be neutral, leaving people to do what they consider best from a purely economic point of view. Our current tax code attempts to use tax policy to direct economic activity. Yet actions under that code have demonstrated that so-called tax breaks are inevitably used as the basis for tax shelters which have no real relation to policies for the activities which the tax laws were meant to promote. Even when the government responds to particular tax shelters with new and often complex revisions of the regulations, clever tax experts are able to stay one or two steps ahead of the IRS bureaucrats by changing the structure of their business transactions and then claiming some legal distinctions between the taxpayer's new approach and the revised IRS regulations and precedents.

Under the massive complexity of the current IRS Code, the battle between $500-an-hour tax lawyers and IRS bureaucrats to open and close loopholes is a battle the government can never win. Under the flat tax bill I offer today, there are no loopholes, and tax avoidance through clever manipulations will become a thing of the past.

The basic model for this legislation comes from a plan proposed by Professors Robert Hall and Alvin Rabushka of the Hoover Institute at Stanford University. Their plan envisioned a flat tax with no deductions whatever. After considerable reflection, I do include in the legislation limited deductions for home mortgage interest for up to $100,000 in borrowing and charitable contributions up to $2,500. While these modifications undercut the pure principle of the flat tax by continuing the use of tax policy to promote home buying and charitable contributions, I believe that those two deductions are so deeply ingrained in the financial planning of American families that they should be retained as a matter of fairness and public policy—and also political practicality. With those two deductions maintained, passage of a modified flat tax is revenue neutrality. Professor Hall advised that the revenue neutrality of the Hall-Rabushka proposal, which uses a 19% rate, is based on a well documented model founded on reliable governmental statistics. My legislation raises that rate from 19% to 20% to accommodate retaining limited home mortgage interest and charitable deductions.

A preliminary estimate in the 104th Congress by the Committee on Joint Taxation places the annual cost of the home interest deduction at $35 billion, and the cost of the charitable deduction at $13 billion. While the revenue calculation is complicated because the Hall-Rabushka proposal encompasses significant revisions to business taxes as well as personal income taxes, there is a sound basis for believing that the increase in rate would pay for the two deductions. Revenue estimates for tax code revisions are difficult to obtain and are, at best, judgment calls based on projections from fact situations with a myriad of assumed variables. It is possible that some modification may be needed at a later date to guarantee revenue neutrality.

This legislation offered today is quite similar to the bill introduced in the House of Representatives early in the 104th Congress by the House Small Business Committee and the House Ways and Means Committee in the Senate late in 1995 by Senator Richard Shelby, which were both in turn modeled after the Hall-Rabushka proposal. The flat tax offers great potential for enormous economic growth, in contrast with tax policies which are so deeply ingrained as to be unchangeable.
better jobs, and raising the standard of living for all Americans.

In the 104th Congress, we took some important steps toward reducing the size and cost of government, and this work is ongoing and vitally important. But every time a government program is reduced, one side of the coin—what we must do at the same time, and with as much energy and care, is to grow the private sector. As we reform the welfare programs and government bureaucracy, we must replace those programs with a prosperity that extends to all segments of American society through private investment and job creation—which can have the additional benefit of producing even lower taxes for Americans as economic expansion adds to federal revenues. Just as Americans need a tax code that is fair and simple, they also are entitled to tax laws designed to foster rather than retard economic growth. The bill I offer today embodies those principles.

My plan, like the Armey-Shelby proposal, is based on the Hall-Rabushka analysis. But my flat tax differs from the Armey-Shelby plan in four key respects: First, my bill contains a 20 percent flat tax rate. Second, this bill would retain modified deductions for mortgage interest and charitable contributions (which will require a 1 percent higher tax rate than otherwise). Third, the bill would maintain the automatic withholding of taxes from an individual's paycheck. Lastly, my bill is designed to be revenue neutral, and thus will not undermine our vital efforts to balance the nation's budget.

The key advantages of this flat tax plan are threefold: First, it will dramatically simplify the payment of taxes. Second, it will remove much of the IRS regulatory morass now imposed on individual and corporate taxpayers, and allow those taxpayers to devote their energy to more productive pursuits. Third, since it is a plan which rewards savings and investment, the flat tax will spur economic growth in all sectors of the economy as more money flows into investments and savings, accounts, and as interest rates drop.

Under this tax plan, individuals would be taxed at a flat rate of 20 percent on all income they earn from wages, pensions and salaries. Individuals would not be taxed on any capital gains, interest on savings, or dividends—since those items will have already been taxed as part of the flat tax on business revenue. The flat tax will also eliminate all but two of the deductions and exemptions currently contained within the tax code. Instead, taxpayers will be entitled to “personal allowances” for themselves and their children. The personal allowances are: $10,000 for a single taxpayer; $15,000 for a married couple filing jointly; $7,500 for a head of household and $7,100 for a married couple filing jointly, while the personal exemption for individuals and dependents is $2,700. Thus, under the current tax code, a married couple filing jointly which does not itemize deductions would pay tax on all income over $17,900 (personal exemptions of $10,000 and a standard deduction of $7,100). By contrast, under my flat tax bill, that same family would receive a personal exemption of $27,500, and would pay tax only on income over that amount.

My legislation retains the provisions for the deductibility of charitable contributions up to a limit of $2,500 and mortgage interest on up to $100,000 of borrowing. Retention of these key deductions will, I believe, enhance the political salability of this legislation and allow the debate on the flat tax to move forward. If a decision is made to eliminate these deductions, the revenue saved could be used to reduce the overall flat tax rate below 20 percent.

With respect to businesses, the flat tax would also be a flat rate of 20 percent with full deductions for mortgage interest on capital investments are made. The business tax would apply to all money not reinvested in the company in the form of employment or capital formation—thus fully taxing revenue at the business level and making it inappropriate to re-tax the same monies when passed on to investors as dividends or capital gains.

Let me now turn to a more specific discussion of the advantages of the flat tax legislation I am reintroducing today.

The first major advantage to this flat tax is simplicity. According to the Tax Foundation, Americans spend approximately 5.3 billion hours each year filling out tax forms. Much of this time is spent burrowing through IRS laws and regulations which fill 17,000 pages and have grown from 744,000 words in 1955 to 5.6 million words in 1995.

Whenever a government program gets involved in any aspect of our lives, it can convert the most simple goal or task into a tangled array of complexity, frustration and inefficiency. By way of example, most Americans have become familiar with the absurdities of the government's military procurement programs. If these programs have taught us anything, it is how a simple purchase order for a hammer or a toilet seat can mushroom into thousands of pages of regulations and restrictions when the government gets involved. The Internal Revenue Service is certainly no exception. Indeed, it has become a distressingly common experience for taxpayers to receive computerized print-outs claiming that additional taxes are due, which require repeated exchanges of correspondence or personal visits before it is determined, as it so often is, that the taxpayer was right in the first place.

The plan offered today would eliminate these kinds of frustrations for millions of taxpayers. This flat tax would enable us to scrap the great majority of the IRS rules, regulations and instructions and delete most of the 5.6 million words in the Internal Revenue Code. Instead of tens of millions of hours of non-productive time spent in compliance with, or avoidance of, the tax code, taxpayers would spend only the small amount of time necessary to fill out a postcard-sized form. Both business and individual taxpayers would thus find valuable hours freed up to engage in productive business activity, or for more time with their families, instead of poring over tax tables, schedules and regulations.

The flat tax I have proposed can be calculated just by filling out a small postcard which would require a taxpayer only to answer a few easy questions. Filing a tax return would become a manageable chore, not a seemingly endless nightmare, for most taxpayers.

Along with the advantage of simplicity, enactment of this flat tax bill would remove the burden of costly and unnecessary government regulation, bureaucracy and red tape from our everyday lives. The heavy hand of government bureaucracy is particularly onerous in the case of the Internal Revenue Service, which has been able to extend its influence into so many aspects of our lives.

In 1995, the IRS employed 117,000 people, spread out over countless offices across the United States. Its budget of $7 billion included over $4 billion spent merely on enforcement. By simplifying the tax code and eliminating most of the IRS' vast array of rules and regulations, the flat tax would enable us to cut a significant portion of the IRS budget, including the $7 billion, and use the funds saved from enforcement and administration.

In addition, a flat tax would allow taxpayers to redirect their time, energies and money away from the yearly pain of tax compliance. According to the Tax Foundation, every year the private sector spent over $15 billion complying with federal tax laws. According to a Tax Foundation study, adoption of
flat tax reform would cut pre-filing compliance costs by over 90 percent.

Monies spent by businesses and investors in creating tax shelters and finding loopholes could be instead directed to productive and job-creating economic activity. With the adoption of a flat tax, the opportunities for fraud and cheating would also be vastly reduced, allowing the government to collect, according to some estimates, over $120 billion annually.

The third major advantage to a flat tax is that it will be a tremendous spur to economic growth. Harvard economist Dale Jorgenson estimates adoption of a flat tax like the one offered today would increase future national wealth by over $2 trillion, in present value terms, over a seven year period. This translates into over $7,500 in increased wealth for every man, woman and child in America. This growth also means that there will be more jobs—it is estimated that the $2 trillion increase would lead to the creation of 6 million new jobs.

The economic principles are fairly straightforward. Our current tax system is inefficient; it is biased toward too little savings and too much consumption. A flat tax creates substantial incentives for savings and investment by eliminating taxation on interest, dividends and capital gains—and tax policies which promote capital formation and investment are the best vehicle for creation of new and high paying jobs, and for a larger prosperity for all Americans.

It is well recognized that to promote future economic growth, we need not only to eliminate the federal government’s reliance on deficits and borrowed money, but to restore and expand the base of private savings and investment that has been the real engine driving American prosperity throughout our history. These concepts are related. The federal budget deficit soaked up much of what we have saved, leaving less for businesses to borrow for investments.

It is the sum total of savings by all aspects of the U.S. economy that represents the pool of all capital available for investment—in training, education, research, machinery, physical plant, etc.—and that constitutes the real seed of future prosperity. The statistics here are daunting. In the 1960s, the net U.S. savings rate was 8.2 percent, but it has fallen to a dismal 1.5 percent. Americans save at only one-tenth the rate of the Japanese, and only one-fifth the rate of the Germans. This is unacceptable and we must do something to reverse the trend.

An analysis of the components of U.S. savings patterns shows that although the federal budget deficit is the largest cause of "dissavings," both personal and business savings rates have declined over the past three decades. Thus, to recreate the pool of capital stock that is critical to future U.S. growth and prosperity, we have to do more than just get rid of the deficit. We have to very materially raise our levels of private savings and investment. And we have to do so in a way that will not cause additional deficits.

The less money people save, the less money is available for business investment and growth. The current tax system discourages savings and investment, because it taxes the interest we earn from our savings accounts, the dividends we make from investing in the stock market, and the capital gains we make from successful investments in our homes and the financial markets. Indeed, under the current law these rewards for saving and investment are not only taxed, they are over-taxed—since gains due solely to inflation, which represent no real increase in value, are taxed as if they were profits to the taxpayer.

With the limited exceptions of retirement plans and tax free municipal bonds, our current tax code does virtually nothing to encourage personal savings and investment, or to reward it over consumption. This bill will change this system, and address this problem. The proposed legislation reverses the current skewing incentives by promoting savings and investment by individuals and by businesses. Individuals would be able to invest and save their money tax-free and reap the benefits of the accumulated value of those investments without paying a capital gains tax until the investments are sold. Businesses would also invest more as the flat tax allowed them to expense fully all sums invested in new equipment and technology in the year the expense was incurred, rather than dragging out the tax benefits for these investments through complicated depreciation schedules. With greater investment and a larger pool of savings available, interest rates and the costs of investment would also drop, spurring even greater economic growth.

Critics of the flat tax have argued that we cannot afford the revenue losses associated with the tremendous savings and investment incentives the bill affords to businesses and individuals. Those critics are wrong. Not only is this bill carefully crafted to be revenue neutral, but historically we have seen that when taxes are cut, revenues actually increase, as more taxpayers work harder for a larger share of their income and are more willing to take risks in pursuit of rewards that will not get eaten up in taxes.

As one example, under President Kennedy when individual tax rates were lowered, investment incentives including the investment tax credit were created and then expanded and depreciation rates were accelerated. Yet, between 1962 and 1967, gross annual federal tax receipts grew from $99.7 billion to $233 billion or nearly 130 percent. More recently after President Reagan’s tax cuts in the early 1980’s, government tax revenues rose from just under $600 billion in 1981 to nearly $1 trillion in 1989. In fact, the Reagan tax cut program helped to bring about one of the longest peace-time expansions of the U.S. economy in history. There is every reason to believe that the flat tax proposed here can do the same—and by maintaining revenue neutrality in a flat tax system, we can avoid any increases in annual deficits and the national debt.

In addition to increasing federal revenues by fostering economic growth, the flat tax can also add to federal revenues without increasing and closing tax loopholes. The Congressional Research Service estimates that for fiscal year 1995, individuals sheltered more than $393 billion in tax revenue in legal loopholes, and corporations sheltered an additional $60 billion. There may well be additional monies hidden in quasi-legal or even illegal "tax shelters." Under a flat tax system, all tax shelters will disappear and all income will be subject to taxation.

The growth case for a flat tax is compelling. It is even more compelling in the case of a tax revision that is simple and demonstrably fair.

By substantially increasing the personal allowances for taxpayers and the tax rates under my bill will range from 0% for families with incomes under about $30,000 to roughly 20% for the highest income groups. My proposed legislation demonstrably retains the fairness that must be an essential component of the American tax system.

The proposal that I make today is dramatic, but so are its advantages: a taxation system that is simple, fair and clear will maximize prosperity for all Americans.

A summary of the key advantages are:

- Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 5.3 billion hours they currently spend every year in tax compliance.

- Cuts government: The flat tax would eliminate the lion’s share of IRS rules, regulations and requirements, which are currently used by wealthier taxpayers to shelter their income and avoid taxes, this flat tax bill will also ensure that all Americans pay their fair share.

The flat tax legislation that I am offering will retain the element of progressivity that Americans view as essential to fairness in an income tax system. Because of the lower end income exclusions, and the capped deductions for home mortgage interest and charitable contributions, the effective tax rates under my bill will range from 0% for families with incomes under about $30,000 to roughly 20% for the highest income groups.
Promotes economic growth: Economists estimate a growth of over $2 trillion in national wealth over seven years, representing an increase of approximately $7,500 in personal wealth for every man, woman and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduces interest rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Lowers compliance costs: Americans would be able to save up to $224 billion which they currently spend every year in tax compliance.

Decreases fraud: As tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the tax code will allow us to save significantly on the $7 billion annual budget currently allocated to the Internal Revenue Service.

Professors Hall and Rabushka have projected that within seven years of enactment, this type of a flat tax would produce a 6 percent increase in output from increased total work in the U.S. economy and increased capital formation. The economic growth would mean a $7,500 increase in the personal income of all Americans.

No one likes to pay taxes. But Americans will be much more willing to pay their taxes under a system that they believe is fair, a system that they can understand, and a system that they recognize promotes rather than prevents growth and prosperity. The legislation I introduce today will afford Americans such a tax system.

Mr. President, I ask unanimous consent that the charts and exhibits be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

**1999 INDIVIDUAL TAX RETURN
FORM 1–INDIVIDUAL WAGE TAX—1999
Your first name and initial (if joint return, also give spouse’s name and initial):**

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2 Assumes home mortgage of twice annual income at a rate of 9% and charitable contributions up to 2% of annual income.

ADVANTAGES OF THE 20 PERCENT FLAT TAX
(By Senator Arlen Specter)

Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 3.3 billion hours they currently spend every year in tax compliance.

Cuts government: The flat tax would eliminate the lion’s share of IRS rules, regulations and requirements, which have grown from 744,000 words in 1955 to 5.6 million words in 2000 pages currently. It would also allow us to slash the mammoth IRS bureaucracy of 160,000 employees.

Promotes economic growth: Economists estimate a growth of over $2 trillion in national wealth over seven years, representing an increase of approximately $7,500 in personal wealth for every man, woman and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduced interest rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Low compliance costs: Americans would be able to save up to $224 billion which they currently spend every year in tax compliance.

Decreases fraud: As tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the tax code will allow us to save significantly on the $7 billion annual budget currently allocated to the Internal Revenue Service.

Mr. SPECTER. In the balance of my allotted time, I will speak briefly about another amendment which will be voted on, probably tomorrow. That is an investment tax credit for the biotechnology industry.

Mr. President, I ask unanimous consent that the charts and exhibits be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

**1999 INDIVIDUAL TAX RETURN
FORM 1–INDIVIDUAL WAGE TAX—1999
Your first name and initial (if joint return, also give spouse’s name and initial):**

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2 Assumes home mortgage of twice annual income at a rate of 9% and charitable contributions up to 2% of annual income.

In consulting with the biotechnology industry, the one item which could bridge the gap would be a 10 percent investment tax credit which would stimulate Biotech and would do a tremendous amount for the health of Americans.

In the course of the past few months, stem cells have been discovered by Biotech which is a veritable fountain of youth, holding a promise for a cure for cancer, Alzheimer’s, Parkinson’s, and other maladies.

So I urge my colleagues to take a close look at the investment tax credit for the Biotech industry when it comes up.

I thank the Chair and thank the chairman for yielding me this time from the bill and yield the floor.

Mr. REID. Mr. President, if the manager of the bill will yield for a brief statement, as soon as the leader arrives, I would mind being interrupted. We have a unanimous consent request we would like to enter and not delay the leader...
any more than necessary. The leader should be coming here soon.

Mr. ROTH. That is satisfactory. I yield 12 minutes to Senator INHOFE.

Mr. INHOFE. I thank the Senator. Mr. President, I, like many of my colleagues, have listened intently to all of the debate. I certainly understand that the Senator from New Mexico is very sincere when he talks about many of these programs that need funding. I do think that something has been completely lost in the debate that has been taking place on the floor. It is this assumption that if we are going to pass a tax reduction, it is going to automatically reduce revenues. I think this is one of the fallacies that defies all history, and it is one that needs to be talked about at this time.

I can remember when President Clinton was first elected in 1992. One of the first appointments he made was his chief financial adviser, Laura Tyson, who was so quoted to have said—I believe this is an exact quote; certainly the intent is the same—that there is no relationship between the level of taxation the Nation pays and the amount of economic growth. I think this is illogical. I think it defies all logic. If you carried that to its logical conclusion, you would say let's raise all marginal rates to 100 percent, and everyone is going to work as hard as they would have otherwise. Certainly this is not what history has shown us.

One of the interesting things that is so overlooked by many liberals and others nowadays is that you can increase revenues by decreasing taxes. You have to realize that for every 1-percentage increase in economic activity, that generates new revenues of $24 billion.

This was really discovered by accident back in the 1920s. Back in the 1920s, under two administrations, Warren Harding and Calvin Coolidge, there was a guy named Andrew Mellon, who was the Secretary of the Treasury under both administrations. It wasn't his understanding at that time that he would be able to increase revenues by reducing taxes, but this was right after World War I. In World War I, we had tax rates that were just unconscionably high—73 percent. So they said, all right, the war is over now. Let's reduce our tax rates, and they reduced them in a 9-year period from 73 percent to 25 percent.

This chart shows the income tax rate at the time right after the war and how they reduced it from 73 percent down to 25 percent. Look what happens as the income started rising. It came up from about $700,000 to a billion dollars. It was almost doubled during that period of time. I think this speaks for itself. It shocked a lot of people. This wasn't some smart economist saying this is going to increase revenue. They weren't even trying to increase revenue. But that is what happened.

Then again in the 1960s, of course, this was not a Republican administration. This was the administration of President Kennedy, and he made the statement, drawing upon the experience of the 1920s, that we have to have more revenues to take care of the obligations that we have incurred in Government. He said we need more revenues, and that the way to increase revenues is to reduce taxes.

I say to the Senator from New York, this was not a Republican saying this. This is someone whom he knew very well, President Kennedy, back in the 1960s.

So he came along with his tax rate. At that time the highest rate had been up at 91 percent, as you see on the chart represented by the green line. He reduced them over that period of time down to 70 percent.

Now, if you make that kind of a reduction in the tax rate and you see what has happened during that period of time, during the 1960s, it did exactly what the President said it was going to do. We were going to actually get the revenue to happen. President Kennedy knew that, and I think many of the people at that time felt this was something that twice in history had been proven to be the case.

Then, of course, we came in the 1980s. I can remember in the 1980s because I was around at that time. I remember when Ronald Reagan—keep in mind this was at a time when we had deficits, not surpluses as we have today. He was advocating a sweeping tax relief reduction of about $1.6 trillion. I happen to have known personally, as many of my colleagues did at that time, Speaker Tip O'Neill. Speaker O'Neill at that time was not considered to be one of the stalwarts of the conservative movement, but Tip O'Neill said: No, I think that is too much. I think to be fiscally responsible, we should reduce taxes only by $1.3 trillion.

Now, keep in mind, this is Tip O'Neill, who was advocating the reduction of taxes by $1.3 trillion. Now we are talking about merely reducing them by some $750 billion.

Mr. President, to repeat, I learned lessons quite by accident during the Harding and Coolidge administrations back in the twenties. The lessons were that you can actually increase revenues by decreasing taxes. We learned in the 1960s when President Kennedy did the same thing; we dramatically increased revenues by decreasing taxes. This is the last reduction where there has never been a 10-year period in the history of this country where we have had more tax reductions in marginal rates than we did in the 1960s.

On this chart, the green line is the income tax revenue starting in 1980, going up here and showing that they increase by two-thirds at a time when the reductions in the rates were actually cut by two-thirds.

I think it should be pointed out that there is not a direct relationship between the level of taxation and the amount of revenue. In fact, the relationship is just the opposite. I think those who are saying we don't want to reduce taxes are really saying we don't want to reduce revenues. I can understand that. Some people believe Government should have more spending power and more control of our everyday lives. That is what defines a liberal as a liberal versus a conservative. We are trying to do something to really have dramatic cuts to enhance the economy.

Perhaps one of the benefits of that would be, as history has shown, to increase revenues. There is one thing you can do if you want to cut down the size of Government, and that is to cut some of these programs. It has been my experience—having worked at the local level, State level, and now in both Houses of Congress—that once a problem exists out there, you form a Government agency to deal with the problem. The problem goes away, but the agency goes on. In a great speech made in 1965 which was called "A Rendezvous With Destiny," Ronald Reagan said:

There is nothing closer to immortality on the face of this earth than a Government agency once formed.

I believe we need to look at this and realize what has been happening, where we are going from and what affect the tax cuts we are actually going are actually having on the economy.

Another way of looking at it is, in 1993, Bill Clinton actually passed, with the support of Congress, the largest single tax increase in contemporary history in the whole history of this country. He raised taxes in that one increase by $241 billion over a 5-year period. In 1995, 2 years later, President Clinton said:

People in this room are still mad at me about the budget because you think I raised taxes too much. It might surprise you to know that I think they raised them too much, too.

I think anybody at that time who was opposed to that largest tax increase in the history of this Nation should realize that a way to rectify that is to reverse and repeal some of the taxes that were increased at that time. We have looked at different taxes that should be reduced. I agree with the Senator from Texas that we should reduce the marriage penalty. It doesn't make any sense in our society to reward people who live together out of wedlock. It doesn't make any sense at all, and it creates some of the other problems that we are so concerned about.

I am very concerned about the marginal rate tax, and I think we can probably have the effect of increasing revenue by reducing marginal rate. I think that is a good reason to do it.

Thirdly—and this will be in one of the amendments that we vote on, I guess, tomorrow—I hoped it would be tonight, but it will be tomorrow—is the death tax. I suggest to you that I had a resolution to be out in western Oklahoma talking about the farm crisis and about all the things that are happening, I know, in other States and in Oklahoma. I am sure they have the
same problems out in New Mexico. When you talk about repealing the estate tax or the death tax, all of a sudden they quit worrying about crop insurance and these programs because that is the thing they believe is most critical to the small businessman and woman and farmer in America. If there is one thing we can do, in all fairness, it would be to vote favorably on that when the appropriate time comes.

I yield the floor.

Mr. LOTT. Mr. President, I have a unanimous consent agreement that I think will be constructive in getting our work completed. It has been discussed thoroughly with the Democratic leadership, and I know it is going to take some more time tonight and also an effort tomorrow, but I think that all things considered, it is the best way to proceed.

I ask unanimous consent that the vote with respect to the pending amendment No. 1462 occur tomorrow morning beginning at 9 a.m., with 15 minutes for concluding remarks to be equally divided beginning at 8:30 a.m. on Friday.

I further ask unanimous consent that the vote to the Hutchison amendment on the marriage penalty occur immediately following the above-described vote and there also be 15 minutes for concluding remarks to be equally divided beginning at 8:45 a.m. I also ask consent that following the conclusion of debate this evening, no further debate time be in order other than the concluding time as outlined above.

I further ask unanimous consent that following the two described votes above, the Senate begin the voting sequence with debate on any amendment or motion properly filed in the consent agreement of July 29 limited to 2 minutes equally divided.

The PRESIDING OFFICER. Is there objection?

Mr. ROTH. Mr. President, I object.

Mr. LOTT. Mr. President, may I inquire, what is the problem?

Mr. DOMENICI. Mr. President, I ask to withhold the suggestion of a quorum call.

Mr. DOMENICI. Might I ask a question before you do that?

Mr. LOTT. I ask to withhold the suggestion of a quorum call.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Could I ask a question before you do that?

Mr. LOTT. I ask to withhold the suggestion of a quorum call.

Mr. DOMENICI. Might I ask a parliamentary inquiry? How much time remains on the 20 hours allowed by law?

The PRESIDING OFFICER. Two hours 42 minutes.

Mr. DOMENICI. I thank the Chair.

Mr. LOTT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LOTT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. Sessions). Without objection, it is so ordered.

Mr. LOTT. Mr. President, I renew my unanimous consent request as earlier stated.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. Mr. President, in light of this agreement, there will be no further votes this evening. The first two votes of tomorrow will begin at 9 a.m. A number of votes will occur following those two votes. I hope Senators will work with thewhips on both sides of the aisle. Senator Nickles is here and prepared to work with Senators to discuss the seriousness of their amendments. The "Tasmanian junior" here, Harry Reid, is going to be working on the Democratic side. Talk with the whips. It is not a very seemly way to do business to have repeated votes in the so-called vote-a-rama. A reasonable number is understandable and can be explained sufficiently. Senators will be asked not to leave the Chamber in the morning because once we start on the series of votes, votes will occur every 10 to 15 minutes, so we can get at least four done in an hour.

Mr. REID. Will the Senator yield?

Mr. LOTT. I yield.

Mr. REID. I say to the leader and Members of the Senate, the staff will be working all night trying to clear all of these amendments. In addition, there is no rule that says if you call up an amendment you must have a recorded vote. We can have voice votes on some amendments. Also, on something such as this, people have to determine whether they want to offer the amendment that has been filed. Just because it was filed doesn't mean you have to offer it.

Mr. LOTT. You do have options; they can be accepted or taken by voice vote or some insist on a recorded vote.

As I see things, tomorrow we can finish up 2 o'clock, or we can go here at 5 o'clock tomorrow afternoon. I hope Senators will weigh carefully the need for their particular amendment. As far as amendments that have not been thoroughly debated in committee, it is awfully hard to change the Tax Code in that way. We will try to accommodate Senators as best we can.

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. BINGAMAN. Mr. President, I yield 8 minutes to the Senator from New York.

Mr. SCHUMER. Mr. President, I thank the Senator from New Mexico. I rise here to speak for a couple of minutes and talk about another educational amendment that will be before us tonight or tomorrow. First, I thank him for his leadership on educational issues before introducing this amendment. I would like to speak for a couple of minutes and talk about another educational amendment that will be before us tonight or tomorrow.

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Tonight, as we all go to sleep, there will be millions of Americans worrying about how they are going to pay for their kids' college education. Tuition has gone up far more than the rate of inflation. In fact, if you look at the prices of everything since 1980, tuition has gone up almost twice as much as the consumer price index—twice as much as the consumer price index. As we move into an ideas economy, and ideas-based economy, one of the most important resource our country has is the minds of our young people. It is more important than the wealth of the mine, or the fertility of the fields, or even the output of the factory, because more and more and more wealth is created, jobs are created, and happiness is created by how well educated we are by the ideas that our people have.

To enact the budget plan posed by the other side, as the chart of the Senator from New Mexico shows, and cut education funding and freeze education funding, in my judgment, would be a mistake. This resolution, which urges this Senate and this Congress and this country to spend somewhat more on education, again is another step in spending more on education without imposing standards on teachers and standards on promotion, which makes a great deal of sense—I support wholeheartedly another step in the area of education which I am introducing along with Senator Snowe of Maine, Senator Bayh of Indiana, Senator Smith of Oregon, Senator Wyden of Oregon, and Senator Kohl of Wisconsin. It is a bipartisan amendment. We hope this amendment doesn't become a football in the various views of reconciliation that we have. But it is an amendment that is very simple. It is an amendment to make up to $12,000 of college tuition tax deductible and to provide tax credits to help those saddled with student loans.

We have introduced this amendment for two real purposes. The first purpose relates to individual families.

We are talking about tax cuts. But when I talk to my constituents in New York, and when I hear about constituents from around the country, what is the average person worried about? It is not the exact amount of taxes that the average person worried about? It is not the exact amount of taxes that they pay as much as it is the big financial nugget they have to deal with—buying a home in early family life, paying for the kids' college in middle life, and paying for health care in later life.

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other help, families that might make $50,000, or $60,000, or $70,000 a year. It seems almost unfair, after they struggle to pay that tuition bill, for Uncle Sam to take his cut. This bill says that won't happen. This bill says that for anyone in the 28 percent bracket or lower. So the numbers will go up fairly high—$90,000—for a single head of household, and $105,000 for a two-family head of household. You can deduct your tuition.

We rarely give relief to those in the middle class. Too often many people in the middle class—the majority of Americans—think most of what we do helps the very poor or the very rich. But this proposal is aimed right at what bothers them, and with good reason. It is going to be tremendously helpful to millions and millions of Americans who right now think they are not getting much out of the tax proposal on either side of the aisle.

There is a second reason to do this; that is, we must invest in the country. As we move into an ideas economy—as I mentioned in my remarks about the amendment of the Senator from New Mexico—education is the key. The better educated we are, the better we do as a country. I worry when you look at some of the rankings in terms of education when compared to other Western countries.

But every time a well-prepared, intelligent student isn't able to go to the college of his or her choice because of that tuition bill, not only does that individual lose, not only does their family lose but America loses. Every time we don't use and fulfill the potential of a young mind, not only does that person lose, not only does his or her family lose but America loses.

It seems to me, as we move into the 21st century in an ideas-based economy, it is almost imperative that we have as many students in as good a college as we can academically acquire. Right now that is not happening. But in this tax bill, if we were to make tuition deductible up to $12,000, it would have a tremendous impetus.

A couple of other points on the proposal, a bipartisan proposal, made by myself and Senators BAYH, KOHL, and WYDEN on this side of the aisle, and Senators SNOWE and SMITH on the other side of the aisle:

No. 1, it is completely offset. So we are not increasing the tax bill. We main, do this by offsetting certain things in the existing bill for a year.

No. 2, it does not cut off until, as I said, you move from the 28 percent bracket and above that. So 90, 95 percent, a huge percentage of America's families, would benefit—all but the extremely well-to-do.

No. 3, tuition is deductible up to $12,000 a year. That is full tuition for over 80 percent of all Americans. Even for those who are getting to a more expensive school, it is a real help in terms of getting them there.

I urge my colleagues to please look at this amendment. It is bipartisan. It is not intended to be an amendment that scores political points. It is an amendment intended to better this country and help middle-class families struggling to send their children to college.

I urge its adoption by Members on both sides of the aisle.

I thank the Chair.

Mr. ROTH. Mr. President, I yield 5 minutes to the distinguished Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Thank you, Mr. President. I thank the chairman. I say to Senator BINGAMAN that I would not rise in opposition to his amendment if it was not, as I view it, an implication that what I propose is going to hurt education.

Since that is the case, I must tell the Senator that I think he is wrong. So I will proceed, as I must, to tell him what we did with education and what we can do with education based upon the money that is left over after the tax cut is effective.

I do not know where the chart comes from that the Senator has up there. But I would assume it ears from somewhere. It assumes there is no money left over after the tax cut and, therefore, everything will be reduced, and over the next 10 years there will be no inflation added to any function. If that is the case, it is wrong.

But if Senators want to look at the budget resolution we prepared, we expect they will stand up and say no, there is not enough money in this budget for education.

What we did in that budget resolution, which is not binding—just like his resolution here is not binding; it does nothing for education—it is a wish list and cuts taxes. It reduces the tax cuts substantially. It would be nice if the Senator would tell us which $120 billion and some he would take out of the tax cut.

But having said that, let me first start by saying if you want to look at a budget resolution that passed the Senate which had $181 billion in money on a baseline that was frozen for the next decade on the discretionary side, and ask what did it provide for education—an assumption just like the assumptions of the Senator from New Mexico—I would like to tell you what it does.

In 1999, that function on education had $47 billion in it. By the year 2009, it has $60 billion in it. It specifically provided that education initiatives receive an added amount of $37 billion over 5 years, $110 billion over 10 years.

The Senator from New Mexico, my colleague and my friend, could ask, how are you sure that will happen? I am not. Neither am I certain that the Senator's sense-of-the-Senate resolution is anything but a wish list. How do we know that will happen? If we reduce taxes by the amount suggested, there is absolutely nothing to indicate there would be more added to education in the appropriations process. It is what the Senator thinks they should add; therefore, it is called a sense of the Senate.

Over the decade under the budget resolution adopted, and I am not certain it will be implemented because it is not binding, we actually vote every year on the appropriated accounts. So all Members know, the education function in that budget resolution has $570 billion, an average of $57 billion a year, while we are spending $47 billion a year.

I don't know where the other graphs came from that are talking about what we are doing to education. Those numbers are from the budget resolution.

Nobody knows what levels of education will be funded on the discretionary side of the budget of the United States of America budget. They will not know any more if Senator BINGAMAN's sense of the Senate passes. They don't do $505 billion in the trust fund for Social Security because it is there. We then say: Let's cut taxes in a gradual way over a decade at $792 billion. Then we ask how much is left over to spend on discretionary programs and Medicare. It turns out to be $505 billion.

I could not believe under any circumstance that the Congress of the United States, be it Republican, Democrat, or whatever, would take that $505 billion and spend it on education. I cannot believe that. There may be a difference of opinion as to where it is to be spent, but there is a whopping lot of money for high-priority items. To say that we don't know what the Senator got his numbers. If the numbers were legitimate, I would be supporting him. I believe we ought to establish a priority for education. If I thought we would not have enough money for the education function to be appropriated by the appropriators, I might even be saying don't cut taxes that much, but I don't think that is the case. I don't think we need to do that. There will be money around for education. It will be distributed. It is not distributed because it is a high-priority item, and there is $505 billion over a freeze to be allocated for discretionary programs, and somewhere around 70, 80, or 90 for a Medicare prescription drug reform fix.

Speaking of medicine, I do not think I want New Mexicans to think what I propose will destroy education in the manner that this sense of the Senate implies. If it did not imply that, I would be for it and I would not be speaking of medicine.
I want to respond to my colleague from New Mexico and indicate I do not in any way question his motives, and I certainly do not question his understanding of the budget. He is an expert in that. He has demonstrated that repeatedly since I have been in the Senate.

I do think there is a genuine misunderstanding or disagreement about what we are talking about in the size of this surplus. I hear my colleague say we have, over the next 10 years, $33.371 trillion. I know that we have to spend or we have to use for tax reductions. That is substantially more than the CBO indicated we had. They said we had $2.896 trillion. There is a substantial difference there. Taking the figure I was given, $2.896 trillion, I understand we are using by far the largest part of that for this proposed tax cut.

My colleague says that is not the case, that there is still $505 billion remaining for Medicare and discretionary programs. I am just not clear in my mind where that money comes from. The figures I have for the total of the surplus do not allow for that money to be available for discretionary programs and Medicare. The figures I have indicate to conclude that there will be major cuts in discretionary programs if we are going to adopt a tax cut of this size. If there are cuts in discretionary programs, some of those, of course, will be defense.

I believe, based on the time I have spent in the Senate, we will not cut defense. I do not support the cuts in defense, and I do not believe my colleagues do either. I think we will fund defense and we will fund increases in defense in the next 10 years in many respects. That means the discretionary domestic spending such as education has to be cut even more. That is the concern that caused me to bring this amendment to the floor.

I believe, based on the time I have spent in the Senate, we will not cut defense. I do not support the cuts in defense, and I do not believe my colleagues do either. I think we will fund defense and we will fund increases in defense in the next 10 years in many respects. That means the discretionary domestic spending such as education has to be cut even more. That is the concern that caused me to bring this amendment to the floor.

One of the things we agree on is the need to provide the kinds of services to our country that we are pledged to, not only morally but by law, by laws established over a period of many years, including our commitment to the veterans who fought to keep this country free, for the schoolchildren who need to get a start in life and get on with their own opportunities.

What we see today in the discussion we have just had, frankly, comes as a surprise to me, a surprise because I serve on the Budget Committee as the senior Democrat. I looked at the figures. We worked together to try to establish a plausible base, a parameter within which to work. But what I have heard is we just discovered gold. We found $500 billion just lying around. No one else knew it, but it was found.

Since arithmetic is a relatively pure science and everything has to add up, one scratches one's head and says: How did we find roughly $500 billion more? The distinguished chairman, a very wise Member of the Senate, an outstanding expert on the budget, found $500 billion that could be used to support the tax cut that is proposed at some $790 billion. Then there are interest costs on that.

What I come up with, what the numbers say, is that we wind up with a budget surplus of $32 billion—$32 billion—less than is at the beginning of 10 years—$32 billion. The elderly, the baby boomers who are going to be retiring at that time, ought to rest easy because they have $32 billion that is going to go into helping Social Security stay a little more solvent—$32 billion that can be used for other purposes.

Mr. SARBANES. Will the Senator yield for a question?

Mr. LAUTENBERG. I will be happy to yield a question.

Mr. SARBANES. I would like to ask the Senator about his chart about the GOP baseline, if I might.

Mr. LAUTENBERG. Please.
Mr. SARBANES. As I understand it, what the Republicans are now proposing represents a cut of over $1 trillion below—below what? Current spending levels.

Mr. LAUTENBERG. The baseline that was originally proposed by CBO was to have the caps in place until the year 2002, 3 years hence. Then it was assumed by the presentations that we have seen and that are here on the chart, that now the baseline will decline because of no inflation allowable for those years after it—it's zero.

Mr. SARBANES. None whatever?

Mr. LAUTENBERG. That is right. If you do that, you take over $400 billion out of reality, out of the need to provide programs—$419 billion below CBO's capped baseline.

If you want to play with a figment of imagination, you can imagine maybe it will be less than that. Maybe we will be able to cut out the programs for veterans and the other programs that are necessary, just cut them and play pretend.

Mr. SARBANES. As I understand it, it would take a cut of about 40 to 50 percent in the program levels in order to reach that figure on the GOP baseline.

Mr. LAUTENBERG. The Senator is absolutely right. It would take a cut of 50 percent. So that is how we get there. It is a poor way to do business.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. THOMPSON. With the committee chairman's approval, I yield myself 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THOMPSON. Mr. President, on the amendment there are certain basic things we can all agree with about education. I think most of us realize the economic prosperity we have today has to do with productivity. Our productivity, in turn, has to do in large part with the technological advances we have had, and that, in turn, is based upon a well-qualified workforce. The needs for that kind of workforce, that kind of background and training in the future, are going to be even greater because we are exploding with information in an information age for sure.

There is no question about that. Our economic stability and security in the long run is going to depend on the education system we have. That, of course, does not necessarily equate to Federal spending on education. Unfortunately, for some years now we have seen that we have almost an inverse relationship between the amount of Federal money spent on education and the quality of education we seem to be getting. Nonetheless, we all agree there is a part of this effort that should fall on our shoulders. This amendment suggests our budget does not address this education problem sufficiently.

I think it has been a good discussion. I think it is one we ought to have. Every time I begin thinking we can have good discussion about this, I pick up something, such as the Daily Report for Executives of July 29 that is entitled, "GOP Tax Plan Would Hurt Schools, President And Administration Aides Say."

Clinton told representatives of Boys and Girls Nation at the White House that the Republican tax plan would eliminate funds to help 480,000 children learn to read.

On and on for other things. I know when I came to Washington, one of the main things I wanted to do was keep children from reading. We spend a lot of time, we stay up late at night, figuring out how we can keep kids from learning to read. The President is just verifying this with these young people.

I hope the President, as badly as he is misleading them, has more credibility with the young people of this Nation than I think he has.

Now we hear about cuts. We have been hearing cuts of 30 percent, cuts of 40 percent, and now cuts of 50 percent. People must wonder what is going on. Senator DOMENICI says that is not accurate. He points out that although we have a baseline freeze after the spending caps are lifted, there is an additional budget proposal that can be used for whatever discretionary spending this President and this Congress decide they want to spend it on.

How do we come up with these cuts? It is a Washington, DC, cut. A Washington, DC, cut is when you project out what you want spending to be, and then any spending that is less than that constitutes a cut. It is not a real cut. It is an increase, but it is less than what the projection would be.

If you are going by that kind of rationale, then the President is proposing cuts up to 26 percent, if you figure in his Social Security plan, because he does not really keep up with the projections, and then, in turn, is based upon a well-qualified workforce. The needs for that kind of workforce, that kind of background and training in the future, are going to be even greater because we are exploding with information in an information age for sure.

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Mr. THOMPSON. I am going to talk about the changes that are already here. And I am also greatly concerned about what is going to happen in the future, as this President is trying to balance the budget, as we are here in advance, because some projection is not reached, that we are going to cut a particular program to keep kids from reading—pick your own favorite program, the worst thing you can do. You are going to cut a particular program and say that particular is going to be cut. That is not true. That is not accurate. That does not represent what the situation is.

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The Department of Housing and Urban Development made overpayments in its rent subsidy program of almost $1 billion.

The Department of Agriculture made overpayments in its Food Stamp Program that amounted to about $1 billion, or 5 percent of the total program.

I have others here. The Federal tax debt. We have Federal tax debt and nontax debt delinquencies, money owed to the Government, not collected, of $150 billion. I have other items. I mentioned homeownership payments.

The Department of Energy: Through 1990 to 1996, the Department of Energy terminated before completion 31 major systems acquisition projects after expenditures of over $10 billion. They spent $10 billion and then terminated the projects; $10 billion was essentially wasted.

Defense contract overpayments: No one knows how much the Government overpays each year in contracts for goods and services. However, during the recent 5-year period, defense contractors returned $4.6 billion in overpayments to the Department of Defense.

Earned income tax credit, $4.4 billion.

I mentioned SSI.

Student loan defaults, $3.3 billion.

Food stamp overpayments, rent subsidy, a total of $196 billion.

I yield myself another 5 minutes.

Mr. President, $196 billion, and that is just on the waste, fraud, and abuse side. This is what is going on with regard to our Government now and these agencies, that they cannot control it.

Look at the cross-cutting and the duplication, the hundreds of programs that are all designed to do the same thing. The left hand of Government does not know what the right hand is doing. No one is taking action to sort through this morass to find out which programs are working and are not. They keep being refunded every year at the full amount or an increased amount.

According to the GAO, in program area after program area, unfocused and uncoordinated cross-cutting programs waste scarce funds, confuse and frustrate taxpayers and other program customers, and limit overall program effectiveness.

Last year Congress tried to address the number of education programs. We are all for education. We are all for spending education money wisely. We have $505 billion of discretionary spending set aside, some of which we can spend on education. But we found out there were 39 Federal agencies running more than 760 education programs at a cost of $100 billion a year. Is that effective use of taxpayers' money?

One example is homelessness. Where 50 Federal programs, 26 with duplicate missions, seek to provide services to homeless people. We have eight agencies—the Departments of Agriculture, Health and Human Services, Housing, Urban Development, Education, Labor, Veterans Affairs—and two independent agencies—FEMA and the Social Security Administration—all running these programs, overlapping, duplicating with $1.2 billion in obligated funds agency by agency. We are finding these programs provide many of the same services, such as housing, health care, job training, and transportation, and more than 20 programs operated by four different agencies, off-setting housing, such as emergency shelters, transitional housing, and other housing assistance.

In another report, the GAO identified 26 Federal grants at a cost of approximately $28 million that exist to help evaluate the effectiveness of various school-based violence programs. I know that is something that the President and I have talked about many times, as to how we get our arms around this. But $28 million to evaluate these violence programs in schools, to see which are doing any good? At least three Federal Departments—Education, Health and Human Services, and Justice—support school-based violence prevention research and programs.

However, GAO found that these individual Departments have not mounted a comprehensive strategy for addressing school violence. They are just all kind of out there doing their own thing—getting some money, coming to Congress, and saying, you can't cut back on this. You have to give us some money. We fund these various programs that are all out there doing their own things—uncoordinated—obviously, wasting a good deal of money.

It is not that you do not want the effort made; it is that you want to have the effort made with a little common sense and not take people's hard-earned money and throw it down a rat hole.

We have a fragmented Federal approach to ensure the safety and quality of the Nation's food. As many as 12 different agencies administer over 35 inefficient programs, putting the American public at greater danger of foodborne illnesses. But there have been virtually no decreases for nonmilitary discretionary programs in the President's budget.

This is supposed to be part of our job. That is why we passed the Performance and Results Act. These agencies are now supposed to come to us in Congress and tell us of the effectiveness of their programs. I assume that because we want that information, we want to do something with it, and what we want to do is use that information is not use it to continue to fund these Departments that are wasting money and permitting fraud to be perpetrated upon us to the tune of billions and billions of dollars.

So some of these programs are mandatory spending programs. Some of them are discretionary spending programs. But it is all money that would have been in those Departments had it not been siphoned off, had it not been stolen, had it not been wasted. It would have been reflected in the budgetary requests when they came before us. The requests would be less, and we would be giving them less money if they were operating halfway the way they are supposed to.

My point is, again, this idea that our friends on the other side of the aisle have, that they want to have this projected rate of increase that we can't deviate from at all, is a notion that would go against every basic precept of efficiency and the proper functioning of Government.

I yield myself another 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THOMPSON. We need to, as we go along, take that $505 billion that our budget sets aside for these programs and have every one of them come up here and justify themselves. Some of them need increases. Some of them need cuts. In my opinion, some of them need total elimination, and make no apologies for that.

But the idea that we are cutting this, and we are cutting that, and we are going to keep people from reading, the President of the United States telling these young boys and girls that we are going to cut 480,000 children from learning to read, that is kind of a new low. We do not know really what to do any more with this stuff. The first thing you do is get kind of angry, and then you are just kind of sad, shaking your head, that sort of stuff is coming out of the White House.

So let's get back to the facts. Let's get back to reality. We can have a good debate as to how much money we ought to spend on these programs. That is what we ought to do. But let's not try to convince the American people that we have made a determination that somewhere in the budget we are cutting kids off from learning to read or that we are doing any of these other things—any of these other scare tactics that are always used by people who think that the American people are not quite as smart as they really are.

I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Several Senators addressed the Chair.

Mr. ROTH. I yield 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. I thank the Chair and thank the chairman for yielding me time.

I would like to talk about two amendments—not the Bingaman amendment—two amendments that I have added to the list of 100-some amendments. I hope that we can accept one of them. We are working very hard to get that done. I have a request, perhaps, into a colloquy with the chairman on another one. I would hope that we will work in conference.
THE AMERICAN COMMUNITY RENEWAL ACT

The amendment that I have agreed to enter into a colloquy with the Senator from Delaware on is the American Community Renewal Act. The American Community Renewal Act is part of the House bill. There is one of the pieces of the House bill and one that I very strongly support as chairman of the Renewal Alliance, which is a group of Senators and Congressmen who have been advocating nongovernmental solutions to the problems that face our inner cities and impoverished rural areas.

It is important for us, when we pass a tax bill that provides tax relief to taxpayers, as we should, that we look to those who do not pay taxes and see what we can do to help lift their status of taxpayers.

It is important for us to be able to reach into those communities that are struggling. I have many of them in my State. We work very hard in communities, from Philadelphia to smaller towns like Chester and McKeesport, and work with community groups, as well as some of those out there trying to make a difference, working with the local officials in trying to provide economic opportunity, as well as cultural renewal for the communities that are in blight.

This American Community Renewal Act, I believe, is the right message for those communities, is the right direction, and that is through empowerment and through working with the local faith- and community-based groups, nonprofits that are out there trying to make a difference, working with the local officials in trying to provide economic opportunity, as well as cultural renewal for the communities that are in blight.

The American Community Renewal Act has two parts. No. 1, it provides for a charitable tax credit. It allows for Federal block grant funds to be used by States to provide a tax credit to individual taxpayers who give money to nonprofits that spend over 75 percent of their resources to support low-income individuals. So this is a way for the Government, instead of spending more money on Federal or State programs, to take the money that the Federal Government gives to run Federal programs and say: Let’s give it directly, unaltered, untainted, directly to those organizations—many of them faith-based—that really are out there on the line, compassionate organizations that are out there across the table from people who are in need, people who have problems.

They are not behind a bulletproof glass at a welfare office passing out checks if you have the right number on your Social Security, or welfare office telling you, which are the chances that you will get paid to do it because there is a Federal law they have to do it; they do it because they love their neighbors.

Those organizations have been lifted up recently by the Vice President, by Governor George Bush, and many others running for President. They are lifted up because they found that—you know what?—faith works. There is a very utilitarian reason to do this—it works best; it is cheapest—but that is not the best reason. The best reason to do this is because it transforms lives. It does not just give people a better job or get them off drugs. It transforms their spirit, which is the best thing needed in America’s poorest communities.

What we do with the charitable tax credit, I believe, is the most transformational thing we can do in this tax bill.

The second part of the American Community Renewal Act targets not the soul but the economy. How do we create jobs so when we transform people they can get into productive work, not taking a bus out to the suburbs to work. I talk too much about that. There is a tax credit in this bill. This is in the House bill. This is in the Senate bill. The House stepped up and said, yes, we are for tax relief. We have overpaid, but we will not leave any American behind. We are going to reach down and make sure every American has the opportunity to be a taxpayer, to contribute to the economic future of this country.

A renewal community must do some things. It is not just a handout to the community. They have to commit to provide some incentives, tax benefits, regulatory relief, savings accounts, brownfield cleanups, a comprehensive approach to inner cities. And at least 20 percent of these communities have to be in rural areas. This is in the House bill. This is in the Senate bill. This is an incredibly successful program. This is one of the few things that the Administration did in the past 10 years that have been an incredibly successful program.

It does not just give people a better job or get them off drugs. It transforms their spirit, which is the best thing needed in America’s poorest communities.

We provide for 100 renewal communities, mortgage incentives, tax benefits, regulatory relief, savings accounts, brownfield cleanups, a comprehensive approach to inner cities. And at least 20 percent of these communities have to be in rural areas. This is in the House bill. This is in the Senate bill. This is an incredibly successful program. This is one of the few things that the Administration did in the past 10 years that have been an incredibly successful program.

This legislation already has 70 cosponsors in the Senate. The only piece left out of the chairman’s bill is an indexing of that per capita allocation from the low-income housing tax credit. That is up to $43 million, not a big ticket item. And frankly, we pay for it. In fact, as the chairman will be delighted, we more than pay for it in the amendment that we have. So there is extra money to do other things that may be done. We think this is a high priority.

I think, again, we have to provide affordable housing. This is a program that works. This is a program that has bipartisan support and something that can pass, and as we have in this bill already, say to people who may not be big taxpayers and get big tax relief that we are going to provide some relief in the form of better affordable housing, more affordable housing, for those who may not be taxpayers now but hopefully, through the efforts here in reducing taxes, getting this economy—not getting it but continuing this economy to grow in the future, we will participate in that.

I hope, again, that we can include the amendment on the low-income housing tax credit in this bill and go to conference with that here in the Senate bill. Secondly, I implore the chairman that when we get to conference to include the American Community Renewal Act to make sure that every American has the opportunity to rise. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, I yield 10 minutes off the bill to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. I thank my friend and colleague from Montana, Mr. President, tomorrow I will be offering an amendment on behalf of myself and Senator Feingold. This
amendment is very simple. It directs the Finance Committee to change the bill so that it does not raid Social Security surplus in any year to pay for tax breaks.

The motion stands for a very simple proposition. Social Security surplus should be used for Social Security, not for broad-scale tax breaks that primarily benefit special interests and wealthy individuals, not for tax breaks that disproportionately benefit the wealthy. It is for anything that would make it more difficult for baby boomers and other Americans to enjoy a secure retirement.

This ought not to be a controversial proposition. After all, both parties have been arguing along the same lines for most of this year. Democrats created a lockbox to prevent Social Security surpluses from being used for other purposes and to protect Medicare, and the Republicans vowed to support that concept. But actually, the lockbox was illusory. The plan that the Republicans has a huge loophole and does nothing for Medicare.

Medicare is perhaps the most important program that exists in this country. Medicare is for the elderly. Medicare is the program that guarantees seniors a secure retirement. It starts in 2005. The motion stands for a very simple principle, a slogan; it is critical to their reputation to be extended to 2027.

There did seem to be broad agreement from both parties that Social Security surplus should not be touched for any other purpose, that they should be used only to reduce publicly held debt, and that was supposed, to put it mildly, to discover that the Republican tax bill before we actually spends Social Security surpluses. Deny it they might—and one need not be a mathematician; the arithmetic is pretty simple to see—but, in fact, the bill before us spends Social Security surpluses in each of the second 5 years after the bill’s enactment. It starts in 2005. This chart explains the problems. Consider, for example, what happens beginning in 2005 under this legislation. The non-Social Security surplus that year will be $88.6 billion. But this bill, the way it is laid out, would cost $89.9 billion. In other words, this bill would use $1.3 billion in Social Security surpluses that very year, 2005, not a long way away. But the damage doesn’t stop there.

This legislation would increase debt, and that would lead to higher interest costs. In 2005 alone, these additional interest costs would eat up another $10.9 billion of Social Security surpluses. So the raid on Social Security that year would equal $12.3 billion. This is after the promise that Social Security is sac-
saving for retirement, and dying should not be taxable events as we enter the new century. If there is anything we have learned, it is that we need to enhance and praise marriage, not punish it. We need to encourage saving for retirement, not tax the event of dying. Isn’t it wonderful that we have fixed all of those to a great extent in this bill? What is the matter with that?

Mr. President, that is what you are going to veto when you veto this bill.

Alternative minimum tax. That is, the alternative minimum tax should not tax child care credit, HOPE education tax credit, and foster care credits into phantom tax relief, not worth the paper they were written on because an old alternative minimum tax, adopted during the oil boom, would make these credits unusable, so when you hear those funny words, “Let’s fix the alternative minimum tax,” it is hundreds and hundreds of thousands of middle-income seniors who thought we gave them an education credit, who thought we gave them a child care credit, only to find that now the alternative minimum tax takes it away. That has been fixed.

Taxes are too high if measured by what is needed to fund the Government. They are too high if measured historically. The average family is paying twice what they paid in 1985. The tax burden is 54 percent heavier when measured from President Clinton's first day in office to the end of 1999. He may take a lot of credit for other things, but that is a fact. Despite these record increases, the administration’s 2000 budget proposes another $170 billion in new taxes. Unbelievable.

Broad-based tax relief. The Senate bill starts off with broad-based relief, lowering the bottom brackets for everyone across America, and then in the bill, after lowering the rate to 14, they raise the brackets by $10,000. That means that millions more Americans will be paying the lowest possible rate.

This bill provides significant family relief, although not as much as my good friend from Texas would like on the marriage penalty.

I ask our seniors across America, as the President tries to frighten them into thinking we are harming them on Medicare and Social Security, that is not the truth, wouldn’t you like it if your sons and daughters who are paying a marriage penalty because they are married are treated like other citizens instead of punished? I believe senior citizens would be very grateful for that for their children—the millions across America.

Child care: I think the seniors who they are trying to frighten to death because they want an issue and not a solution would be thrilled to know that Chairman Bill Roth and his Finance Committee have made it easier for our grandchildren to be taken care of under child care and the enormous costs that it imposes on a family. We have made it more accessible, and we have made more advantageous tax laws.

Their Tax Code is notorious for giving a tax break on the one hand and then taking it away on the other. That tax, the alternative minimum tax, and it works in that fashion. This bill that has been put before the Senate protects the child credit, and it protects education credits.

Taxes are too high if measured by what is needed to fund the Government. Taxes are too high if measured by historical benchmarks. The average family is paying twice what they paid in 1985. The tax burden is 54 percent heavier when measured from President Clinton's first day in office to the end of 1999. Despite these record increases, the Administration’s 2000 budget proposes another $170 billion in new taxes.

The Senate bill starts out with broad-based tax relief. Lowering the bottom bracket gives a tax cut to every taxpaying family. The bill lowers the rate to 14. I would have liked to see it go even lower.

The bill also widens the lowest bracket so that more people can earn more money without being forced into the 28 percent bracket. This change will return 4 million Americans to the lowest bracket. It will return 151,000 New Mexicans to the lowest bracket and at the same time another 83,000 New Mexicans will see their taxes cut.

This bill also provides significant family tax relief.

Saying “I do” at the altar has meant paying on average $1,400 more on April 15. Marriage shouldn’t be a taxable event. This bill corrects this inequity for 19 million American families.

As more and more women have entered the work force, one of the fastest growing child care industries is born. In New Mexico, the annual cost can run from $3,133 to $5,200 per child. This bill increases the child care credit from 30 to 50 percent for families earning less than $30,000, and expands the eligibility for other expenses. For the credit increase and the eligibility expansion, as many as 68,000 New Mexico families will be eligible for either a bigger credit or first-time eligibility. The tax code is notorious for giving a tax break with one hand and taking it way in the other. The Alternative Minimum Tax, AMT, works in this fashion. This bill protects the child care credit, education credits, day care and other nonrefundable tax credits from being rendered unusable by the AMT. When the AMT was created in 1986, 140,000 people had to pay it. But by 2008:

There will be 46.6 million families eligible for nonrefundable credits but 24.8 million of those families would receive zero or less than the full credit as a result of the AMT.

There will be 49 million families with nonrefundable credits—all credits except EITC—and 33.9 million of them will receive zero or less than the full credits as a result of the AMT.

There will be 16 million families eligible for HOPE and lifetime learning credits, but 11.3 million would receive zero or less than the full credits as a result of the AMT.

The bill recognizes that all family expenditures are not equal. This tax bill recognizes that education is important and provides $12 billion over ten years in tax relief. This bill includes education savings accounts to help 14.3 million families. Seventy percent of these education tax benefits goes to families with incomes less than $75,000. It makes employer provided education assistance permanent. In this ever changing technology world, it is essential that workers pursue life long learning and complete graduate degrees. The bill also makes it easier and cheaper for school construction. There are more than 1,700 schools in New Mexico that I hope will be helped by this initiative.

In New Mexico there are 331,815 public school students. It would be wonderful if New Mexican—parents and grandparents started as soon as this bill is signed into law to open an account for each of these 331,815 children. There would be no better investment in America’s future and these education accounts should help families meet that goal.

When it comes to health care, the Tax Code doesn’t discriminate based upon who you are, but rather upon who you work for. Families shouldn’t receive disparate tax treatment determined by who you work for. It isn’t fair that one worker has health care purchased with pre-tax dollars; while the sole proprietor or the employee of a small business has to pay for health care with after-tax dollars.

This bill provides 100 percent deductibility for health insurance for the self-employed. It also provides an above-the-line deduction that will phase in from 25 percent to 100 percent for every taxpaying American family. There are 43.3 million uninsured people in America, plus 10.2 million who have access to health insurance but decline to participate because of the high cost. This is a big problem in New Mexico. There are 340,000 uninsured New Mexicans where someone in the family works.

The bill provides generational equity by providing a child care and a long term care credit. One in four families care for an elderly relative. This bill provides a tax credit and an extra exemption for the in home care giver.

Expensing is the most efficient way of reducing the cost of capital for new investment. The bill provides $5,000 worth of new efficiency for every small business by increasing the amount that can be written off in the year the investment is made. This investment is made. A tax policy that allows capital investments to be deductible in the year they are made maximizes productivity, economic growth and job creation. When a company
doesn't have to calculate depreciation it saves 43 hours a year in tax prepara-
tion. If we adopted a system of expens-
ing we could save 106 million hours a year in tax and recordkeeping. We would also lower the cost of capital by about 0.1%.

This bill takes significant steps to re-
duce the estate and gift tax. The bill would lower the top rate to 50 percent, double the gift tax exclusion and get
rid of the generation skipping transfer tax which imposes taxes as high as 80 percent when a gift is left to a
grandchild.

Milton Friedman said and I agree, "The estate tax sends a bad message to savers, to wit: that it is O.K. to spend your money on wine, women and song, but don't try to save it for your kids. The moral absurdity of the tax is sur-
passed only by its economic irrationality."

The death tax is also one of the most unpopular taxes. While most Ameri-
cans will never pay it, 70 percent be-
lieve it is one of the most unfair taxes.
Its damage to the economy is worse than its unpopular reputation. The Tax Foundation found that today's estate tax rates (ranging from 18 to 55 per-
cent) have the same disincentive effect
on entrepreneurs as doubling the cur-
rent income tax rates. NFIB called it the "greatest burden on our nation's most successful small businesses."

This bill makes a major stride. It makes the R&E credit permanent.

With a $3.2 trillion surplus, the only reasonable, legitimate course of action is to tax cut.

Foolish are they who argue against tax cuts. They say to working families, "I know what to do with your money better than you do. Give it to me so I can spend it for you."
The tax burden is high. People work until May 11, of each year to pay their
taxes. It is the highest tax burden since
WWII. People pay more in taxes than they spend on food, shelter and edu-
cation.

The Senate tax plan is an excellent
plan that moves us toward lower, flat-
er, simpler taxes. It moves our tax system toward taxing income that is
consumed and not income that is
earned, saved and invested.

It's the same old debate: one party wants to give the money to programs; we want to give the money to people.

A government big enough to give you everything is a government that takes
everything. Congress with a big tax bill
I can't imagine anything more fright-
ening to the average taxpayer than the sight of grand government schemer rushing towards a trillion dollar pile of extra tax payer dollars.

Regular tax reform is the best of
times for a tax cut; the Democrats say
it is the worst. Everyone quotes Chair-
man Greenspan. When Greenspan is de-
ciphered the oracle is that a tax cut is
better than spending all the money.

If the surplus to reach a dollar 2 quarters would go for Social Security reform;
one quarter for high priority spending—education, research, and defense.

With the first three quarters we can
save social security, reform medicaid,
provide adequate funding for domestic
and defense spending and pay down the
national the debt.

The remaining quarter is for tax
cuts.

The Taxpayer Refund Act before the Senate is the best of plans. It lowers rates. It encourages savings. It elimi-
nates the worst of a bad tax code by
eliminating the marriage penalty; kill-
ing the death tax and ending the Alter-
native Minimum Tax to rescue the full
benefit of the child care, foster care, education, and other needed tax credits for families who otherwise unavoidably
would end up in the AMT.

If not tax cuts now, then when? The
Democrats say—not ever.

I say, If not tax cuts now, then what? The President's plan answers: Spend it all. Grow government!

The Senate plan is synchronized to
our business cycle and the condition of the economy. The President's plan
allocates 75 percent of the projected sur-
pluses over the next 10 years for paying
the debt. This ensures our long-
term fiscal vitality.

Even with our tax cut, our surpluses
will climb steadily as a share of GDP
and our national debt will be paid off—falling dramatically from 40 percent of
GDP this year to only 12 percent by
2009. Our plan lowers the level of debt
more than the President's plan, keeps
government from growing out of con-
trol and gives the American people
some of their hard earned money back in the form or a well-thought out
tax cut.

The PRESIDING OFFICER. All time
has expired.

Mr. DOMENICI. I yield the floor.

Mr. ROTH. Mr. President, I ask that we temporarily set aside the amend-
ment before us.

The PRESIDING OFFICER. Without
objection, it is so ordered.

Mr. ROTH. Mr. President, we are now
opening up to the next amendment.

The PRESIDING OFFICER. The Sen-
tator from Texas.

AMENDMENT NO. 1472

(Purpose: To provide for the relief of the marriage tax penalty beginning in the year 2001 and for other purposes)

Mrs. HUTCHISON. Mr. President, I
call up amendment No. 1472.

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as fol-
lows:

The Senator from Texas (Mrs. Hutchison), for herself, Mr. Ashcroft, and Mr. Brownback, proposes an amendment num-
ber 1472.

Mrs. HUTCHISON. Mr. President, I
ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without
objection, it is so ordered.

The amendment is as follows:

(i) a joint return for married individuals not filing a combined return under 6013A, or
(ii) a surviving spouse (as defined in section 2(a)).

On page 15, line 14, insert the following new paragraph (d) and reorder the remaining paragraphs accordingly:

(d) PHASE-IN.—In the case of taxable years beginning before January 1, 2004:
(1) paragraph (2) shall be applied by substituting for "twice"—"1.78 times" and
(2) paragraph (3) shall be applied by substituting for "1.889 times" in the case of taxable
years beginning during 2001 and 2002.

(ii) "1.989 times" in the case of the taxable year 2003.

Concurrent Minimum Tax: Modifications to Section 206:

On page 32, line 14—Strike "2004" and insert "2006."
On page 38, line 18, strike "2000" and insert "2002.""
The first decision the Finance Committee made was to say: We are setting aside Social Security. We are not going to touch it.

If we were to spend the Social Security surplus, we could have a lot more tax cuts. But if we don't address Social Security, we are not going to do that. Social Security was off the table.

We have smaller tax cuts in the early years because we are dealing with income tax deductions that should go back to the people who earned it. They sent too much to Washington and we want to return it to them.

The question is, What is the most important of the tax cuts and the least we can give? Senator Ashcroft, Senator Brownback, and I believe the marriage tax penalty is the highest priority for relief.

We are offering this amendment by delaying a few of the other tax cuts until later. We don't change any of the tax cuts in this bill. We do not eliminate any of them. I support all of them. But we say the highest priority is the marriage tax penalty relief and everything else can be delayed a little bit to give hard-working American families that relief.

We are talking about a schoolteacher who makes $33,000 a year and a football coach who makes $41,000 a year. They are paying taxes, when they are single, in the 15-per cent tax bracket. They get married. They go into the 28-per cent tax bracket at a time when they need their money the most.

We have almost doubled their tax bracket just because they have gotten married. Not only that, we don't even give them double the standard deduction. Instead of $4,300, and $4,300 when they were both single, they now together get $7,200. All we are going to do is phase in $8,600 in the standard deduction right up front. We are going to delay a few other things to let that happen.

In 2005, the real marriage tax penalty kicks in because that is the first time we have the money to let people file as singles when they are married. That is the best marriage tax penalty reduction of all because it eliminates it. That is simply what the amendment does.

I commend Senator Roth for all of the effort he took to be responsible with the committee. This tax cut bill has across-the-board rate reductions that help every taxpayer in America, expands the tax brackets for middle-income taxpayers, and a number of positive pension provisions that are particularly helpful for women.

I spoke to Senator Roth about the inequity for women in the workplace, because women have children and they have to lay off a few months. Some choose to lay off for six years until their children get to school. Some choose to lay off 18 years.

Women live longer. They are in and out of the workplace more—that is a fact—and they get penalized not only in their working years, but they get penalized in their retirement years. That is not fair.

This bill attempts to give them catchup provisions for their pensions. It is a great part of this bill. I support it totally.

We also have increases in charitable giving. This is a provision of mine that was put in this bill by Senator Roth. It allows a person to roll over IRA contributions to charities without tax consequences. If a person has saved enough money, they can do the right thing and see that they are not going to need their IRA money, they can give it to charity without tax consequences. That is in this bill.

We are helping farmers with risk accounts in this bill, so that farmers will be able to plan and put aside money tax free until they need it in bad times. Heaven knows, the farmers of this country have seen bad times. We have $12 billion in education tax relief.

Mr. President, this is a good bill. It is a balanced bill. It is a balanced marriage tax penalty relief, but it is in 2005. That is my only real concern about the fairness of this bill.

Senator Ashcroft, Senator Brownback, and I want to phase in one of the other tax cuts a little bit further down the road and say to the 40 million American married couples who are being penalized because they are married, we believe it is the highest priority to give relief. That is what we are saying in amendment.

How much time remains? The PRESIDING OFFICER (Mr. Enzi). Thirty-four and a half minutes.

Mrs. HUTCHISON. Senator Brownback has been a leader in this effort. We have been fighting for this for a long time. I am very pleased he is with us on this amendment. We made some tough choices, but we think it is the right priority to send.

I yield 12 minutes to Senator Brownback.

Mr. BROWNBACK. I thank the Senator from Texas. She has been the leader on this issue. I am delighted to be working with her on such an important issue. I also thank the chairman of the committee for recognizing the importance of eliminating the marriage penalty. We moved this up; this is the highest priority.

I want to tell Members why I think it is the highest priority in the words of people I have been interviewing and who have paid the marriage penalties. In the Wichita Eagle on Sunday, Kyle and Lynn Schudy stated they rediscovered the cost of true love this April, April 15. Their total cost of true love came to $1,823. That is how much the extra income tax was for this Prairie Village couple in their early thirties. That is what they paid last year because they are married and filed jointly instead of single and living together. They found that was the cost of true love.

I don't know that we can make a much better case for eliminating the marriage penalty than the voices across America who have stated what they are paying in this marriage penalty.

Listen to this from Tennessee:

My wife and I got married on January 1, 1997. We were going to have a Christmas wedding the year before. After talking to my accountant, who saw that instead of both of us getting money back on our taxes we would have to pay in. So we postponed it. Now after getting married we have to have more taken out of our checks just to break even and not get a refund. We got penalized for getting married and that is not right.

I do know that it can be any clearer than what some of these families have said.

From Maryland, Mark Patterson:

My wife and I decided to have a family and get married. All we were concerned about was the love we had for each other.

That sounds like a pretty good start.

After 8 years of marriage and two children we found all we worry about now is how to come up with enough money to put a roof over our head, eat and have good day care for our children. I am sick about the huge chunks of money taken out of every pay check by Uncle Sam just because we are married.

Mr. SESSIONS. Will the Senator yield for a question?

Mr. BROWNBACK. If he will state his marriage penalty, I yield.

Mr. SESSIONS. I received a communication from an individual who was divorced in January and found out, had they divorced in December, they would have saved almost $2,000 in taxes.

My question to the Senator: Does that mean the Federal Government is subsidizing divorce?

Mr. BROWNBACK. Some would draw that conclusion.

Clearly, we are taxing marriage. We are taxing the fundamental institution around which we build values. That is not right, as the people in the letters from across America state.

Here is another letter from Ohio:

No person who legitimately supports family values could be against this bill of eliminating the marriage penalty. The marriage penalty is but another example of how in the past 40 years the Federal Government has enacted policies that have broken down the fundamental institution that was the strength of this country from the start.

A woman writes:

My boy friend, Darryl and I have been living together for quite some time. We would very much like to get married. We both work at Ford Electronics in Crothersville, IN, and make less than $10 an hour, but work over time when available and Darryl does farming on the side. I cannot afford to pay the extra taxes we both are over this tax issue. If we get married not only would I forfeit my $900 refund check, we would be writing a check for $20.

This was figured by an accountant at H&R Block at New Castle. There is nothing right about this after we continually hear the government preach to us about family values. Nothing new about the hypocrites in Washington. Why not do away with the current tax system?

These are voices from across America.
the very situation [marriage] where kids do best? When parents are truly committed to each other through their marriage vows, their children’s outcomes are enhanced.

Yet we tax it and penalize it to the average income, the project’s other couple of the 21 million American married couples who pay this tax.

I am sure this evolved and nobody maliciously said we will tax married couples. The fact remains, we tax marriage. It stop. We have the chance now to actually do that.

Another point I want to make about this: The institution of marriage in America is in serious trouble.

I ask unanimous consent to have printed in the Record article of July 2 of this year titled “For Better or Worse, Marriage Hits a Low.”

There being no objection, the material was ordered to be printed in the Record, as follows:

"It is not in the national debate."

"We think about marriage counseling in terms of therapy," she added, "But we realize that we are asking people to make their marriages strong. What distinguishes marriages that go the distance from those that end in divorce isn’t whether couples disagree, but certain behaviors between them."

The National Marriage Project report blames the declining marriage rate on postponing marriage until later in life and on more couples deciding to live together outside of marriage. According to the report, young people are more likely to marry at some point set up a joint household with a member of the opposite sex outside of marriage. As a result, the report’s authors argued, marriage is no longer the presumed route from adolescence to adulthood and has lost its significance as a rite of passage. Moreover, marriage is far less likely to be associated with first sexual experiences, particularly for women, the report said. Whereas 90 percent of women born between 1933 and 1942 were either virgins when they married or had premarital sex only with their eventual husbands, now more than half of girls have sexual intercourse by age 17, and on average they are sexually active for about eight years before getting married.

These and other factors have contributed to new attitudes toward the institution. Although the percentage of teenagers who said that having a good marriage and family life was “extremely important” to them has increased modestly in the past two decades, the percentage who said they expected to stay married to the same person for their entire lives has decreased slightly. More dramatically, the percentage of teenage girls who said having a child out of wedlock is a “worthwhile lifestyle” increased from 33 percent to 53 percent in two decades. Whereas the report’s findings led its authors to conclude that “the institution of marriage is in serious trouble,” other researchers who track marriage trends said there also was reason for optimism. For one, they note that demographers predict that 85 percent of young people will marry at some point in their lives. But a substantial figure, even though it’s smaller than the 94 percent that persisted in 1960.

“There is some evidence that marriage is in trouble,” said Kristin Moore, senior scholar for Child Trends, a nonprofit research organization that tracks trends in family and society. “But there is also much evidence that marriage remains highly valued.”

``People are so distressed about the state of marriage in America,’’ said Diane Sollee, founder of the Coalition for Marriage, Family and Couples Education. Her District-based group is hosting a conference in Arlington this week that is attending by 1,000 people seeking marriage education courses.

We have a chart of the result from the Rutger study. In 1960, per 1,000 women age 15 and over, between 85 and 90 percent per year were getting married, and now it is below 50 percent, a 43 percent fall-off in people getting married.

The writers of the study stated this about the institution of marriage, the foundational unit upon which we build family values and pass them on to the next generation:

Key social indicators suggest a substantial weakening of the institution of marriage.

This is serious. I daresay that probably in this next Presidential campaign, “family values” may be the two words said most often as we worry, fret, and are concerned about what is happening in America and our society and in this culture.

Can anybody in this room, in this august body, therefore say it is OK to tax the fundamental institution that helps most in building family values, that we take the U.S. institution of marriage, that we make 21 million American couples annually pay on average to the tune of $1,400 just for the privilege of being married when we are so worried about the values in the country? How can we vote against this?

I am delighted the chairman has put this in the bill. I am happy we are trying, and I hope we will be successful, in moving this up earlier, so once and for all we can stop taxing the institution of marriage. We have to stop doing that.

When marriage as an institution breaks down, children suffer. The past few decades have seen a huge increase in out-of-wedlock births and divorce, a combination which has substantially undermined the well-being of children in virtually all areas, all places of life.

Some people can struggle heroically and help build up the families, and certainly nobody is here to castigate others. We are saying this is a tax that is wrong, it is wrong for virtually every reason. It taxes a fundamental family-value-building institution. It penalizes people whom we should be rewarding. Study after study has shown children do best when they grow up in a stable home, raised by both parents who are committed to each other.

Newlyweds face enough challenges without paying punitive damages in the form of the marriage tax. The last thing the Federal Government should do is penalize the institution that is the foundational unit passing on to the next generation morals and family values, and yet we do it. We have done it for a number of years.
We must give the people back a tax cut. I will support the overall effort to give back in tax cuts the nearly $800 billion. I think we should do that. But clearly our top priority in this effort must be eliminating this bad—this worst—tax, the marriage tax penalty. I say “neutral—understood the fundamental value that we have been at war with families in our Tax Code. Mr. President, 21 million American couples, 42 million Americans, are spending an average of $1,400 per year more, each couple, because of the marriage penalty. It makes it tough for that couple to make the choice to be able to make to benefit their families. So I thank the chairman of the Finance Committee, Senator ROTH, for placing this in the bill, for seeing to it that this category of remediation, this effort really has real injury to the very fabric of America’s culture, is included in this tax measure.

We would not be here this evening with the capacity to say we want to accelerate that remedy, that we want to provide this antidote to a malady which has been afflicting the American culture, we could not move it up in the bill had it not been there in the first place. I commend him.

I would like to just take us, for a minute, back to this very substantial fundamentals about America. I think the first of those fundamentals is that this is a culture where the most important things are not in Government. The most important things are not in the resources of Government, in the bureaucratic responsibility of Government. The most important things are with individuals. This is a society that honors great freedom and expects great responsibility.

America has prospered. America is distinguished from, different from, differentiated from, we are different from other countries, other cultures. We have gone farther, we have soared farther, for that reason. We expect individuals to do things for themselves; not to be reliant, always, on Government, but, where possible, to build the sense of independence, responsibility, judgment, self-reliance that makes Americans unique in the community we call the world.

When you believe the future of America is dependent upon that spirit, you have to ask yourself what are we going to do to fund in America? Are we going to fund the bureaucracy and the institution or are we going to fund the family and individuals? Are we going to give families the opportunity to take care of themselves or are we going to give all the resources to the sort of second best alternative?

I do not think there is a Member of this Chamber who would say it is ever better to have a vast Government program than it is to have a good family. I just do not think we have anyone who believes that because we know the family is the best Department of Education, it is the best Department of Health, it is the best teacher of responsibility and character, which is as important as anything else. It is where it really must happen.

Yet, we have seen, by a budget choice, the resources away from this essential institution of the culture, the family, into the coffers of the Government, and plan B, the second priority, the sort of safety net, has gotten all the resources. We have left in an anemic place the family, which ought to be doing the front-line defense. It would be similar to giving all the guns and weapons to the rear guard and not having the guys on the front line with the bullets. It is time to load the resources into the families, at least to give them a fair shake. It is just a fundamental part of America. We believe families are important. If we really get our job done in the families of America, Government is not ever going to have much responsibility and much problem.

I think we have a choice. Are we going to endow families with the resources they create, they earn? Are we going to let them keep some of those resources or, when they form these durable, lasting, persistent bonds and a relationship that teaches people how to rely on each other, to live with each other, how to be individually responsible and self-reliant, are we going to take that institution and continue to punish it? Or are we going to wake up and say: Hello, it is time for us to say: Let’s let families, let’s let parents, let’s let children, build an America tomorrow at our own hands.

So, we have a situation where this code has grown up and it discriminates against families. It hurts families, and we have a great opportunity now, thanks to the chairman of the committee who placed this concept of remediating this pathology right here in this bill.

I predict Members on both sides of the aisle are going to say: We want to vote in favor of marriages; it is time to correct this inadvertent, but very damaging, prejudice against marriage in the Tax Code.

That is where we ought to be. No one in this Chamber believes that Government is more important than families. No one believes that our front line, in terms of developing this culture, is so unimportant that we ought to load all the resources to the guys at the back of the operation. We ought to put some of our ammunition in the hands of the front line.

Let’s let families, let’s let parents, who make these kinds of lasting commitments to each other and to their children, build an America tomorrow.
which has all the promise of the America you and I inherited. I will add that it is not a great tradition in America to discriminate against marriage. This has happened in the tax code as our tax bite on the American couple has accelerated with the growth of social programs. It was not until the sixties that we had anything of a marriage penalty, and it began to get worse and worse until now, as I have indicated, $29 billion a year is what Government takes from families. That is a difference of about $1,400 per couple, and it sweeps that money away from the families into the Government, into the bureaucracy, into the plan B, the second best, yes, important safety net. Yes, we need it, but let’s not deprive the first line of this culture’s conditions for greatness—the families—let’s not deprive them of the resources they ought to have.

I thank Senator Roth, chairman of the Finance Committee, for placing this concept in the bill. I thank Senator Hutchison from Texas for having been alert to this since before I came to the Senate. She was working hard in this respect. I am always delighted to be a useful resource with Senator Brownback whose sensitivity to the values and the need for character in this culture is unsurpassed.

I do not think Government should be dictating our culture and pouting in value judgments or otherwise. On the other hand, our Government should not be at war with our values, and it is time for us to call a peace conference around the kitchen table of America and say to husbands and wives: You have a very important job to do, and we want you to have the resources to do that job. We must eliminate the marriage penalty, and this bill, with the Hutchinson-Brownback-Ashcroft amendment, can get that down.

I raise the remainder of the time and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROYTH. I am happy to yield 5 minutes to the Senator from Montana. Mr. BAUCUS. Mr. President, I congratulate the Senator from Texas for her amendment. It is a good amendment. It does deal with an inequity in the code clearly, simply. I congratulate her, too, because she is taking the course that we in the Democratic alternative took in trying to address this problem when we proposed to raise the standard deduction as well to address essentially the marriage tax penalty.

It is interesting; there is a marriage tax penalty today, but there also is a marriage tax bonus. Basically, the rule of thumb is 70-30. That is, if there is more than a 70-30 percent differential between the income of each spouse, then there is a marriage bonus; that is, you get a tax bonus for marriages as opposed to penalties.

The penalty situation arises roughly when the 70-30 starts to narrow down, is less of a differential, and when both spouses are earning a similar income. That is what we are addressing here, the penalty side, because more couples have both spouses working. It is interesting to note, there is a bonus for getting married today if the differential is roughly between 70-30.

The amendment that the Senator from Texas is offering goes part way to eliminate the marriage tax penalty. Our Democratic alternative actually went a lot further. She raises the standard deduction by about $1,400, and she extended the standard deduction for married couples by about $4,300.

In addition, in our proposal we began to eliminate the marriage tax penalty for itemizers; that is, for couples who itemize. The amendment before us deals only with couples who use the standard deduction. There are some couples who still itemize in the Tax Code, and it is our hope that we could address, eliminate, as you would, the marriage tax penalty not only for couples who use the standard deduction but also for couples who itemize.

Also, we in the Democratic alternative raised the standard deduction not only for married couples but also for couples who itemize. The amendment before us begins to eliminate the marriage tax penalty for couples who still itemize in the Tax Code, and it is our hope that we could complete the elimination of the marriage tax penalty for couples who still itemize in the Tax Code, and it is our hope that we could deal with both at once.

One of the frustrating things of putting a bill together, although I have to admit it is a very interesting challenge that I much enjoy, is the fact that there are so many things I believe should be done for the American families. It is frustrating that there are limitations as to what we can do. I agree with the distinguished Senator that nothing is more important than eliminating this marriage penalty. Obviously, the sooner we can do it, the better we will have.

For the information of all Senators, I do want to make clear that my concern with the pending amendment had been that it would put us out of compliance with our reconciliation instructions. I was also concerned that the earlier version of the amendment would have relied heavily on delaying the AMT relief. And this delay would hit middle-income Americans very hard.

But now we understand, of course, that the Senator from Delaware has been working with the Senator from Texas on a modification to the filed amendment which will alleviate this offset problem. For that I am very grateful. With these changes, I just say, I look forward to working with the Senator from Texas on having this amendment enacted.

Mr. President, I yield the floor. Would the Senator like some more time?

Mrs. HUTCHISON. Will the Senator yield?

Mr. ROTH. I am happy to yield 5 minutes to the Senator from Delaware. Mr. ROTH. Mr. President, I yield myself such time as I may use.

First of all, I congratulate the distinguished Senator from Texas for her leadership in this most important matter. I know that as I return to my State of Delaware and talk to people there, it is a matter of real unhappiness and dissatisfaction that there is this marriage penalty. Obviously, for that reason, it is very desirable that we correct it as quickly as possible.

Mrs. HUTCHISON. Will the Senator yield?

Mr. ROTH. I will be happy to yield.

Mrs. HUTCHISON. I appreciate the fact that the committee made a priority of the marriage tax penalty. The real marriage tax relief is in the bill in the year 2005 in the responsible timeframe. That was actually the first year you could do it because you cannot cut it back in the future. I appreciate the effort that was made.

My amendment just doubles the standard deduction earlier. The Senator from Delaware has been working with me on the floor, as has Senator Baucus. I very much appreciate their help in helping me work through this so that we are going to have the early relief on the standard deduction now in the year 2003, starting the phase-in to 2005 when we are going to give the real relief, which the chairman had in the bill originally. I give him the credit for that, and I appreciate his remarks very much.

Mr. ROTH. I appreciate the remarks of the Senator from Texas.

One of the frustrating things of putting a bill together, although I have to admit it is a very interesting challenge that I much enjoy, is the fact that there are so many things I believe should be done for the American families. It is frustrating that there are limitations as to what we can do. I agree with the distinguished Senator that nothing is more important than eliminating this marriage penalty. Obviously, the sooner we can do it, the better we will have.

For the information of all Senators, I do want to make clear that my concern with the pending amendment had been that it would put us out of compliance with our reconciliation instructions. I was also concerned that the earlier version of the amendment would have relied heavily on delaying the AMT relief. And this delay would hit middle-income Americans very hard.

But now we understand, of course, that the Senator from Delaware has been working with the Senator from Texas on a modification to the filed amendment which will alleviate this offset problem. For that I am very grateful. With these changes, I just say, I look forward to working with the Senator from Texas on having this amendment enacted.

Mr. President, I yield the floor. Would the Senator like some more time?

Mrs. HUTCHISON. Mr. President, I would just like to reserve the remainder of my time for the modification when it is ready, which I understand will be in the next 15 to 30 minutes.

So I yield now and will reclaim that time when we have the corrected amendment.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.
The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, I yield 5 minutes to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I think there is another dimension to this tax bill which I think is important for us to address. It is not only tax reduction in the amount of the reduction and not only the composition of the reduction, it is how we are making this Tax Code even more complex.

If there is anything we hear from our people at home, it is that this Tax Code is much too complex; it is just a mess. I see the Presiding Officer, who has deep experience in this, is nodding his head in agreement. We all know that he is right.

Regrettably, when Congress passes tax legislation, we tend not to pay much attention to whether this adds further complexity to the code. We rarely pay any attention to that.

Frankly, I take some pride in that I pushed for the provision of the law last year that directs the IRS, in conjunction with the Joint Tax Committee, to come up with a report of the analysis of new provisions that the Congress enacted. We did not get this analysis until after the Finance Committee reported out its bill, but we did get it, finally.

I have with me a letter from Charles Rossotti, the Commissioner of the IRS, to Ms. Lindy Paull, who is the Chief of Staff of the Joint Committee on Taxation, which is a brief analysis of the additional complexity that the bill before us would cost.

Just by way of example, we are here today trying to correct a problem by providing relief for the marriage tax penalty. This marriage tax penalty is where a couple pays a higher net tax when both couples earn about the same amount of money. The underlying bill before us attempts to address that problem, but in a way which is very complex.

The amendment offered by the Senator from Texas is a much more crude way to deal with alleviating the marriage tax penalty by raising the standard deduction by a significant amount, an approach that we took in our Democratic alternative bill, too, where we would raise the standard deduction even more. But to give you an example of the word to say that this bill would cause in trying to resolve the marriage tax penalty, let me just state the following items which I hope we will get worked out as this bill progresses.

Essentially, taxpayers would have to fill out two forms or the 1040 would have to have more columns and many more items, because essentially couples would have to fill out their 1040 in many ways twice—one as if married, and then separate, as if joint filers, attempting to determine which is less in that tax, and so forth.

Then there is the question of allocation of personal exemptions: When you file separately, who gets the personal exemptions, the additional personal exemption for children, and so forth, and who doesn’t.

There is then the question of large medical payments, the medical deduction, which, as the Presiding Officer knows better than anybody else in the Chamber, is about 700 percent of adjusted gross income. And then the question is, How is that allocated—one spouse or do both spouses get it or what happens?

There is a lot of additional complexity that couples would face under the underlying bill. All of this is not glamorous stuff. It doesn’t get headlines. It is not in the evening news. It is my hope that as we undertake the work in this body, as well as in the other body, to reduce taxes, and we try to do it in a fair way, we also do it in a way that is less complex, not more complex.

As the bill stands tonight, with respect to the marriage tax penalty relief, it is going to be much more complex for taxpayers, for individual taxpayers, whether they file separately, particularly for married taxpayers trying to determine how to deal with the withholding calculation, which is complicated with respect to the marriage tax penalty.

I ask unanimous consent to have printed in the Record a letter and a short document from Commissioner Rossotti to the Joint Committee on Taxation which begins to outline some of the additional complexities this bill will cause.

There being no objection, the material is ordered to be printed in the Record, as follows:


Ms. LINDY L. PAULL, Chief of Staff, Joint Committee on Taxation, Washington, DC.

DEAR MS. PAULL: Attached are the Internal Revenue Service's (IRS) comments on the eight provisions from the Senate Committee on Finance markup of the "Taxpayer Refund Act of 1999" that you identified for complexity analysis of July 19, 1999. The comments are based on the joint Committee on Taxation staff description (J CX-46-99) of the provisions and, in the case of marriage penalty relief, the statutory language for a similar item provided in H.R. 2656, introduced by Mr. Weller in the 105th Congress.

Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

Sincerely,

CHARLES O. ROSSOTTI.

Attachment

IRS COMMENTS ON EIGHT TAX PROVISIONS OF THE TAX REFUND ACT OF 1999 IDENTIFIED FOR COMPLEXITY ANALYSIS

REDUCE 15 PERCENT INCOME TAX RATE TO 14 PERCENT BEGINNING IN 2001

The tax rate change mandated by this provision would be reflected in the tax tables and tax rate schedules during IRS' annual update of these items. The provision would require changes to the tax rates shown on the 2001 instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR-EZ, and 1041, and on the Forms 1040-ES for 2005. No new forms would be required. The increase in the wage-earner $2,000 bracket by $2,000, beginning in 2005.

The increase in the wage-earner 14 percent bracket would be incorporated in the tax tables and tax rate scheduling during IRS' annual update of these items.

The provision would require changes to the tax rates shown in the 2005 instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR-EZ, and 1041, and on the Forms 1040-ES for 2005. No new forms would be required. Programming changes would be required to reflect the expanded 14 percent bracket.

MARRIAGE PENALTY RELIEF FOR JOINT FILING BEGINNING IN 2005

FORMS

The following forms changes would be necessary to implement this provision. The changes noted for Form 1040EZ could affect the scannability of the form.

1. A new line and check box would be added to the 2005 Forms 1040, 1040A, and 1040EZ for married taxpayers to indicate they are filing single returns on a combined form. This is my hope that as we undertake the work in this body, as well as in the other body, to reduce taxes, and we try to do it in a fair way, we also do it in a way that is less complex, not more complex.

2. Three new schedules would be developed (for 1040 filers, 1040A filers, and 1040EZ filers) with columns for each spouse to separately report the information required to determine his or her total income and adjusted gross income (AGI), taxable income, and tax before nonrefundable credits. This information is shown on the following lines of the 1999 forms: Form 1040, lines 7 through 40; Form 1040A, lines 7 through 25; and Form 1040EZ, lines 1 through 6, and line 10. The new schedules would also show the couple's combined AGI and taxable income and total tax, including nonrefundable credits. The combined tax would also be entered on the appropriate line of the couple's 1040 return and the rest of that return would be completed as if a joint return has been filed.

3. If credits are to be determined as if the spouses filed a joint return and a nonrefundable credit is allocated in J CX-46-99, a third computation of AGI and tax before nonrefundable credits would be necessary. The AGI and tax would be computed in a joint return.

The reason for this additional computation is because some credits are affected by AGI and may also be limited by the regular tax liability. These items would not necessarily be the same as the two spouse's combined AGIs and tax. To eliminate this third computation, the provision relating to credits should be specified that the couple's combined AGIs and tax are to be used in figuring the amount of any credit.

4. A new four-line, two-column worksheet would be developed for each spouse to compute his or her applicable percentage for purposes of determining the deductions, such as the deduction for exemptions, that are required to be allocated based on each spouse's share of the combined AGIs. This worksheet would be included in the instructions for the new schedules.

5. The provision would require many electing taxpayers to complete two separate
Schedules A, B, D, and E, or Forms 4797 (and possibly other schedules/forms) to determine the amounts to enter on the new schedule. In general, two separate schedules/forms will be required and these forms have items that affect the schedule/forms.

IRS understands that rules clarifying the application of the election for AMT purposes will be needed. The above does not reflect the additional form changes that would be needed to integrate the election with the alternative minimum tax.

**PROVISIONS AFFECTING COMPLIANCE**

The marriage penalty election would impact most aspects of IRS operations.

The form changes needed to implement the provision would require the time to process the returns and the IRS to process a 1040 on which the election is made and issue a refund, as well as increase the cost of processing the return. Developing additional time and resources to the processing of elective returns could delay the processing of other returns and the issuance of other refunds.

The complexity of this provision would likely cause an increase in the number of taxpayers who use a paid preparer and discourage the use by taxpayers of e-file programs (such as Tax zero and On-Line Pay). The error rate among those who do prepare their own returns would also increase. During processing, these returns would have to be reviewed for accuracy. This could result in additional taxpayer contacts, delays in the issuing of refunds, and additional costs to the IRS. The provision would also increase the number of amended returns which would have to be examined and processed.

The IRS would have to make substantial changes to its IRM procedures for processing marriage penalty election returns and train the service center in those procedures.

The added complexity would also increase the number of taxpayers who would seek assistance either on the toll-free lines or at the walk-in sites. The number of taxpayers seeking assistance about the marriage penalty election could reduce the opportunity for other taxpayers to get assistance. The IRS would have to make substantial changes to the customer service IRM and would have to train the customer service representatives to enable them to assist taxpayers in these complex provisions.

The rules for allocating income and deductions between spouses, which are in part based on state property law, would cause confusion and errors by taxpayers. In many instances, the IRS would only be able to detect the error once the return was processed. The IRS would have to develop new examination procedures and train its examiners in the law and the new procedures. The marriage penalty election could affect the resolution of examination cases involving the innocent spouse provisions.

This provision would require major systemic programming changes to IRS' computation process. This provision would affect many of our tax systems including Integrator-Plus, the FUTA tax system, and Remittance Processing (ISR), Error Resolution System (ERS), Generalized Unpostable Framework (GUF), Generalized Mainline Framework (GMF), Generalized Fixed Deposits (FTDs), SCRIPS, MasterFile, Electronic Filing, and TeleFile. It is estimated that at least 50 staff years and approximately $5,000,000 in contracts would be needed to make the necessary programming changes.

**ALTERNATIVE MINIMUM TAX**

Since the provision regarding personal credits and the AMT is the same as that applicable years, and reduced to the 1988 tax forms, no form or programming changes would be needed to implement the provision provided it is enacted in the near future. If enactment is delayed, the IRS will have to begin taking steps to re-institute the pre-1998 rules for 1999 tax years. It is critical that this provision be enacted as soon as possible to avoid costly and unnecessary programming changes and to minimize the impact on timely distribution of the 1998 tax packages. In addition, a return to pre-1998 law would significantly increase the complexity of these credits.

The provision relating to the deduction for personal exemptions would eliminate the nine line AMT worksheet in the Form 1040A instructions for 2005. This provision would not affect the number of lines on the 2005 Form 1040 or the AMT worksheet in the 2005 Form 1040 instructions.

### INDIVIDUAL RETIREMENT ARRANGEMENTS

This provision would require a change to the dollar limit specified in the Form 1040, Form 1040A, Form 8906, and Form 5329 instructions for 2001 through 2005 and possibly in future years. The change would also be reflected in the Form 1040-ES for all applicable years. No new forms or additional lines would be required. Programming changes would be needed to reflect the increased contribution limits.

The IRS would need to provide guidance to financial institutions that sponsor IRAs on how to take into account the higher contribution limits (currently sponsored by the Internal Revenue Code). In addition, the following model IRA and Roth IRA documents that are issued by the Assistant Commissioner (Exempt Organizations) (EC/EPO) would need to be modified to take into account the increased contribution limits:

- Form 5305, Individual Retirement Trust Account
- Form 5305-A, Individual Retirement Custodial Account
- Form 5305-R, Roth Individual Retirement Account
- Form 5305-RA, Roth Individual Retirement Custodial Account
- Form 5305-AB, Roth Individual Retirement Account

### INCREASE DEDUCTION FOR SELF-EMPLOYED TO 100 PERCENT

This provision would eliminate one line from the self-employed health insurance deduction worksheet in the 2000 Instructions for Forms 1040 and 1040NR. This worksheet is currently four lines. The Form 1040-ES for 2000 would also reflect the provision. No new forms would be required.

### REPEAL FUTA SURTAX AFTER DECEMBER 31, 2004

The provision would require a change to the FUTA tax rate on Forms 940, 940-EZ, 940-PR, and Schedule H of Form 1040 for 2005. The rate would be reduced from 6.2 percent to 6.0 percent. No new forms would be required. Programming changes would be necessary to reflect the reduced FUTA rate.

### ALLOW NON-ITEMIZERS TO DEDUCT UP TO $50 (500) FOR JOINT TAXES TO CHARITABLE CONTRIBUTIONS FOR 2000 AND 2001

Assuming the deduction is allowed in determining adjusted gross income (unlike the 1992-96 deduction for non-itemizers), the following changes would be necessary to implement this provision:

1. One line would be added to the adjustments section of line 10 of Form 1040, 1040A, 1040NR, and 1040NR-EZ for 2000 and 2001.

2. Two new lines would be added to Form 1040EZ for 2000 and 2001. (One for the deduction and one to record the deduction for core total income to arrive at adjusted gross income). This change would affect the scalability of the form.

Ensuring compliance with the above-the-line charitable deduction would be difficult. The only means of verifying amounts deducted would be through examination, which is not practical because of the small amounts involved.

No new forms would be required.

Mr. President, I yield 10 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 10 minutes.

Mr. HARKIN. I thank the Senator from Montana for yielding.

Mr. President, I will talk about the bill itself, but I also want to talk about an amendment that I intend to offer tomorrow, sponsored by myself, Senator KENNEDY of Massachusetts, Senator WOLLSTONE of Wisconsin, and Senator WYDEN of Oregon. This bill, in my view, is an important step in providing relief to taxpayers who have already earned their Social Security benefits.

Mr. President, I yield 10 minutes to the Senator from Iowa.
Frankly, I consider it age discrimination. After all, a new employee, usually younger, effectively receives greater pay for the same work in the form of money put into the pension plan. In other words, you have two people working side by side. As I said, they get their wages. They also get their pensions. But if one is not getting any pensions, he is basically getting less pay.

The amendment we are offering tomorrow would prevent the wearaway. It would prevent companies from reducing the pension benefits of older workers in the same way that they add to the benefits of younger workers.

I will make it clear that my amendment does not stop companies from modifying their plans. It does not stop them from converting to cash balance plans, and it doesn’t stop them from improving the portability. It simply prevents employers from cutting the benefits of older workers by thousands of dollars a year compared to what happens to a younger worker.

My amendment just says that a company cannot discriminate against longtime workers by not putting money into their pension account just because they have a pension benefit under a prior plan. Workers would get whatever they are entitled to receive under the terms of their old pension plan as well as all they are entitled to under the new plan for the period that their pension fell under that plan. The total benefit would be the sum of the two.

In closing, my amendment is supported by the National Council of Senior Citizens, the National Committee to Preserve Social Security, the AARP, the AFL-CIO, the Pension Rights Center, Business and Professional Women USA, the Older Women’s League, and the Women’s Pension Project.

Older workers across America have been paying into pension plans through many working years anticipating the secure retirement which is their due. Now, as more Americans than ever before in history approach retirement, we are seeing a disturbing trend by employers to cut their pension benefits.

I urge the Senate to support our amendment.

Let me shift for just a second, in whatever time I have remaining, to say that I am going to vote against this tax bill because: It is fiscally irresponsible, it widens the gap between the rich and the poor, and it really robs our children.

My friends on the Republican side make it sound so simple. They say: Look, we have this tremendous surplus. It means people are paying too much in taxes. Let’s give it all back in a tax cut.

Well, if only it were that easy. First of all, we don’t have those surpluses yet. They are anticipated, but they are not here. Remember back in 1981 when we were told by some that we could cut taxes and increase military spending and we wouldn’t have a deficit. Well, the deficit almost quadrupled during the 1980s. The public debt more than quadrupled. We simply put the American people on a credit card.

Finally, in 1993, Congress got serious. We took the lead in stopping the hemorrhaging. So now we have turned it around, the GNP is growing at a great rate. We are beginning to pay down the $5.6 trillion debt saddled on our kids.

My friends on the Republican side rejected that deficit reduction bill in 1993. Not one single Republican voted for it.

I remember when Senator Gramm of Texas said:

...if we adopt this bill, the American economy is going to get weaker, not stronger. The deficit, 4 years from today, will be higher than it is today and not lower. When all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American economy will be worse off.

That was in 1993. Obviously, my friend from Texas could not have been more wrong in his assessment.

But now we have this big tax cut before us based on paper projections. But we also find the gap between the rich and poor is widening. At a time when we need to ensure the future for our children, we are going to take it away from them.

This is the way I look at it. We built up this huge debt in the 1980s. Who made it out from that? Look at all the statistics. Upper-income people made a lot of money in the 1980s and secured more wealth. More assets went to fewer and fewer people in this country and, thus, the gap between the rich and poor widened. We added a lot of deficits and we are now going to have some surpluses. It seems to me it is our responsibility to take that money and lift the heavy debt burden off of our kids and grandkids—$5.5 trillion of debt. We owe it to our children and grandchildren.

I keep hearing a lot of my friends on the Republican side say: Well, this isn’t our money; it is your money; we should give it back to you, the people today that are paying taxes; give it back. Of course, most of it goes back to the upper 5 percent of income earners in America. But I look upon it in a different way. The huge debt we ran up in the 1980s is going to be a burden on our kids and grandkids. The very wealthy people who made out in the 1980s are now going to get a big tax cut. It seems to me that what we need to do is take that money and say, no, you know who this money belongs to? It belongs to our kids and grandkids. We better be paying off our granddebt so they are not saddled with it when they grow up.

Let’s secure Social Security. We keep hearing the hue and cry all the time that young people don’t think Social Security is going to be there for them. Well, this is our chance to make sure they know it is going to be there for them, and also that we secure Medicare. If we then can take and reduce the debt on our kids, invest in education, keep our economy and be more productive in the future. That is what we ought to be doing with this—not giving it back to people who already have too much.

I must tell you, I have a lot of friends and I know a lot of people who have a lot of money. We all have rich friends, people who have made a lot of money. I have yet to have any one of them ever tell me that they desperately need a tax break. Mostly, what they tell me is: Pay down the debt, invest in education, save Social Security for our kids.

That is what we ought to be doing. The top 1 percent of the taxpayers are the ones that make up the most in the tax cut by the Republicans.

Mr. BAUCUS. I yield 2 more minutes to the Senator.

Mr. HARKIN. Since 1980, the average after-tax income of the top 1 percent of American families has increased by 72 percent. The income of the poorest fifth of American families has declined by 16 percent. If the Republican tax bill becomes law, corporate limousines will line up in front of the Capitol with their trunks open. The top 1 percent will haul more than the trunks away in the trunks of their limousines.

I have always said there is nothing wrong with making money in America. There is nothing wrong with being rich. There is nothing wrong with having a nicer house, a bigger car, and all the better amenities of life. That is a big part of the American dream. But I believe when you make it to the top, and others make it to the top, and I make it to the top, it is the responsibility of Government to assure that we leave the ladder down there for others to climb, too. The Republican tax bill, basically, says to the wealthy in this country: You have it made. Don’t worry about anybody else. You made it to the top. Now you can pull up the ladder behind you and we are going to help you. The Government will help you pull the ladder up behind you.

President Clinton has talked often about the bridge to the 21st century, we have a good one. Unemployment is low, GNP is going up, debt is going down. But if only a few people cross that bridge, it will become a dividing line. That is why we don’t need this tax bill. We need to bring people together, not divide the American dream. But I believe when you make it to the top, it is the responsibility of Government to assure that we leave the ladder down there for others to climb, too. The Republican tax bill, basically, says to the wealthy in this country: You have it made. Don’t worry about anybody else. You made it to the top. Now you can pull up the ladder behind you and we are going to help you. The Government will help you pull the ladder up behind you.

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JULY 29, 1999

CONGRESSIONAL RECORD — SENATE

S9727

The legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, the quorum call is rescinded.

Mr. BAUCUS. Mr. President, I yield 10 minutes to the Senator from Iowa.

The PRESIDING OFFICER. Only 7 minutes 20 seconds remain.

Mr. BAUCUS. I yield 7 minutes 20 seconds to the Senator from Iowa.

Mr. HARKIN. I will not talk that long. I thank the manager.

Mr. President, I will talk about another motion I will have to recommit the bill with instructions tomorrow when it comes up. This has to do with funding for the National Institutes of Health.

Just 2½ years ago, the Senate went on record, 98-0, committing to double the budget of the National Institutes of Health. But this tax bill shortchanges America's health and renegotiates the Senate's promise, by forcing cuts of up to 38 percent in discretionary health programs.

Earlier this evening, my friend and colleague from Pennsylvania, Senator SPECTER, talked about NIH being the "crown jewel" of our Government. Indeed, I agree with him. It is. But we said we were going to double the budget. Yet now, because of this tax bill, we are going to be faced with huge cuts. We cannot go back on our appropriations bill on the floor because we are $8 billion to $10 billion below what we had last year, and yet we are going to give a big tax break to the wealthiest in our society.

We have to invest in this medical research—Alzheimer's and arthritis to cancer, diabetes, and spinal cord injury. We are on the verge of breakthroughs in all of these areas. Now is not the time to back off; now is the time to invest in biomedical research.

If we were able to just simply delay the onset of Alzheimer's by 5 years, the savings would be $50 billion a year. We would have no problems in Medicare if we just delayed the onset of Alzheimer's by 5 years.

My amendment is going to be very simple. It makes good on the promise the Senator made, 89-0, to double the NIH budget over 5 years. The amendment returns the tax bill to the Committee with instructions that the committee report back to the full Senate within 3 days with an amendment to provide an additional $13 billion for the NIH over 5 years. Funding for this would be provided by reducing existing specific tax cuts in the bill, so long as those tax cuts that benefit moderate- or middle-income taxpayers are not reduced.

Again, I commend this amendment. It is sponsored, again, by myself, Senator Kennedy, Senator Mikulski, and Senator Murray to again make good on our promise to make sure we put the necessary funding in biomedical research at the NIH.

I yield to the manager, if the manager would like to have the time back. I will be glad to yield back whatever time I have remaining.

Mr. BAUCUS. Mr. President, how much time remains on my side?

The PRESIDING OFFICER. Four minutes.

Mr. BAUCUS. Thank you, Mr. President.

I would like to emphasize a point that I made earlier about complexity. The bill that passed by the other body reduces capital gains. Without getting into whether they should or should not be reduced, the effective date is July 1, 1999, which adds tremendous additional complexities to the code—to accountants, who have to add in more lines, and for programmers in their computers to adjust to the IRS.

The preliminary analysis is that there are many more pages for the capital gains increase schedule than currently are required. I add to that Y2K. This provision goes into law on July 1. I am just addressing the complexity. I am not talking about the merits.

Then the IRS—who knows? It may well have to go back and retest their Y2K program to see if it works again with these additional items that are plugged in.

I very much hope the conferrees on their tax bill, in working with the President, will finally put together, pay much more attention to the complexity than they have in the past. I just bear down on that because if we hear anything from the taxpayers, it is the additional complexity of the code. We have an obligation not to add additional complexity.

In my experience in all of the debate on all of the tax bills, we have to cut a little bit here and raise some more revenue. We are going to add a little bit over here, with not one second of attention to this, and this adds additional complexity to the taxpayers.

We have had IRS hearings on the problems the IRS has caused the taxpayers. There is some truth to that. The IRS has been a little bit too draconian in many ways in some of the proceedings that it has brought against taxpayers. They have been a bit rough.

But mark my words. Most of the complexity is caused by Congress. Most of it is caused by Congress. We are a country that likes to tax. I would like to say: Oh boy, we are helping taxpayers reducing taxes—and at the same time we are increasing complexity. We don't talk about that. But we have an obligation to address both tax reduction as well as complexity.

I very much hope we live up to our responsibility and address that because it is a huge problem. No wonder Americans want a flat tax. It is the complexity.

On the other hand, I might ask myself and each of you, how do you address the marriage tax penalty with a national tax? Americans want both simplicity and equity. We all want both simplicity and equity. Of course, those are enemies of each other. The more something is simple, the more someone else claims it is inequitable and applies to them. The more we try to deal with them to make it more equitable, the less simple the code becomes. But nevertheless we have an obligation. I very much hope we address it and solve it.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. FRIST. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, I will not object. But there comes a point when we have to interrupt business tonight. In the earlier conversation with the Senator it was a different amount of time we agreed to.

Mr. FRIST. Mr. President, I thought we were going to use the legislative language. I will be happy to speak for however many minutes I can. I was under the understanding it would be about 10 minutes before we had legislative language to close, but I will be happy to listen to them for 5 minutes.

Mr. BAUCUS. I will not object.

Mr. FRIST. Mr. President, I will speak for 5 minutes by unanimous consent?

The PRESIDING OFFICER. Without objection, it is so ordered.

The Medicare Program

Mr. FRIST. Mr. President, we have not discussed an amendment which we will be voting on tomorrow. It has not been discussed yet at all. It has to do with Y2K. Mr. President, we very importantly voted on today, in terms of another amendment. That is what we are going to do in this body to address a fundamental problem. It has to do with Medicare, the fact that we have a Medicare system which is not going to be solvent long-term. It is a very costly system where, if you are a senior, and you have health care expenses, only about 48 percent of those are paid by the Medicare Program. It is a very costly system for seniors and individuals with disabilities. It is a very rigid system. It is a system that is not comprehensive. Much preventive care is not covered, prescription drugs are not covered at all—outpatient prescription drugs. It needs to be modernized. We talked a bit about that today.

The real question is why we cannot take a new benefit and just add it to the overall Medicare system. The gist of the amendment tomorrow is that, yesteryear, the less simple the drug coverage, but we must incorporate that new benefit, which needs to be there, in an overall modernization plan for Medicare.
The question is, why? Let me focus on this one chart. On the right half of this chart, the red bar takes an average over the last 5 or 6 years, an average annual increase in all health care. The red bar is in drug expenditures. They have gone up 11 percent every year. The reason we cannot do anything about all health care expenditures in our health care system.

The real point of this graph is that every year overall drug expenditures, in the chart it goes up about twice as fast as other health care costs. Thus if we are going to add a new benefit onto overall health care costs, something that is growing at 5 percent, we need to be very sure we do not run into the same problem we have in certain fields such as home health care. Home health care was a benefit in Medicare that was growing 17 percent a year, it could not be tolerated in the overall Medicare system because of cost.

Then we, with the heavy hand of Government, uninsured and sliced home health care 2 years ago. In many ways that was devastating to patients, to the quality of health care, to people who were depending on venipuncture to have blood drawn on a regular basis. Therefore, I think it is very important we recognize, because drugs are a different entity, if we are going to add that benefit, we need to do it in the realm of overall reform of Medicare and modernization.

This shows prescription drug expenditures in the aggregate since 1965 have increased—not quite exponentially, but you can see in 1993, 1995, 1996, from about $55 billion up to about $80 billion. So before we take this entity and put it in Medicare, because Medicare is already going bankrupt, we need to look at the overall picture. It includes hospitals, includes doctors, prescription drugs, chronic care and acute care. There is a proposal that has been put forth by the National Bipartisan Medicare Commission appointed by the President of the United States, appointed by our leadership in the Senate and in the House. We came up with the proposal that is essentially this: The premium support model, the Breaux-Thomas bill. This proposal did look at overall Medicare, hospitals, physician reimbursement, and prescription drugs, and came up with this model. The details of the model do not matter, but I do want to stress that 10 of the 17 Members, in a bipartisan way, did put this forward as a proposal—again, to show Medicare can be modernized.

The point with prescription drugs in Medicare—remember, as an outpatient, prescription drugs are not covered in Medicare at all. You have to go outside the system. But of the about 36 million people enrolled in Medicare, two-thirds do have some coverage, one-third do not have coverage. Therefore, in that Bipartisan Commission, which we have worked on for the course of the year, we said let’s first focus right now as we modernize and strengthen Medicare, improve its solvency, make it less costly, less rigid, let’s at least address this 35 percent as a first step. The 65 percent who are covered are covered in lots of different ways.

Since my time is up, I will yield the floor to Mr. President. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The legislative assistant proceeded to call the roll.

Mrs. Hutchison. Mr. President, I suggest unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 1472, AS MODIFIED

Mrs. Hutchison. Mr. President, I ask unanimous consent that amendment No. 1472 be modified with the changes that are now at the desk. The PRESIDING OFFICER. Without objection, it is so ordered. The amendment is so modified.

The amendment (No. 1472), as modified, is as follows:

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<tr>
<th>Calendar year:</th>
<th>Applicable dollar amount:</th>
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<td>$4,000</td>
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Applicable dollar amount: $2,000 2006 or 2007, $2,500 2006 and thereafter, $2,000 2006 or 2007, $2,500 2006 and thereafter

Applicable dollar amount: $2,000 2006 or 2007, $2,500 2006 and thereafter, $2,000 2006 or 2007, $2,500 2006 and thereafter

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

(c) TECHNICAL AMENDMENTS.—

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

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

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

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect at the beginning of the calendar year after December 31, 2000.

Mrs. Hutchison. Mr. President, I ask unanimous consent that amendment No. 1472 be modified with the changes that are now at the desk. The PRESIDING OFFICER. Without objection, it is so ordered. The amendment is so modified.

The amendment (No. 1472), as modified, is as follows:

<table>
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<th>Calendar year:</th>
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The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

Mrs. Hutchison. Mr. President, I thank the Chair. Mr. President, I will not delay because I believe we are about to wrap up, and I will have 15 minutes equally divided tomorrow. This is a significant victory. I appreciate so much Chairman Roth and Senator Baucus, who is here on behalf of Senator Mynihan, working with me on this amendment.

The bottom line is, by delaying a few other very important tax cuts, we have been able to put at the top of our priority list $6 billion more in marriage tax penalty relief for the 43 million people in this country who are suffering just because they are married. That is not right. We have been needing to correct this for years. You should not have to choose between love and money in America, and yet 22 million American couples are doing just that.

This amendment will take part of the marriage tax relief and put it up, starting in 2001, so there will be immediate opportunity to save more of the money they earn to spend as they choose because, in fact, if they were not married,
they would be paying that much less in taxes. But they are married. We want to encourage them to do that, if that is what they want to do, and we certainly should not be penalizing them.

Tomorrow I will talk about what is in this amendment, what it does, but tonight I want to say thank you to Senator Roth and to Senator Baucus for working with us. This is a significant improvement in the bill because it will give married couples throughout our country the relief they deserve.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments (Nos. 1388, 1411, 1412, 1446 and 1455) were agreed to, en bloc, as follows:

AMENDMENT NO. 1388
(Purpose: Making technical corrections to the Saver Act)

At the end of title XIV, insert:

SEC. 1455. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking “2001 and 2005 on or after September 1 of each year involved” and inserting “2001, 2005, and 2009 in the month of September of each year involved”;

(2) in subsection (b), by adding at the end the following sentence: “To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Corporation.”;

(3) in subsection (e)(2), by striking “Committee on Labor and Human Resources” in subparagraph (B) and inserting “Committee on Health, Education, Labor, and Pensions”;

(4) in subparagraph (D) and inserting the following:

“(D) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

“(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives; and

(i) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and

(ii) in subsection (3)(A)—

(A) by striking “shall not be more than 200 additional participants” and inserting “The participants in the National Summit shall also include additional participants appointed under this subparagraph”;

(B) by striking “one-half shall be appointed by the President” in clause (i) and inserting “more than 100 participants shall be appointed under this clause by the President,” and by striking “and” at the end of clause (i);

(C) by striking “one-half shall be appointed by the elected leaders of Congress” in clause (ii) and inserting “not more than 100 participants shall be appointed under this clause by the elected leaders of Congress,” and by striking “of the period at the end of clause (ii) and inserting “;” and;

(D) by adding at the end the following new clause:

“(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.”;

(5) in subsection (e)(3)(B), by striking “January 31, 1998” in subparagraph (B) and inserting “May 1, 2003, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively”;

(6) in subsection (f)(1)(C), by inserting “, no later than 90 days prior to the date of the commencement of the National Summit,” after “comment” in paragraph (1)(C);

(7) in subsection (g), by inserting “, in consultation with the congressional leaders specified in subsection (e)(2), after ‘report’;

(8) in subsection (i)—

(A) by striking “beginning on or after October 1, 1997” in paragraph (1) and inserting “2001, 2005, and 2009”; and

(B) by adding at the end the following new paragraph:

“(3) RECEIPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted representation and reception authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph,”;

(9) in subsection (k)—

(A) by striking “shall enter into a contract on a sole-source basis” and inserting “may enter into a contract on a sole-source basis”;

(B) by inserting “fiscal year 1998” and inserting “fiscal years 2001, 2005, and 2009”.

AMENDMENT NO. 1401
(Purpose: To provide that no Federal income tax shall be imposed on amounts received, and lands recovered, by Holocaust victims or their heirs)

At the end of title XI, insert the following:

SEC. 1401. NO FEDERAL INCOME TAX ON AMOUNTS AND LANDS RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include—

(1) any amount received by an individual (or any heir of the individual)—

(A) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or

(B) as a result of the settlement of the actions entitled “In Re Holocaust’s Asset Litigation”, (E.D. NY), C.A. No. 96-4840, or as a result of any similar action; and

(2) the value of any land (including structures thereon) recovered by an individual (or any heir of the individual) from a government of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

(b) EFFECTIVE DATE.—This section shall apply to any amount received before, on, or after the date of the enactment of this Act.

AMENDMENT NO. 1402
(Purpose: To add a short title)

On page 193, after line 23, the short title—

AMENDMENT NO. 1406, AS MODIFIED
(Purpose: To eliminate the 2-percent floor on miscellaneous itemized deductions for qualified professional development expenses and incidental expenses of elementary and secondary school teachers, and for other purposes)

On page 371, between lines 16 and 17, insert the following:

SEC. 1406. 2 PERCENT FLOOR ON MISCHELLNEOUS ITEMIZED DEDUCTIONS NOT TO APPLY TO QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES AND QUALIFIED INCIDENTAL EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES DEDUCTION.—

(1) IN GENERAL.—Section 67(b) (defining miscellaneous itemized deductions) is amended by striking “and” at the end of clause (13), by striking “12 percent” in paragraph (12) and inserting “15 percent” in paragraph (12), and by adding at the end the following new paragraph:

(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.

(2) DEFINITIONS.—Section 67 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by striking “and” at the end of clause (13), by striking “12 percent” in paragraph (12) and inserting “15 percent” in paragraph (12), and by adding at the end the following new paragraph:

(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.

(3) AMENDMENTS.—Section 67 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by striking “and” at the end of clause (13), by striking “12 percent” in paragraph (12) and inserting “15 percent” in paragraph (12), and by adding at the end the following new paragraph:

(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.

(4) AMENDMENTS.—Section 67 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by striking “and” at the end of clause (13), by striking “12 percent” in paragraph (12) and inserting “15 percent” in paragraph (12), and by adding at the end the following new paragraph:

(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.
"(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and

(ii) with respect to which a deduction is allowable under section 162 (determined without regard to this section).

(B) QUALIFIED COURSE OF INSTRUCTION.—The term "qualified course of instruction" means a course of instruction which—

(i) is—

(A) at an institution of higher education (as defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this Act), or

(B) a professional conference, and

(ii) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the individual's teaching skills.

(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 1401 of the Elementary and Secondary Education Act of 1965, as so in effect.

(2) ELIGIBLE TEACHER.—

(A) IN GENERAL.—The term 'eligible teacher' means an individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school.

(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms 'elementary school' and 'secondary school' are defined in section 1411 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7601), as so in effect.

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

(4) ELIGIBLE INCENTIVE EXPENSES.—

(A) IN GENERAL.—Section 767(g)(1), as added by subsection (a)(2), is amended by striking 'and' at the end of clause (i), by designating clause (i) as clause (ii), and by inserting after clause (i) the following new clause:

(ii) for qualified incidental expenses, and

(2) DEFINITION.—Section 767(g), as added by subsection (a)(2), is amended by adding at the end of such section the following:

(3) QUALIFIED INCENTIVE EXPENSES.—

(A) IN GENERAL.—The term 'qualified incentive expenses' means expenses paid or incurred to acquire a computer or computer component which are paid or incurred in taxable years beginning after December 31, 2004, and ending before December 31, 2009.

(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.

(C) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004, and ending before December 31, 2009.

AMENDMENT NO. 1495

(Purpose: To amend the Internal Revenue Code of 1986 to expand the deduction for computer donations to schools and to allow a tax credit for donated computers, and for other purposes)

On page 371, between lines 16 and 17, insert:

SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

(a) In General.—Subject to parts IV of chapter A of chapter 1 relating to business-related charitable contributions, as amended by this Act, is amended by adding at the end the following:

"SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

(a) General Rule.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 30 percent of the qualified computer contributions made by the taxpayer during the taxable year.

(b) Qualified Computer Contribution.—For purposes of this section, the term 'qualified computer contribution' has the meaning given the term 'qualified elementary or secondary educational contribution' by section 170(e)(6)(B)(i), except that—

(1) such term shall include the contribution of a computer (as defined in section 170(e)(6)(B)(ii) only if computer software (as defined in section 179(d)(1)) that serves as a computer operating system has been lawfully installed in such computer,

(2) for purposes of clauses (i) and (iv) of section 170(e)(6)(B)(i), such term shall include the contribution of computer technology or equipment to multipurpose senior centers (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35)) to be used by individuals who have attained 60 years of age to improve job skills in computer.

(c) Increased Percentage For Contributions.—In the case of contributions made in taxable years beginning after the date of the enactment of this Act.

(d) Certain Rules Made Applicable.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 170(e)(6)(A) shall apply.

(e) Termination.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of the New Millennium Classroom Act.

(f) Current Year Business Credit Calculation.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking "plus" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '"", and by adding at the end the following:

"(14) the computer donation credit determined under section 45E(a),"

(c) Disallowance of Deduction by Amount of Credit.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

"(C) Deductible For Computer Donations.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45E(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under subsection (a), except that if a corporation is a member of a controlled group of corporations (within the meaning of section 52(a)), any trade or business which is treated as a separate member of such group is treated as if it was separate from and under common control with all other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary in a manner similar to the rules under sections (a) and (b) of section 52."
the House position on this issue during the upcoming House-Senate conference negotiations.

Mr. ROTH. Thank you, Senator Coverdell. As you are aware, I have been a supporter of this legislation in the past, and continue to support this legislation in the future.

This bipartisan proposal is an outstanding example of our ability to use the tax code, to help millions of middle class American families across the country. By using the tax code to encourage families to save for their children's education needs and expenses, we all benefit. The expansion of the education IRA will result in greater opportunities for every American child and their families. With education savings accounts, 14 million families—over 20 million kids—will take advantage of the expanded education IRAs, generating billions of dollars in education savings that might otherwise not exist. It is an outstanding way to provide families new and innovative options in education.

Because this legislation has the support of a bipartisan majority of the Senate and is contained in the House-passed bill, I believe it should be given every chance by the conferees during the negotiations of the conference report.

Mr. SARABANES, Mr. President, I rise in opposition to the Budget Reconciliation bill that is before us today. This bill will spend nearly all of the budget surplus projected by the Congressional Budget Office over the next ten years and would use none of this projected surplus to protect the Social Security system, shore up Medicare, or give senior citizens the prescription drug benefits they so desperately need. Instead of taking this opportunity to invest in the future of America at the threshold of the 21st century, Republicans want to enact deep and unreasonable tax cuts that largely benefit the wealthy.

One major problem with basing a decade's worth of budgetary decisions on a projected surplus is that we have no way of knowing what will happen in the next ten years to affect these projections. Consider that just three years ago, when we enacted the Balanced Budget Act of 1997, there were forecasts of large deficits stretching into the future. This year, both the Congressional Budget Office and the Office of Management and Budget are projecting large surpluses over the same period. This turnaround should illustrate clearly that there is a large element of uncertainty in any economic projection, and that large scale shifts in tax policy that would tie our hands in the event of an economic downturn are, at the very least, unwise.

Furthermore, the surplus estimates are based on the assumption that the Federal government will not allow its spending caps to be exceeded in the Balanced Budget Act of 1997. The leadership in both Houses has admitted that this is not a realistic assumption: a number of appropriations bills will not be able to pass unless their funding is restored to pre-cap levels. Already this year, appropriators are eyeing the projected budget surpluses to help fund large appropriations bills. And, as difficult as it will be to appropriate the caps have been for appropriators, the spending caps in future years call for even more drastic cuts.

We are in the midst of the longest peacetime economic expansion in history. This expansion has come about in large part because of deficit reduction efforts which began with legislation proposed by the Administration and enacted by the Congress in 1993 - without a single Republican vote. Thanks to these efforts, we have been able to achieve record low levels of unemployment while at the same time maintaining dramatically low levels of inflation. Tax cuts of the magnitude put forward by the Majority would be unwise and potentially devastating to our economic growth. Low unemployment and dramatically low levels of inflation.

The real question before us today is whether we are going to take advantage of this opportunity to exercise responsible fiscal policy. If we begin to stimulate the economy with a tax cut at the very time that unemployment is at unprecedented low levels, we run the risk of reigniting inflation. If we start over-stimulating the economy, the Federal Reserve will have to raise interest rates to keep inflation in check and we will be right back in the box we faced prior to this recovery.

It is my strongly held view that any surplus realized over the next ten years should be seen as an opportunity to pay down the Nation's debt, invest in our Nation's future, and shore up vital programs. The Republican tax plan would squander this unprecedented opportunity to ensure that the Federal government is prepared and able to handle the fiscal stresses after the baby boomers retire and beyond.

The Republican plan does nothing to preserve the integrity of the Social Security trust fund. The Social Security program is one of this Nation's greatest achievements. For more than 60 years, we have ensured that we have the means to pay our citizens in retirement after a lifetime of hard work. We must honor this commitment and ensure that seniors who count on Social Security can continue to rely on this program.

The Republican tax plan would set aside no new resources for the Medicare program—the plan does nothing to extend the solvency of the Medicare trust fund or provide prescription drug benefits. The President's proposal to enact a modest prescription drug benefit for Medicare would cost $46 billion over the next ten years—less than 6 percent of the total cost of the Republican tax proposals.

Beyond Social Security and Medicare, this projected budget surplus could allow us to invest in the country's infrastructure. We should invest in schools to provide our children with the best possible education; we should improve our Nation's highways and infrastructure; we should invest in America's workers to train them for the 21st century; we should continue to put more police officers on the streets and give them the resources they need to keep this country safe.

While I am not opposed to passing legislation that uses a portion of the projected surplus to cut taxes, such cuts must be responsible, and we should ensure that America's hard-working families who are struggling to take part in the Nation's prosperity benefit first.

Mr. President, we are embarking on an extremely important decision in terms of the future course of the Nation. If we make it responsibly, we can continue on the path of prosperity. We can continue to invest in the future strength of our country through education, research and infrastructure. We can shore up Social Security, address the problems in the Medicare program, and bring down the Federal debt. We can also implement targeted tax cuts that help strengthen our economy.

All of these things are possible, but we cannot, for the sake of our future economic prosperity, go to extremes. The Republican proposal is an extreme proposal. Subjected to analysis, it does not stand up. I strongly oppose this proposal and I urge my colleagues to reject it.

Mr. KENNEDY. Mr. President, I am in strong support of Senator Robs's amendment to recommit the tax bill to instruct the Finance Committee to make a $5.7 billion investment in re-building and modernizing the nation's schools. I commend Senator Robs for his leadership on this issue and I urge my colleagues to support this sensible proposal. As a nation, if we are going to help the nation meet the critical need to modernize and rebuild crumbling and overcrowded schools.

Schools, communities, and governments at every level have to do more to improve student achievement. Schools need smaller classes, particularly in the early grades. They need stronger parent involvement. They need well-trained teachers in the classroom who keep up with current developments in their field and the best teaching practices. They need after-school instruction for students who need extra help, and after-school programs to engage students in construction activities. They need safe, modern facilities with up-to-date technology.

But this investment can't succeed when roofs are crumbling and children are in overcrowded classrooms. Sending children to dilapidated, overcrowded facilities sends a message to students that isn't worth the cost. The country will have to do more to invest in schools to provide our children with the best possible education; we should improve our Nation's highways and infrastructure; we should invest in America's workers to train them for the 21st century; we should continue to put more police officers on the streets and give them the resources they need to keep this country safe.
to ensure that children are learning in safe, modern school buildings.

Renovation, rehabilitation, and modernization will allow schools to correct problems that prevent them from offering an environment conducive to learning. However, document after document shows a clear link between school building conditions and student learning. A study by Virginia Polytechnic Institute and State University in 1996 compared test scores of students in substandard and above-standard buildings, and found that those in the latter were significantly higher. Access to modern technology do better in their academic work then those without these problems.

Nearly one third of all public schools are more than 50 years old. 14 million children in a third of the nation's schools are learning in substandard buildings, and half of the schools have at least one unsatisfactory environmental condition. The problems with ailing school buildings aren't the only problems schools face. They exist in almost every community, whether urban, rural, or suburban.

In addition to modernizing and renovating dilapidated schools, communities need to build new schools in order to better accommodate rising enrollments. The General Accounting Office estimates that it will cost communities $12 billion to repair and modernize the nation's schools. Congress should lend a helping hand and do all we can to help schools and communities across the country meet this challenge.

In Massachusetts, 41 percent of school report that at least one building needs extensive repairs or should be replaced. 80 percent of schools report at least one unsatisfactory environmental factor. 48 percent have inadequate heating, ventilation, or air conditioning. And 36 percent report inadequate plumbing systems.

This past year, I visited Everett Elementary School in Dorchester, Massachusetts. The school is experiencing serious overcrowding. The average class size is 26 children. The principal of the school gave up her office and moved into a closet in the hall in order to accommodate the rising enrollment. When the school needs the multi-purpose auditorium/library, the rolling bookcases are moved to the basement, and the library has to close for the rest of the day.

In Fitchburg, Massachusetts, enrollments are rising by 200 students a year. Educators there would like to reduce class size, and have created a bilingual education program and hire new teachers, but the school system does not have the facilities or resources to accomplish these important goals. Instead, Fitchburg has been forced to construct four portable facilities—and a fifth is under construction—to deal with overcrowding.

Forrest Grove Middle School in Worcester, Massachusetts, is at full capacity with 750 students. As enrollments rise, they expect an additional 150 students, forcing them to rent rooms at a local church to alleviate overcrowding. The schools in Olathe, Kansas are growing at a rate of 500-600 students each year equivalent to about one new school per year.

Two cafeterias at Bladensburg High School in Prince Georges County, Virginia were recently closed because they were infested with mice and roaches. A teacher commented, "It's disgusting. It causes chaos when the mice run around the room." At an elementary school in Montgomery, Alabama, a ceiling which had been damaged by leaking water collapsed one minute after the children had left for the day.

In Ramona, California, where overcrowding is a serious problem, one elementary school is composed entirely of portable buildings. It has neither a cafeteria or a court yard, and a single relocatable room is used as a library, computer lab, music room, and art room.

In Silver Spring, Maryland, a second-grade reading class has to squeeze through a narrow corridor with a sink on one side into a space about 14 feet wide by 15 feet long.

Schools are trying to meet their needs, but they can't do it alone. The federal government can help. A state and local governments and community organizations to ensure that all children have the opportunity to get a good education in a safe and up-to-date school building.

Children need and deserve a good education in order to succeed in life. But they cannot obtain that education if school roofs are falling down around them, sewage is backing up through the walls and ceilings, schools lack computers and modern technology, and classrooms are overcrowded. We need to invest more to help states and communities rebuild crumbling schools, modernize old buildings, and expand facilities to accommodate reduced class sizes.

Senator Robb's bill offers school districts the necessary flexibility and assistance to get the job done. Under this proposal, states would be able to put together a school financing package which best meets their needs. It offers states and school districts five choices from a menu of school construction financing components. It gives states the authority to offer zero-interest school modernization bonds. It also offers other tax incentives to enhance the ability of communities to rebuild their schools, including: (1) tax credits for school modernization bonds; (2) advance refunding; (3) exclusion of arbitrage rebates for small issuers, and Federal Home Loan Bank guarantees on school construction bonds.

I urge my colleagues to support Senator Robb's amendment. The time is now to do all we can to help rebuild and modernize public schools, so that all children can succeed in safe, technologically-equipped schools.
which the BBA has had adverse effects on access to hospital care and provided additional budget authority to address the unintended consequences.

Today, I am offering an amendment with my colleagues from Massachusetts, Senator Kennedy and Mikulski, that takes the next step in providing for the additional needs of our health care delivery system, especially in rural areas. The “Medicare Quality Assurance and Continued Access” amendment would amend a small portion of the BBA for a comprehensive package of assistance to Medicare providers.

Mr. President, I am not advocating that we undo the BBA. However, we must address the inequities that resulted from its enactment, particularly when it comes to making certain our seniors get the care they need.

We have commitment to those who came before us and sacrificed so much to make this nation what it is today. Today, we have the opportunity to honor that commitment, and I urge my colleagues to do so by supporting changes to the Balanced Budget Act.

Mrs. FEINSTEIN. Mr. President, I rise to address the amendment on low-income housing tax credit to be offered by my colleague from Pennsylvania, of which I am a cosponsor.

This issue—affordable housing—is of great importance in my state of California, as it is for much of the nation. Low-income families in San Francisco, San Diego, and cities across the country are finding it harder and harder to find affordable housing for rent.

The low-income housing tax credit is a great help. Since 1987, state agencies have allocated over $3 billion in housing credits to help finance nearly one million apartments for low income families.

The current housing credit cap—$1.25 for each resident of a state—has not been increased during the program’s inception. Annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade. During the same time period, inflation has eroded the housing credit’s purchasing power by nearly 50 percent, as measured by the Consumer Price Index.

The budget reconciliation bill increases the credit cap to $1.75 over five years. This is an important step, but it’s not enough to do what the program’s inception. Annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade. During the same time period, inflation has eroded the housing credit’s purchasing power by nearly 50 percent, as measured by the Consumer Price Index.

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that save these essential income security programs instead of deciding how to squander a protected surplus that may never materialize.

This tax bill is a serious threat to women. By ignoring the looming crisis facing our Social Security and Medicare programs, we are jeopardizing the financial security of older women. If we fail to reform both Social Security and Medicare, we will force more older women into poverty. The progressive structure of both programs guarantees that for millions of women, their golden years are not spent living far below the poverty level.

The bottom line is that Social Security and Medicare are women's issues. They are the most important domestic programs for women. By failing to allocate part of the projected surplus to saving these programs and instead acting for short term gratification, we place the issues important to women and families behind the special interests of DC politics.

Why am I here today fighting for an amendment that simply says we will not squander the projected surplus until we have reformed Social Security and Medicare for the long term because fighting for families and fighting for some economic peace of mind for older women. Without Social Security benefits, the elderly poverty rate among women would be 52.2 percent and among widows would be 60.6 percent. Instead 12 percent of all Social Security recipients live in poverty. While I still cannot accept even 12 percent, I do not want to be part of pushing more than 50 percent of older women into poverty.

Women are far more dependent on Social Security for their retirement income than are men. Three-quarters of unmarried and widowed elderly women rely on Social Security for more than half of their income. Fifty-eight percent of Social Security recipients are women. Tell me women do not have a vital stake in this debate.

I am not saying we cannot have tax relief targeted to working families. We could have tax relief targeted to help more Americans save for retirement. However, we cannot jeopardize or gamble with the future economic security of millions of women. We have to tackle Social Security and Medicare reform first.

I know such reform will require heavy lifting. It will require us to invest potential surplus funds in the well-being of older Americans. I am committed to this reform. I am willing to sit down and tackle these tough assignments. What I am not willing to do is to watch my colleagues ignore the economic importance of both Social Security and Medicare for women.

A tax cut is not what most women are looking for. They want pay equity, economic security, and Medicare. Women are currently out of several economic steps behind men. We know that women today earn 74 cents for every dollar men earn. We know that women, on average, take a total of 11.5 years out of the work force to care for their families. We know that women often outlive their retirement savings. And, we know that more women live with chronic and disabling illnesses, so that why women are more than twice as likely to men to live in poverty at age 65.

This amendment does not kill a tax cut. It will force us to make the tough decisions and to tackle the difficult job of reforming Social Security and Medicare. But, more important, it will provide greater economic security to women than any instant gratification tax cut ever would. Please do not force elderly women to pay the price for our missing conference.

Mr. BUNNING. Mr. President, I rise in support of the Taxpayer Refund Act and urge my colleagues to vote for it. I actually prefer the tax bill that was coming out of the House of Representatives and I support the conservative substitute tax bill that was offered earlier today.

I prefer these alternatives because they cut taxes across the Board which I think is a necessary step to changing the marriage penalty more adequately which I think is essential.

They make further reductions in the capital gains tax which I think is good for the economy. They totally phase out the death tax instead of just reducing it which I think is just a matter of fairness.

However, even though I think that the Taxpayer Refund Act could be improved—and I hope that it is improved during conference—it is vitally important that we keep the process moving and send a tax cut bill to conference.

During this debate, we've seen a great many charts and graphs out of the date under the Sun. It's almost like watching a Ross Perot commercial.

But when we get to the bottom line in this debate, we aren't talking about figures and projections at all. We are talking about two different philosophies of government.

We are talking about two different philosophies of who the money really belongs to.

Does the money that is generated by the income tax and the payroll tax belong to the people—or does it belong to the Federal Government. That's the argument today.

And these differences here are very clear and distinct.

The President and his supporters believe that the money paid into the Federal treasury belongs to the Government.

We are told that over the next 10 years we will have $1 trillion more than we need in general revenues to fund the Federal Government. A trillion dollars is a lot of money.

But the President and his supporters say that all this money belongs to the Government and that we should hold onto it just in case Congress or the President can find new ways to spend it.

I can guarantee that if we let the Government hold onto that money—somebody will find a way to spend it.

On the other side of the coin, Republicans say that if taxes are bringing in more money than we need to run the government, we should give it back to the people so they can determine how to spend it.

That's what this debate is all about. Whose money is it?

The President and the Democratic leadership say that tax cuts are irresponsible and risky—that they would jeopardize Social Security, Medicare and essential government services.

But our budget and our tax bill and our Social Security lockbox proposal which the Democrats here in the Senate keep rejecting all guarantee that the Government cannot touch the Social Security surplus over the next 10 years.

The Republican proposals all clearly protect Social Security—we lock up that money so it can't be spent—so that it reduces the public debt.

But the Democrats in this body keep voting against the lock box which would guarantee that Social Security surplus cannot be spent. So, it is not the Republican tax bill that threatens Social Security. It is Democrat reluctance to make a binding commitment not to spend Social Security surpluses.

Yes, something needs to be done to strengthen and protect Medicare—but it is not the Republican tax bill which threatens this important program.

Medicare needs systemic reform—we all know that—and it was the President—not the Republicans or the Republican tax bill—who killed the bipartisan commission recommendations which were designed to give us a starting point for real Medicare reform.

So, no, this debate is not about Social Security—it is not about Medicare. It is about who the money belongs to. I believe that it is the working Americans who pay the freight. When the projections tell us that we are going to take in over a trillion dollars more than we need, it means that the taxpayers are paying too much and we should give it back.

It's that simple.

That's what this debate is all about. We have an opportunity today to return some tax money to the taxpayers of this Nation. It is a matter of fairness—it is a matter of respect—and it is a simple matter of respect.

We can protect Social Security and Medicare and we can reduce the public debt and, yes, we can cut taxes at the same time.

And we should cut taxes—because, Mr. President, I'm one of those who believe that the money belongs to the people—not the Government.

Mr. BINGAMAN. Mr. President, I'm not going to take a lot of the Senate's time, but I think the Republican tax bill about which I have filed this tax bill. My amendment, number 1391, promotes the use of small, efficient distributed electronic power generation.
systems in residential, industrial and commercial applications. I believe distributed generating technologies are the future of our electric power industry. Already, the first microturbines and fuel cells are being installed in the nation's schools and businesses. Renewable technologies, like wind and solar, are bringing power to isolated areas that are not connected to the electrical power grid. These remote applications are very common in my state of New Mexico.

Mr. President, my amendment has two parts. The first part provides a much-needed tax clarification concerning small, distributed electric power technologies, such as high-efficiency microturbines and fuel cells. The current tax law discourages the use of these technologies in commercial buildings by requiring a straight-lined depreciation over a 39-year life. Microturbines, fuel cell technology, if used in different application, has a shorter depreciation schedule. My amendment would make clear that these advanced electric power systems would have a 15-year depreciation schedule when used for power generation.

The second part of my amendment provides an 8 percent investment tax credit for systems that produce both heat energy and electrical power. The tax credit would apply only to systems that meet a strict 60 percent overall energy efficiency requirement. This provision will help increase the Nation's energy efficiency by encouraging investment in these highly efficient systems.

Last month the Energy and Natural Resources Committee held a hearing on distributed power generation. The hearing made clear that technologies such as fuel cells and fuel cell technology, the various renewable resources can provide many practical benefits, including reduced dependence on high-tension power transmission lines, higher energy efficiency, lower costs, increased reliability, and reduced emissions. Moreover, by combining the production of heat and electric power in one package, overall efficiencies of up to 90 percent can be achieved.

Though my amendment is important and would provide significant economic, reliability, and environmental benefits, I am not going to call it up for a vote simply because it is a good measure. The Senate will soon pass this bill, but the President is going to sign the bill in about two weeks, when the Senate comes back with a more sensible package of tax legislation, I hope my amendment will be incorporated in a bill that we can pass and send to the President for his signature.

The incentives for distributed generating technologies in my amendment will go a long way to realizing the best future for electric power generation and efficient use of energy. I hope we can pass them in the next tax bill.

Mr. MACK. Mr. President, I would like to talk a few minutes about one particular provision in the tax bill we are debating, the extension of the Research & Development tax credit. Last week the Finance Committee took an historic step, and reported a bill which would have made the R&D tax credit a permanent feature of our tax code. Yet when the minority leader spoke, the single member of the minority voted to sun-set the provisions of the tax bill, so instead of a permanent R&D tax credit, we have a ten-year extension.

This tax bill isn't going anywhere. The Senate will soon pass this bill, but the President is going to sign the bill in about two weeks, when the Senate comes back with a more sensible package of tax legislation. I hope my amendment will be incorporated in a bill that we can pass and send to the President for his signature.

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Today, private industry plays the largest role in the nation's research efforts, funding 69 percent of R&D. Industry's role makes it clear that if overall R&D is to increase, we must pursue policies which create a good business climate for firms to pursue long-term increases in their R&D budgets. We want America's leading-edge companies to hire new scientists, invest in new technologies and new research facilities—anything that increases the R&D tax credit provides a crucial incentive.

To see the benefits of R&D, look no further than America's economic performance today. We are in the eighth consecutive year of non-inflationary growth, and technology industries deserve a large share of the credit. In fact, high-tech industries have accounted for about one-third of annual GDP growth in recent years. Advancements from R&D lead to a huge number of improvements to our quality of life. The most dramatic impact of R&D on our quality of life is evident in biomedical research and health care. Here are some examples of the payoffs to medical R&D:

- The Hepatitis B vaccine, developed in the late 1980s, has helped millions of people to restore their energy. In the past decade, this drug has helped millions of people to remain productive. It has reduced transfusions in the United States by nearly one-fifth, and fewer people have contracted blood-borne disease.
- The example of other benefits from R&D is the new class of drugs. Developed in the late 1990s, which are giving millions of people who suffer from depression a new lease on life. Because of these new depression drugs, the cost of treating depression in the United States has plummeted—expensive psychiatric care and in-patient stays, which many could not afford, are now disappearing in favor of these new treatments.

There are two telecommunications companies which invested in R&D to create new technologies to bring state-of-the-art medicine to previously underserved and remote locations. These examples make clear that R&D is not simply a dollars and cents issue. Federal R&D policy makes improvements to the quality of life across-the-board for all Americans.

The R&D tax credit has proven its effectiveness. Numerous studies during the past decade have found that each dollar of tax credits generates between $1 and $2 of additional R&D. Therefore, taxpayers are getting a solid return on their investment in terms of greater economic growth and our higher standard of living, and in numerous cases—a longer and healthier life span.

As chairman of the Joint Economic Committee, last month, along with Senator BENNETT, I hosted a high-tech summit which brought together business leaders from across the high technology industries. One issue everyone seemed to agree on was that a permanent R&D tax credit would advance the development of new technologies, leading to breakthroughs which could benefit the environment, increase transportation safety, treat serious illnesses and save lives. And on top of all this, a Coopers & Lybrand study found that a permanent extension to the credit would raise American incomes due to higher productivity growth and contribute substantially to our economic growth.

The R&D tax credit has proven its worth many times over. Mr. President, though I am pleased we have extended R&D for 10 years, it is my hope that the R&D tax credit will one day be a permanent fixture in our Tax Code so it can spur innovation and economic growth throughout the next millennium.

Mrs. FEINSTEIN. Mr. President, although I have a great deal of respect...
for the chairman of the Senate Finance Committee, close examination of the Taxpayer Refund Act of 1999 has led me to conclude that the $792 billion Republican tax bill passed out of the Finance Committee is too much too soon and could well have severe adverse effects on federal priorities and the national economy.

The Republican tax plan would devote virtually the entire projected non-Social Security surplus over the next ten years—some $822 billion out of $844 billion, according to the CBO—to tax cuts. That would leave just $32 billion for everything else—Medicare needs, defense, health care, education, combating crime, everything else that the government does. Clearly, that is not sustainable.

In fact, the Republican plan may well lead to substantial deficits unless the Congress and the President are willing to not only keep the present caps, but to tighten them further.

By devoting 97 percent of a surplus that has not yet been generated to tax cuts and to the additional interest costs of not reducing the debt—$532 billion in 1999—the Republican plan creates a great risk that we will return to the era of deficits and rising debt. When I first came to the Senate in 1993, the Federal budget deficit was $200 billion; now, it is expected to continue to the foreseeable future.

Through the imposition of tough fiscal discipline—and by making tough budgetary choices—we have now managed to bring the federal budget back in balance—we will once again find ourselves running up annual deficits in the tens of billions of dollars.

The bottom line is that the Republican plan is too much, too soon, too fast.

Spends money which Congress does not yet have. This surplus has not yet materialized and will not until next year—assuming projections are correct, which they may not be. What happens if there is a military need? What happens if there are large national disasters? What happens if the economy slows down? Answer: All surplus projections are in the wastebasket.

In fact, the projected surplus, which has been the centerpiece of the tax-relief movement may never materialize. It will only come about if the economy continues to grow and if Congress cuts spending even more deeply.

The Republican tax plan does nothing to protect Medicare. No budget resources are set aside for Medicare solvency. And by giving nearly all the surplus outside of Social Security’s need to tax cuts, the Republican plan does nothing to extend the solvency of Medicare trust fund, which will be bankrupt by 2015.

Nor does it provide coverage for prescription drug benefits to be added. As a matter of fact, they are made impossible.

The Republican plan endangers virtually all domestic program priorities, forcing cuts of close to 40 percent in domestic spending over the next decade. The revenues from the new plan would commit the nation to major cuts in military readiness, education, healthcare, and crime-fighting, just to name a few areas.

In fact, under this plan, to avoid deficits, all of high-poverty communities throughout this nation (from the 14.6 million projected) access to key educational services necessary to improve their future prospects.

It would cut the National Institutes of Health budget by $8.6 billion from the current baseline, which would endanger NIH’s ability to fund new research grants. It would gut the cancer program and certainly prevent the doubling of funding for cancer research as this body had projected in its base budget for this year. It would cut payment of 98.01 in 1997 in a Sense of the Senate. It would cut Superfund cleanup funds by $870 million, eliminating all new federally-led clean-ups due to begin in 2001 and making it difficult, if not impossible, to meet the EPA’s 900-site cleanup goal in 2002.

There are 96 Superfund sites in California on the National Priority Cleanup List, including Iron Mountain near Redding and the San Gabriel Valley site in Los Angeles county. Construction is underway at just 38 percent of site. The Republican tax plan may put continued work on these sites in jeopardy.

The Republican plan cuts to the Immigration and Naturalization Service could result in a reduction of over 6,000 Border Patrol Agents (from the number projected); cuts to the FBI could result in a reduction of over 6,000 FBI agents (from the number projected).

It does not specify Republican tax cuts for when they are truly needed. The more we pay off our national debt, the more of our hard earned tax dollars will actually go to programs, not debt repayment, and the more we will be able to afford true tax cuts in the future. Let’s not spend our future away.

In fact, I believe that if our colleagues on the other side of the aisle were willing to put partisan posturing behind them, a tax cut bill would be possible within the context of the budget plan proposed by the President.

I support the Administration in setting aside 62 percent of the surplus for Social Security, which includes some $794 billion over 15 years. It extends the program’s solvency to 2053, and eliminates publically held debt by 2015. This means that the “baby boomer” generation’s Social Security is protected.

We are not attempting to extend the solvency of Medicare from 2015 to 2027 by deducing 13.5 percent of the surplus, some $794 billion over 15 years to Medicare. This is vital if there is to be a solvent...
system. It is mandatory if addressing a change in benefits is contemplated.

Finally, I strongly support itemizing 2.5 percent of the surplus, or $156 billion over 15 years for education, and 6 percent of the surplus or $306 billion over ten years for various discretionary programs such as defense, veterans affairs, research, agriculture, and environmental protection.

That would leave $271 billion over the next ten years which could be utilized as a tax cut.

Indeed, that is why I worked with my colleague from Iowa, Senator Grassley, to put together and introduce earlier this year a moderate bill that provides needed tax relief for working families while fitting within the budget framework set out by the President to protect Social Security and Medicare.

The Grassley-Feinstein plan would cost $271 billion over ten years. It provides a $64.4 billion cut in the marriage penalty; a 20 percent deduction for health insurance expenses and a tax credit for long-term care ($117 billion over ten years); an increase in the low-income housing credit ($6.6 billion over ten years); tax credits for child care and education, including help for stay at home parents, with the HOPE college credit, and with student loan interest payments ($32.3 billion over ten years); and it helps our economy continue to grow by making permanent the R&D tax credit ($27.4 billion over ten years).

In fact, it is much like the Democratic plan. It is a common sense, bipartisan approach.

Of all the tax cuts that have been proposed, I believe the one that would be of the most help to the American people would be marriage penalty relief.

It makes sense for social reasons: It reinforces the important institutions of family and marriage.

And it makes sense for economic reasons: It eliminates what many of us see as a vast inconsistency in our tax law, that two people could find that they pay more in taxes if they are married than if they stay single. It makes no sense.

Another approach to this tax relief question would be to simply eliminate the marriage penalty outright, starting in 2002, and allow married couples to file either individually or jointly at their option. This would cost some $234 billion for the eight years.

A tax relief plan which starts with a $234 billion cut in the marriage penalty would also allow us to include other important provisions. I would support including an immediate increase in the low-income housing tax credit, indexing that credit to inflation, which would cost $6 billion over ten years.

The low-income housing tax credit is critical for financing housing for low-income families. I would also support the permanent extension of the R&D tax credit, which costs some $27.4 billion over ten years, and provides an important incentive for U.S. companies to continue to develop the cutting-edge technologies of the 21st century.

So, the complete elimination of the marriage tax, the low-income housing credit, and the R&D credit would total some $317 billion, well within the $271 billion cap.

Unfortunately, the Republican plan passed by the Finance Committee is neither common sense nor bipartisan.

It is a tax plan which will endanger the federal budget, place an added financial burden on Medicare at risk, force deep and unnecessary cuts in important domestic priorities, and may undermine the long-term health of the U.S. economy. It is unwise, and I urge my colleagues to think long and hard before plunging heedlessly down this path of fiscal irresponsibility.

Congress has an unprecedented opportunity to put our fiscal house in order. We can protect Social Security and Medicare, meet other domestic and defense needs, and help the American people with significant and much needed tax relief. This is not some pie in the sky scenario, but a realistic appraisal of what we can do if we focus on the problems we are faced with rather than beyond partisan posturing and politics as usual, and do what is right for the American people.

BUSINESS AS USUAL IN THE RUSSIAN FEDERATION

Mr. CAMPBELL. Mr. President, I take this opportunity today in my capacity as Co-Chairman of the Commission on Security and Cooperation in Europe, known as the Helsinki Commission, to draw the attention of my Senate colleagues to the growing problem of official and unofficial corruption abroad and the direct impact on U.S. business.

Last week I chaired a Commission hearing that focused on the issues of bribery and corruption in the OSCE region, an area stretching from Vancover to Vladivostok. The Commission heard that, in economic terms, rampant corruption and organized crime in this vast region has cost U.S. businesses billions of dollars in lost contracts with direct implications for our economy here at home.

Ironically, Mr. President, in some of the biggest recipients of U.S. foreign assistance—countries like Russia and Ukraine—the climate is either not conducive or outright hostile to American business.

This week a delegation of Russian officials led by Prime Minister Sergei Stepashin are meeting with the Vice President and other administration officials to seek support of the transfer of billions of dollars in loans and other assistance, money which ultimately comes from the pockets of U.S. taxpayers.

I recently returned from the annual session of the OSCE Parliamentary Assembly in St. Petersburg, Russia, where I had an opportunity to sit down with U.S. business representatives to learn from their first-hand experiences and gain a deeper insight into the obstacles they face. During the 105th Congress, I introduced legislation—the International Anti-Corruption Act—to link U.S. foreign aid to how conducive recipient countries are to business in- vestment. I intend to reintroduce that legislation shortly, taking into account testimony presented during last week's Commission hearing.

The time has come to stop doing business as usual with the Russians and others who have accused us of receiving assistance then turn around and fleece U.S. businesses seeking to assist with the establishment of legitimate operations in these countries. An article in the Washington Post this week illustrates the type of rampant and blatant corruption faced by many in the U.S. business community, including companies based in my home state of Colorado.

Mr. President, I ask unanimous consent that the full text of this article be printed in the Record. There being no objection, the material was ordered to be printed in the Record, as follows:

INVESTORS FEAR "SCARY GUY" IN RUSSIA (By Steven Mufson)

Russian Prime Minister Sergei Stepashin arrived in Seattle on Sunday to court American investment in his country's ailing economy, but his entourage included a regional leader who has been accused of using strong-arm tactics to wrest assets from foreign investors.

The controversial member of Stepashin's delegation is Yevgeny Nazdratenko, governor of Primonsky province in Russia's Far East, who is embroiled in several disputes with foreign business leaders.

"Basically the governor is a pretty scary guy," said Andrew Fox, who sits on the boards of more than 20 companies in the region and is the honorary British consul in Vladivostok. Fox said that Nazdratenko summoned him on June 3 and threatened to send him "on an excursion to visit a very small room" where Fox would be kept until he agreed to give the governor control of a crucial stake in a shipping company and leave the company's existing management intact. Fox left that week and is now in Scotland.

David Gens, finance director of Seattle-based Far East Maritime Agency, said the Russian partner of one of the company's affiliates was ordered to contribute 10 percent of revenue for the rest of the year to Nazdratenko's reelection campaign.

In yet another dispute, an American investor has alleged that Nazdratenko packed the board of a company, diluted the ownership interest of foreign investors and diverted funds to coffers for his December reelection campaign.

Senior administration officials said Nazdratenko would not be included in meetings with President Clinton. Vice President Gore or other top U.S. officials today in Washington. But several business leaders said the mere presence of the Vladivostok politician, who accompanied Stepashin in Seattle for a tour of a Boeing plant and a dinner hosted by Washington Gov. Gary Locke (D), was sending a bad signal to investors.
careful to woo foreign investors, said a Moscow-based spokesman for a group of foreign investors in a dispute with Nazdratenko over a Vladivostok-based fishing company. "To bring pleasure, additional investments into Vladivostok and to make the United States is just staggering.

Nazdratenko has repeatedly and forcefully denied that the Russian government is tolerating corruption and organized crime. As the governor of an immense territory with valuable forests and rich fishing grounds, Nazdratenko runs a kind of political powerhouse and runs his region with little supervision from authorities in faraway Moscow.

In Seattle, Stepanishin told business leaders: "There are good prospects for investment in Russia, so please don't lose any time." But Stepanishin is in Vladivostok for seven years and represents foreigners with more than $100 million invested in the area, says he would like to ask Stepanishin: "Which bits of Russia are you talking about?"

"Everyone knows it is a risky thing to invest in Russia," Fon added. "But it's so outrageous, what's being done" in Vladivostok.

"It's totally lawless. Is that where Russia is heading?" Fon asked. "If so, then there is no sense in spending money there, and Russia is heading towards" to bankruptcy.

Acknowledging the complaints of many foreign investors, Stepanishin told members of a U.S.-Russia business council in Washington last night that new investments into Vladivostok will only be protected not only in word, but in deed.

"We understand that investors have every reason to be wary," but added that "we are changing our posture gradually.

Many of those who have suffered from the fickleness of Russia's economic system are in Seattle, the first stop in Stepanishin's U.S. visit.

Gen. estimates that one Vladivostok fishing trawler company, Zao Super, owes tens of millions of dollars for needed supplies of nets, fuel, spare parts and maintenance services. Yet the Russian Committee of Fisheries on July 2 transferred most of Zao Super's main assets—the fishing boats—to another company whose major shareholder and chairman is a close associate of Nazdratenko.

Zao Super, which allegedly was told to divert money to Nazdratenko's campaign, has $350 million in debts being renegotiated by the Russian Club, a creditors' group comprised of the governments of leading industrialized nations.

Despite these and other economic problems, foreign investors are expected to see support in Washington for Russia's quest for $4.5 billion in loans from the International Monetary Fund to fund shortages. I ask unanimously that the text of OMB Director J. G. Lew's letter of July 26, 1999 be printed.

There being no objection, the letter was ordered to be printed in the Record, as follows:


Honor. Arlen Specter, Chairman, Committee on Veterans' Affairs, U.S. Senate.

Dear Mr. Chairman: Later this week we plan to send a fully offset budget amendment to add $1 billion to support the Department of Veterans Affairs (VA) medical care system. Since the publication of our budget, we have become increasingly concerned about reports of increased waiting times and other operational problems. This is spending $1 million per day on unneeded, outmoded facilities. We will be requesting $100 million for construction activities that will begin to ease the immediate problem and plan for the future. We hope to work with the Congress over the next few months to address this critical issue on a broad and sweeping basis.

The additional resources we are requesting are also necessary to meet the critical challenge of providing long-term care. The overwhelming response to the introduction in Congress of the so called "Millennium Bill" combined with the President's commitment to long-term care for all Americans has convinced us that we must increase available funds immediately for the highest-priority needs of our veterans. As our veteran population ages, the need for long-term care is increasing. We are committed to providing a range of services and benefits for those high-priority veterans who do not have access to such services. While we have concerns with the mandatory approach of the Millennium Bill, we do agree with the intent of the Bill. Consequently, we will be including in our request $100 million for long-term non-institutional community-based care, targeted to VA's top priority category of veterans with disabilities of 50% or greater.

At the same time that we add resources to the system, we need to be sure that care on target to provide care of the highest quality, and that we are not overburdening the system. We will therefore be discontinuing the enrollment of new patients in such a manner at the same time as we feel confident that we can accommodate these veterans in the system without adverse consequences for service-disabled veterans.

Much has changed since January. As the VA has moved from a largely inpatient system to an outpatient one, we have found that the VA system is in need of realignment. We expect that we will face ongoing problems that are more complex than initially believed. For example, in FY 1999 alone, we expect to open 70 new community-based outpatient clinics. These new facilities are previously used for inpatient services. The movement of these resources has proven more difficult this year than in the first years of the transformation of VA. As VA has improved access to care through community clinics and continuing care in primary care, the VA has become the system of choice of veterans. For example, in FY 1999 alone, we expect to open 70 new community-based outpatient clinics. These new facilities are previously used for inpatient services. The movement of these resources has proven more difficult.

As VA has improved access to care through community clinics and continuing care in primary care, the VA has become the system of choice of veterans. For example, in FY 1999 alone, we expect to open 70 new community-based outpatient clinics. These new facilities are previously used for inpatient services. The movement of these resources has proven more difficult.
of care to an unacceptable level or unreasonably delaying the timely delivery of VA's care delivery."

We are convinced that through these aggressive steps VA will be able to provide better care, and more timely care to the veterans that are in most need. We look forward to working with you, the other members of your respective committees, and the Congress as a whole to make these proposals a reality.

Sincerely,

JACOB J. LEW, Director.

Mr. SPECTER. OMB postures—implausibly—that much has changed since January 1999, but veterans organizations in their Independent Budget have been warning Congress and the Administration for the past three years running that VA health care is in dire straits. On April 30 of this year, 50 of my colleagues joined Senator Rockefeller and me in signing a letter to the Chairman and Ranking Member of the Appropriations Committee requesting that VA health care be supplemented with $1.7 billion for Fiscal Year 2000. My discussions with VA officials lead me to believe that, while such a supplement will not eliminate VA's problems, it will fund VA's long way to easing its crisis and will back-fill gaps that we have permitted to occur based solely on resource shortages. In his July 26 letter, Director Lew refers to the need for $100 million in new funding and asks for VA's budget to fund VA's major construction. Chairman of the authorizing committee for VA major construction, I cannot reply, not having seen a proposal for sites or specific justifications. He also admits that so-called "category 7" veterans cannot continue to be enrolled in VA care for fear that quality of care for higher priority poor and service-disabled veterans will suffer. While I concur with Director Lew's premise that we do no harm to those already enrolled in VA health care, I must reserve judgment until I see the basis for this conclusion about the middle class veteran. The Administration is proposing $1 billion is emergency funding, but I believe, as I have since last year, that this level still would be insufficient overall.

Mr. President, as to more recent developments even than OMB's late-coming realization of need, I appreciate the work of the House Appropriations Subcommittee last evening to add $1 billion in additional spending to the VA health care appropriation for the new year. Like my counterparts in the House, I want to help the system help veterans, as we all do. I want to do so with great care, as we all do. However, as I said earlier about the Admin's action, its $1 billion, I say that the House's $1 billion is only enough to push the problem down the road a little further. We need to solve the problem, not push it down the road. We can do that with a substantial increase of $1.7 billion in the Medical Care appropriation for Fiscal Year 2000—a supplement that would take VA health care funding to the unprecedented level of $19 billion—and let us join together to see what kind of sustained funding level VA truly needs to carry out its important and vital mission for America's veterans. I proposed then, and remind the Senate now, that $1.7 billion is needed to keep VA's health care system afloat.

America's veterans put a human face on freedom. Veterans agreed to put their lives on the line, or certainly they were prepared to do so, to defend the very freedoms all of us enjoy. Most of them sought nothing in return. They served honorably, then returned to civilian life. However, some of these veterans whom we turned to for assistance in our time of need have now turned to the nation in their time of need. I am referring specifically to those who were disabled during their service to the nation and those who for one reason or another have been left behind in this competitive economy and cannot sustain themselves. For these people in particular, we established the Department of Veterans Affairs and its many programs for veterans and their families.

We have given VA a mission, one so integral described by President Clinton in his second inaugural address when the President said, the Nation's mission was "... to care for him who shall have borne the battle and for his widow and his orphan." Lincoln's eloquent words defined our contribution to this existence. It is a system whose sole purpose is to recognize that veterans make a special contribution to society, and therefore deserve special status and attention by a grateful nation. It saddens me to report to the Senate that this Administration is failing our veterans. But I do not intend to sit idly by and allow veterans' needs to go unnoticed and unmet.

In Fiscal Year 1999, Congress appropriated $17.3 billion to fund the health care activities of the Department of Veterans Affairs. I know that many of my colleagues have heard while traveling throughout your respective states that this amount was barely enough to allow VA to provide decent care for veterans. Earlier this year, the President sent Congress a budget that requested precisely the same amount for next year. Mr. President, that request is completely unacceptable to me, and I know it is for all my colleagues here.

The leadership of the most recent Under Secretary for Health, Dr. Kenneth Kizer, made remarkable changes in the way health care is provided to eligible and enrolled veterans. The VA launched a veritable revolution in its delivery system by changing the basic structure of care delivery from one that treated patients in a so-called "sickness model," a mostly reactive stance that was presided on a veteran seeking care for a specific ailment, to one of a functional system that offers a basic benefits package of services to enrolled veterans, including preventive medical treatment, primary care, alternative to institutionalization, pharmaceuticals and limited long term care programs, all premised on maintaining a veteran's health. Further, according to testimony given before the Committee on Veterans' Affairs, VA has opened hundreds of community-based outpatient clinics, reduced the number of days patients must spend in hospitals and, according to testimony by the Secretary of Veterans Affairs, still treats any veteran who served on VA's docket. Unfortunately, both the Secretary and the President of the United States have failed to recognize that this system, like any health care system, needs sufficient funding to function properly. It is impossible to increase the quality of care provided, increase the number of places at which care can be obtained and increase the number of people who can receive care without providing any additional resources. This is impossible on any reasonable face, Mr. President—impossible.

The budget the President sent to Congress would not even permit the VA to maintain the current services it provides to veterans today. In fact, in order to maintain today's level of services, the budget must "streamline" itself to the tune of $1.14 billion in FY 2000. But we already know that VA cannot maintain the status quo. There are so many challenges facing the system and the veterans it serves that we as a Congress, and the Administration, must address. For example, the package of benefits available to our veterans today does not include basic emergency care services. Today, if a veteran must visit a private hospital emergency room for treatment, in most cases payment is out-of-pocket, or through a third party insurance claim, Medicare or Medicaid, that may cover this care. The only exception to this policy is for service connected conditions in limited emergency situations, for which VA will reimburse the veteran's expenses. A bill recently reported out of my Committee would correct this injustice and mandate that any veteran enrolled in VA care be provided basic, covered emergency services if they are needed. The Congressional Budget Office estimates that this provision will cost $80 million in the first year and approximately $400 million over five years.

Emergency care is just the tip of the VA's health care "iceberg." For example, another very important issue is one that dramatically affects Vietnam veterans. According to a recent VA survey, nearly 18% of veterans in VA care could be afflicted with the disease hepatitis C. Hepatitis C is a serious disease that has been associated with battlefield injuries, blood transfusions and intravenous drug use. Hepatitis C causes liver damage and, as one can imagine, ultimately hepatitis C can be fatal. A majority of the new drug therapies available that will help control or arrest the progress of hepatitis C. However, treatment is expensive. VA estimates that they need
approximately $135 million in FY 2000 to screen, test and care for veterans suffering from hepatitis C, and much more in the future. This special funding for hepatitis C would be in addition to the amount needed to maintain the status quo in VA health care that the President has otherwise proposed.

Frankly, Mr. President and colleagues, the most difficult challenge facing the Department into the foreseeable future is its ability to care for our aging veteran population. Many World War II and Korean War veterans are nearing the end of life. But hundreds of thousands of them need long term care services, and the numbers grow dramatically while the overall veteran population declines. VA maintains over 120 nursing homes now, and has thousands of contracts with private nursing facilities and other long term care providers. If the VA is going to do more than simply maintain these programs—which I argue may be exceedingly difficult rather than expand them to fit the changing demographic face of VA’s patient population, additional resources will be needed. There is no question about this fact, Mr. President, and no real choice in my view.

Until yesterday, in response to all of these challenges, the Administration proposed to make one major move to address the crisis situation: cut health care off. As incredible as it may seem, VA’s current workforce will not even be adequate to handle existing patients and have the capacity to serve only with primary care appointments, rather than expand them to fit the status of VA facilities in the state of Washington. But these problems are everywhere, Mr. President. These kinds of delays in care are not acceptable for our veterans. In fact, I would argue that a waiting time of 60 days for an outpatient primary care appointment or an enrolled veteran constitutes nothing; such a patient is not really receiving care from VA.

I ask my colleagues: is this a situation that you are comfortable in defending? I am not, and I am not willing to remain silent while veterans receive nothing from a grateful nation. VA needs these funds, and this need is clear. Let the United States Senate not shrink from its duty. Let us do the right thing for America’s veterans by providing an emergency supplemental of $1.7 billion in funding in Fiscal Year 2000 to help VA help our veterans.

RABBI SOLOMON SCHIFF

Mr. GRAHAM. Mr. President, it is a tremendous honor to welcome a distinguished religious leader and member of the South Florida community to the United States Senate: Rabbi Solomon Schiff of the Greater Miami Jewish Federation’s Community Chaplaincy Service.

This morning, my colleagues and I were privileged to have Rabbi Schiff participate in a long-standing tradition by leading the Senate in prayer. His eloquence reminds us that while our legislative efforts to make the United States a better place to live, work, and raise our families is important, it pales in contrast with our responsibilities to the Almighty. On behalf of every member of the United States Senate, I want to thank Rabbi Schiff for his words of inspiration.

It is no accident that Solomon Schiff was asked to lead us in our daily devotions. His long record of service to individuals in Florida, America, and around the world has distinguished him as not only a prominent spiritual leader but also a leader in his community.

Since his graduation from Brooklyn College, the University of Miami, and the Hebrew Theological Seminary in Illinois, Rabbi Schiff has served as Chair of the Board of License of the Central Agency for Jewish Education, President of both the South Florida and Florida Chaplaincy Associations, Chairman of the Metropolitan Dade Community Relations Board, Chairman of the Chaplaincy Service Advisory Council for the Florida Department of Corrections, and Secretary, Vice President, and President of the Rabbinical Association of Greater Miami.

Rabbi Schiff’s current leadership positions confirm his dedication to service. In addition to his duties as Director of the Greater Miami Jewish Federation’s Community Chaplaincy Service, he serves as Chairman of the National Council of Executives of Boards of Rabbits, Chairman of the Community Hospice Council in South Florida, and as a member of the Executive Committee of the National Rabbinic Cabinet of United Jewish Appeal.

Mr. President, Rabbi Solomon Schiff is a shining example of the moral and community leadership that our communities need as we enter a new century. I will conclude today by asking that a November 27, 1998, article from the Sun-Sentinel of South Florida be included with my remarks. It discusses Awakening 2000, an initiative that encourages Floridians to engage the power of prayer and spiritual healing in their daily lives and interactions with others.

Rabbi Schiff, a leader in this faith-based effort, was quoted as saying that “a total commitment by responsible people to try and bring society to a level of decency is the only way . . . that our society will survive with a positive future.” Mr. President, it gives me great reassurance that Solomon Schiff’s wise counsel will help guide us into that future.

Mr. President, I ask unanimous consent to include the article I referred to be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Sun-Sentinel—Ft. Lauderdale, November 27, 1998]

A WAK E NING 200 0 SEEK S ST ATE’S SPIR I TUAL R E N EWAL

(By Jackie Hallifax)

Gov. Lawton Chiles and Gov.-elect Jeb Bush may differ on politics, but the two have agreed to pray, forgive, smile and sacrifice to get ready for the next millennium.

It’s all part of an interfaith initiative called Awakening 2000, a project organized by Jim Towey, a former top state official who picked Thanksgiving week to announce his campaign for a spiritual renewal in Florida.

“We feel we can build a better Florida one heart and soul at a time by focusing on our spiritual resources, our spiritual treasures,” Towey said on Wednesday. “And by remembering God.”
In getting ready for the future, Towey pointed to the past. When Abraham Lincoln issued his Thanksgiving proclamation 135 years ago, he said Americans had "forgotten God."

"What he said in 1863 is absolutely true today," Towey said.

Awakening 2000 will try to change that by getting people to pledge cards reminding them to pray each day, reach out to people in need and perform several other spiritual exercises.

The project also will sponsor a "Summit of Faith" next fall and serve as an advocate for Florida's needy and neglected, especially those who are dying.

After leaving state government, Towey formed a nonprofit commission on Aging with Dignity that launched the popular "Five Wishes" living will last year. Awakening 2000 is sponsored by the same commission.

Several state leaders have agreed to participate in the project, starting with Chiles, a Democrat and Presbyterian who will be governor until Bush, a Republican and Catholic, takes over on Jan. 5.

Towey, like Chiles and a Catholic like Bush, experienced a spiritual renewal in 1985 when he met Mother Teresa. He said he was inspired to launch an interfaith project by the late nun, a devout Catholic who respected and cared for Hindus, Muslims and Jews.

Rabbi Solomon Schiff, director of chaplaincy at a Greater Miami Jewish Federation, said he had signed onto the project because the moral fiber of American society has been devastated.

"A total commitment by responsible people to try to ... bring it to a level of decency is the only way really that our society will survive with a positive future," Schiff said.

The 19 state leaders who have committed to take part in Awakening 2000 includes Chief Justice Major Harding, legislative leaders, Cabinet leaders, a federal judge and Christian and Jewish leaders.

Chiles and Bush plan to sign the commitment cards in early December.

But Towey said "the fundamental driving force" of the campaign is the focus on the needy.

"At Thanksgiving we remember the poor," he said. "But they need more than just a hot meal on a Thursday."

THE TAXPAYER REFUND ACT OF 1999

Mr. HATCH. Mr. President, we stand here today to celebrate good news. This country is now facing the longest peacetime expansion in its history; the economy is growing; and the federal government is predicted to be running a surplus of $2.9 trillion over the next 10 years.

The news is not all good. We are facing some pressing problems as well. The world is seeing a shift in demographics. The impending retirement of the baby boom generation affects the work force, retirement policy, and entitlement spending. Most notably, both the Social Security system and Medicare are in financial trouble and need substantive reform. Public debt and the interest payments that go with it are continuing to grow. These issues cannot be ignored because of a strong economy and good times.

The bill before us today represents a balanced package that takes into account the problems as well as sharing in the good times. The bill will provide fiscally responsible tax relief over the next ten years while reducing the public debt $200 billion more than the President's budget and still save the $1.9 trillion Social Security surplus.

We all agree that the Social Security surplus should be reserved for the Social Security system. That is not the debate. The big debate here today is how we will best handle the non-Social Security surplus; and that is where we begin to disagree.

Many of my colleagues have argued that this bill is too large—that $792 billion is too much. They argue that we should save this money for Medicare or other budget. I strongly disagree. It is important that we not forget those who are responsible for the surplus—hard-working, over-paying taxpayers. After all, what is a surplus—it is excess revenues over the amount needed for current operations.

Taxes in this country are at their highest levels since World War II. American families have seen the percentage of their personal income that goes to pay taxes grow from 23 percent in 1980 to 26 percent in 1990 to 29 percent today in America, will pay nearly $7,000 more in taxes over the next 10 years than the federal government needs, excluding the Social Security program. This is where the surplus is coming from—individual taxpayers who are turning over their hard-earned wages to pay taxes. It is only fair that we return this surplus to the rightful owners. After all, we would expect the electric or power company to rebate an overpayment. We should be able to expect the same from the federal government.

The $2.9 trillion surplus is large enough to balance our priorities. The Taxpayer Refund Act shows that we can provide meaningful tax cuts, provide for Medicare reform, and reserve the Social Security surplus.

The 1999 Taxpayers Refund Act provides a tax refund for everyone who pays taxes below 15% tax rate and putting more middle class taxpayers into lowest income bracket. 98 million taxpayers, 80 million with annual income under $75,000 would get a tax cut.

In addition, 19 million two-earner families filing married returns will see their marriage penalty eliminated. It is sending the wrong signal to American taxpayers when a couple with two incomes in Utah faces a higher tax bill when they marry than they do as singles.

The bill also addresses the need for enhanced retirement security through enhanced employer plans and expanded IRAs. The demographics of the American workforce are changing and our pension laws must adapt to meet these new realities. By improving retirement systems to increase access, simplify the rules, increase portability and provide small business incentives, we help employers design and offer pension plans to meet the needs of today's employees.

Another important enhancement to our retirement security is making tax-preferred savings more widely available through expanded IRAs. This is particularly true for those without employer-provided pension and middle income taxpayers. In 1994, the median income for families living in the United States was $48,600—hardly wealthy by any measure. This bill would make it easier for people to increase their savings for retirement.

The bill helps our families struggling to finance a quality education for themselves and their children through tax-free treatment for participants in college savings or prepaid tuition plans and recipients of employer-provided educational assistance. The bill would also expand the student loan interest deduction. This is real relief that will help make education more affordable.

There are many provisions relating to school construction in this bill. The need for more resources and innovative ideas to encourage school construction and rehabilitation is reaching crisis proportions. My home state of Utah is expected to build 10-15 new schools a year. In the Jordan school district alone, 6 schools are currently under construction. In addition, Utah will spend $350 million a year in new repairs. This bill would reduce the burden on school bond issuers in complying with cumbersome arbitrage rebate rules and will allow school districts to engage in public-private partnerships. The reduction in the cost and time of school construction projects will result in more schools being built.

We have all heard about the challenge that providing adequate health care that is facing the American families. The Taxpayer Refund Act provides meaningful help for those who are struggling with the costs of insurance through tax benefits for the self-employed, employees not covered by employer plans, and long-term care insurance. There is also an additional personal exemption for caregivers.

The bill also contains provisions that would help keep the economy growth strong. There is a package of international tax relief that provides simplification and helps American companies which have operations overseas remain competitive and continue to grow.

The expiring tax credits are extended for five years and the research and experimentation tax credit is made permanent. This tax credit enhances and encourages the development of new technologies and products. This is the only way the U.S. can maintain its leadership in the high-tech world of today into the next millennium. This is very important to future economic growth. It has been said that innovation is the leading factor driving increased productivity and job creation. Innovation predominantly comes from the private sector research and development which are encouraged by the tax credit.
This bill is not perfect, however, and there are some things that I would like to change. For instance, the bill does provide some relief from the estate tax by cuts in the top estate tax rate and an exemption that raises to $1.5 million per estate. This will provide tax relief for some families. However, I strongly believe that we should go even further and repeal this tax altogether.

The "death tax" is unfair and inefficient. For every dollar that we collect, roughly $6 in economic activity goes out the door and collecting this tax is the wrong way to use up our resources. I know that many of my colleagues on the other side of the aisle have labeled this a tax on the wealthy. They are wrong. The wealthy hire lawyers and advisors to create trusts and do estate planning to minimize the amount of tax they will pay. It is the small business owners and family farmers that are hit the hardest by this tax. We must find a way to remove this crushing burden from their backs.

Another important area that is not addressed in this bill is the capital gains tax rate. This too has often been labeled as a tax cut for the rich. This is not true. Million of Americans are becoming stock owners. They purchase stock and mutual funds directly or they invest directly through stock options, employee stock ownership plans or 401(k)s. Roughly half of American households now have some sort of stock ownership, and the number grows every year.

A recent DRI study has shown that the 1997 capital gains tax rate cuts contributed to the strong economic growth we have experienced in the last couple of years. Cutting the capital gains tax rate from 28 percent to 20 percent reduced the cost of capital, increased business investment and contributed to the increase in stock prices. We need to continue along the same path and continue to lower capital gains taxes.

It is easy to get lost in the debate over numbers and how we should spend the surplus. But we must remember who sent us the revenue that created the surplus. But we must remember who sent us the revenue that created the surplus. The two Houses on the amendment of the Senate to the bill (H.R. 2465) making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes.

ENROLLED BILL SIGNED
At 1:57 p.m., a message from the House of Representatives, delivered by Mr. Hanahan, one of its reading clerks, announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2465) making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS
The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-4419. A communication from the Executive Director, Medicare Payment Advisory Commission, transmitting, pursuant to law, a report relative to Medicare payment policies; to the Committee on Finance.

EC-4420. A communication from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting, pursuant to law, the report of the texts and background statements of international agreements, other than treaties; to the Committee on Foreign Relations.

EC-4421. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed manufacturing agreement for weapons or military equipment; to the Committee on Foreign Relations.

EC-4422. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the certification of a proposed license for the export of defense articles or services in the amount of $50,000,000 or more to Singapore; to the Committee on Foreign Relations.

EC-4423. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the certification of a proposed license for the export of defense articles or services in the amount of $50,000,000 or more to Singapore; to the Committee on Foreign Relations.

EC-4424. A communication from the Director, Office of Regulations Management, Department of Veterans Affairs, transmitting, pursuant to law, the report of a rule entitled "VA Acquisition Regulation: Bonds and Insurance" (FR-4449) (RIN2506-AC10), received July 26, 1999, to the Committee on Veterans Affairs.

EC-4425. A communication from the Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development, transmitting, pursuant to law, the report of a rule entitled "Community Development Block Grant (CDBG) Program; Clarification of the Nature of Required CDBG Expenditure Documentation" (FR-4449) (RIN2506-AC10), received July 26, 1999, to the Committee on Banking, Housing, and Urban Affairs.

EC-4426. A communication from the Assistant General Counsel for Regulations, Office of the Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development, transmitting, pursuant to law, the report of a rule entitled "Technical Amendment to the Section 8 Management Assessment Program (SEMAP)" (FR-4449-I-01) (RIN2577-AC10), received July 26, 1999, to the Committee on Banking, Housing, and Urban Affairs.

EC-4427. A communication from the Assistant General Counsel, Office of Foreign Assets Control, Office of the Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development, transmitting, pursuant to law, a report relative to a transaction involving U.S. exports to South Africa; to the Committee on Banking, Housing, and Urban Affairs.

EC-4428. A communication from the President and Chairman, Export-Import Bank of the United States, transmitting, pursuant to law, a report relative to a transaction involving U.S. exports to South Africa; to the Committee on Banking, Housing, and Urban Affairs.

EC-4429. A communication from the Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled "Sudanese Sanctions Regulations; Libyan Sanctions Regulations; Iranian Transactions Regulations; Licensing of Commodities, Sales of Agriculture Commodities and Products, Medicine, and Medical Equipment" (31 CFR Parts 538, 550 and 560), received July 27, 1999, to the Committee on Banking, Housing, and Urban Affairs.

EC-4430. A communication from the Director, Office of White House Liaison, Department of Commerce, transmitting, pursuant to law, a report relative to the resignation of the Assistant Secretary and Commissioner,
and second time by unanimous consent, and referred as indicated:

By Mr. GRAHAM:
S. 1456. A bill for the relief of Rocco A. Trestoca of Fort Lauderdale, Florida; to the Committee on the Judiciary.
By Mr. WYDEN (for himself and Mr. CRAIG):
S. 1457. A bill to amend the Energy Policy Act of 1992 to assess opportunities to increase carbon storage on national forests derived from the public domain and to facilitate voluntary and accurate reporting of forest projects that reduce atmospheric carbon dioxide concentrations, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. REID:
S. 1458. A bill to provide for a reduction in the rate of adolescent pregnancy through the evaluation of public and private prevention programs, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Mr. MACK (for himself, Mrs. FEINSTEIN, Mr. HELMS, and Mr. ROBB):
S. 1459. A bill to amend title XVIII of the Social Security Act to protect the right of a medicare beneficiary enrolled in a Medicare choice plan to receive services at a skilled nursing facility selected by that individual; to the Committee on Finance.

By Mr. ABRAHAM (for himself and Mr. STEIN):
S. 1460. A bill to amend the Consolidated Farm and Rural Development Act to allow business and industry guaranteed loans to be made for farmer-owned projects that add value to or process agricultural products; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. HATCH (for himself, Mr. LEAHY, Mr. ABRAHAM, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, and Mr. SCHUMER):
S. 1461. A bill to amend the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) to protect consumers and promote electronic commerce by prohibiting the bad-faith registration, trafficking or use of Internet domain names that are identical to, confusingly similar to, or dilutive of distinctive trademarks or service marks; to the Committee on the Judiciary.

By Mr. EFFORDS:
S. 1462. A bill to amend the Federal Food, Drug, and Cosmetic Act to permit importation into the United States of candies, chocolates, and confections that add flavor to or process agricultural products; to the Committee on Commerce, Science, and Transportation.

By Mr. DEWINE (for himself, Ms. SNOWE, Mr. TORRICELLI, Ms. COLLINS, Mr. DURBIN, Mrs. FEINSTEIN, Ms. MIKULSKI, Mr. SCHUMER, Mr. BINGAMAN, Mr. CHAFEE, and Mr. KENNEDY):
S. 1463. A bill to establish a program to provide assistance for programs of credit and other financial services for microenterprises and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

By Mrs. LINCOLN:
S. 1464. A bill to provide for safe schools, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Mr. CHOMESON (for himself and Mr. ASHCROFT):
S. 1465. A bill to amend chapter 8 of title 5, United States Code, to provide for congressional review of rules establishing or increasing taxes; to the Committee on Governmental Affairs.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. WYDEN (for himself and Mr. CRAIG):
S. 1457. A bill to amend the Energy Policy Act of 1992 to assess opportunities to increase carbon storage on national forests derived from the public domain and to facilitate voluntary and accurate reporting of forest projects that reduce atmospheric carbon dioxide concentrations, and for other purposes; to the Committee on Energy and Natural Resources.

The FOREST RESOURCES FOR THE ENVIRONMENT AND THE ECONOMY ACT

Mr. WYDEN. Mr. President, today Senator CRAIG and I are introducing a bill that will help protect the global climate system by improving local natural resource management and strengthening the economy in rural communities. The Forest Resources for the Environment and the Economy Act of 1999 has potential for addressing the challenges our citizens and farmers face in the Northwest, and other regions of the country. The bill focuses on forests because they are the lungs of our planet. Investing in healthier forests is an investment in the health of our environment today and the well-being of our planet for decades to come.

In the Pacific Northwest, forests are more than just a source for timber and wood products. They are also a source of carbon storage in our national forests. According to the Pacific Forest Trust, one of the key strategies for meeting this challenge is something this planet has been doing for more than 300 million years—growing abundant and healthy forests. Forests are a critical part of our global climate system. The total amount of greenhouse gases in our atmosphere depends in part on the efficiency of forests and other natural sinks to absorb the carbon dioxide—the most significant greenhouse gas—from the atmosphere. In fact, the world's forests contain 200 times as much carbon as is emitted to the atmosphere each year from burning fossil fuels. The implications are as simple as they are scientifically sound—if we grow more trees, bigger trees, and healthier trees, we will remove more greenhouse gases from the atmosphere and help protect the global climate.

According to the Pacific Forest Trust, our forest lands in the United States are only storing one-quarter of the carbon they can ultimately store. Just tapping a portion of this potential by expanding and increasing the productivity of the nation's 73 million acres of forests is an important part of a win-win strategy to slow global warming.

One of the key strategies for addressing the risks that we are taking with our unprecedented experiment with the global climate system. Global climate change may jeopardize critical forest and other natural resources that are closely tied with Oregon's economy and our citizens' quality of life. Water managers in the Northwest may be faced with daunting challenges if the predicted climate changes, such as drier, hotter summers, complicate protection and management of water supplies. Over the last century, the average temperature in Corvallis, Oregon has increased 2.5 degrees Fahrenheit, and average temperatures across Oregon could increase by 5 degrees or more over the next 40 years, with a corresponding increase in the number of extremely hot days and nights.

The implications are as simple as they are scientifically sound—if we grow more trees, bigger trees, and healthier trees, we will remove more greenhouse gases from the atmosphere and help protect the global climate.

Over the next century, putting the West Trust, our forest lands in the Northwest may be faced with daunting challenges if the predicted climate changes, such as drier, hotter summers, complicate protection and management of water supplies. Over the last century, the average temperature in Corvallis, Oregon has increased 2.5 degrees Fahrenheit, and average temperatures across Oregon could increase by 5 degrees or more over the next 40 years, with a corresponding increase in the number of extremely hot days and nights. And it will be especially critical in Oregon especially at risk from more intense heat waves. And sea level rise resulting from global warming would eliminate the salt marshes along Tillamook and Coos Bay regions. Given these threats, the challenge is to find strategies to protect our quality of life that won't cause an economic meltdown.

One of the key strategies for meeting this challenge is something this planet has been doing for more than 300 million years—growing abundant and healthy forests. Forests are a critical part of our global climate system. The total amount of greenhouse gases in our atmosphere depends in part on the efficiency of forests and other natural sinks to absorb the carbon dioxide—the most significant greenhouse gas—from the atmosphere. In fact, the world's forests contain 200 times as much carbon as is emitted to the atmosphere each year from burning fossil fuels. The implications are as simple as they are scientifically sound—if we grow more trees, bigger trees, and healthier trees, we will remove more greenhouse gases from the atmosphere and help protect the global climate. One of the key strategies for meeting this challenge is something this planet has been doing for more than 300 million years—growing abundant and healthy forests.

Our economy will benefit from a strong, healthy forest system. The Forest Resources for the Environment and the Economy Act reflects a comprehensive approach. The bill makes the forest management actions. By quantifying forests' contribution to climate protection, the bill puts the free market to work at turning the initial Federal investment into a long-term source of non-federal funding for forest projects. And it takes an important first step toward reducing greenhouse gases on Federal lands by directing the Forest Service to report to Congress on options to increase carbon storage in our national forests.
provide immediate dividends in terms of watershed and habitat protection. It will provide jobs today for tree planting and forest management, and jobs tomorrow in carbon accounting and monitoring to ensure that greenhouse gas reductions are real and verifiable. I recognize that global warming is a large problem that cannot be solved by forestry actions alone. We need a portfolio of approaches, and I continue to strongly support research, development, and deployment of energy-efficient and renewable technologies that reduce greenhouse gas emissions. But increasing our nation’s forest lands is a key part of the solution and something we can do immediately. Forests may not be a silver bullet that will solve the entire global warming problem, but they are a silver lining to the problem that can provide jobs around the country while taking a big step to reverse the buildup of greenhouse gas in the atmosphere.

It is sometimes hard to believe that seven years ago Senators from both parties proclaimed their universal support for taking action to protect the climate system and reducing the buildup of gases in the atmosphere. When the 1992 United Nations Framework Convention on Climate Change was ratified by the Senate, Senators from both parties came to the floor to applaud this commitment to begin reducing greenhouse gas emissions. We cannot afford to let the current debates about international treaties paralyze this Congress into inaction when there are opportunities here at home to protect our environment in ways that also provide jobs and economic growth.

Forests are one of those opportunities. This bill will take the money that polluters pay when they are caught violating the Clean Air Act and Clean Water Act and use it to expand our forests, improve wildlife habitats, create new wildlife diversity, and provide energy without increasing the greenhouse gases in our atmosphere. These loans must be repaid with interest—money that will be reinvested in additional projects and triple the impact of every federal dollar over time. Loans may not be provided for reforestation activities already required under any state or local laws. And the bill ensures that companies don’t simply cut their existing trees in order to receive funding for replanting afterwards.

A critical element of the bill is that it harnesses the power of the free market to allow responsible businesses to invest in the protection of our forests. Across the nation, companies are voluntarily seeking ways to reduce greenhouse gases. Some companies are going as far as sending money oversees to protect forests in other countries. Forests in Brazil are important, but forests in Bend, Oregon, can do just as good a job at fighting off global warming. In fact, our Northwest forests are some of the best carbon “sinks” in the world. This bill provides a way for companies to invest in American forests and know that the forest resources and greenhouse gases that are removed from the atmosphere due to their investments. Once businesses recognize that the nation’s forests are an opportunity for environmental investment, their entrepreneurial ingenuity will generate new opportunities for consumers and other businesses to tap into this win-win opportunity.

We know that this approach works because of the leadership of my home state of Oregon. The Oregon program is modeled after the innovative Forest Resource Trust, which was established in Oregon in 1993, and is just one of the many ways Oregon continues to lead the nation in state actions to reduce greenhouse gas emissions. I am pleased to say that PacifiCorp announced last month that it is contributing $1.5 million to the Forest Resource Trust to support tree planting and reduce greenhouse gases in the atmosphere. This program supports the use of non-industrial, private forest land owners from growing healthy forests. Almost 10 million landowners in the United States own 39 million acres of non-industrial, private forest land in parcels of less than 100 acres. Access to these low-interest loans can empower these landowners to improve their lands while providing global environmental protection.

Under the bill, State Foresters will be able to give loans for forest projects that remove greenhouse gases from the atmosphere while improving habitats and the local economy. For example, loans will be available for planting trees as buffer zones along salmon streams and rivers in areas that are currently being used by livestock or for crop production. Loans will also be available to thin and poorly stocked forest lands into healthier and more productive lands that remove greater amounts of greenhouse gases from the atmosphere and provide additional timber resources on private lands. And these loans will be available to grow trees for use in bioenergy facilities that can provide energy without increasing the greenhouse gases in our atmosphere.

The bill includes features that are important to me, such as: (1) State Revolving Loan Programs. The bill provides assistance to nonindustrial private forest land owners and Indian tribes to grow new forests and increase the productivity of existing forests in order to increase carbon sequestration, protect watersheds and fish habitats, and improve wildlife diversity. Assistance to landowners will be provided through State-based loan
programs. The Federal share of funding for these State loan programs will come from penalties that are being assessed against violators of the Clean Air Act and the Clean Water Act (civil penalties assessed in FY 1998 totaled $56 billion).

(2) Guidelines for Accurate Carbon Accounting for Forests. The bill directs the Secretary of Agriculture to establish scientifically-based guidelines for accurate reporting, monitoring and verification of carbon storage from forest management actions. The bill establishes a multi-stakeholder Carbon and Forestry Advisory Council to assist USDA in developing the guidelines.

(3) Report on Options to Increase Carbon Storage on Federal Lands. The bill directs the Secretary of Agriculture to report to Congress on forestry options to increase carbon storage in National Forests.

(4) National Forest Watershed Restoration Cooperative Agreements. The bill allows the Secretary of Agriculture to enter into cooperative agreements with willing State and local governments, Indian tribes, private and nonprofit entities, and landowners for protection, restoration and enhancement of fish and wildlife, water quality, and other resources on public land, Indian land or private land in a national forest watershed.

SECTION 3. Definitions

This section defines terms used in the bill, including:

"Forestry carbon activity" is defined as a forest management action that increases long-term carbon storage and has a positive impact on watersheds, fish habitats and wildlife diversity.

"Forest carbon reservoir" is defined as trees, roots, soils or other biomass associated with forest ecosystems or products from the biomass that store carbon.

"Forest carbon emissions" is defined as the quantity of carbon sequestered from the atmosphere and stored in forest carbon reserves, including forest products.

"Forest land" is defined as land that is, or has been, a forested area that is capable of sustaining forest cover and that will be naturally or artificially regenerated, and includes a transition zone between a forested and non-forested area that is capable of sustaining forest cover.

"Forest management action" is defined as the practical application of forestry principles to the Federal land, management, utilization and conservation of forests to meet specific goals and objectives, while maintaining the productivity of the forests. "Forest management action" includes management of forests for aesthetics, fish, recreation, urban values, water, wilderness, wildlife, wood products and other forest values.

"National forest watershed" is defined as a watershed that is drained by a national forest, that consequently has unique interest to Federal land managers, and in which all landowners, including the Federal Government, share interest and influence in the management and health of the watershed.

"Reforestation" is defined as the reestablishment of forest cover naturally or artificially, including planted replanting, reseeded, or artificially regenerated and managed.

SECTION 4. Carbon Management on Federal Land; Carbon Monitoring and Verification Guidelines

This section directs the Secretary of Agriculture to develop guidelines for the voluntary reporting, monitoring and verification of carbon storage resulting from forest management actions. The guidelines must include options for estimating possible leakage of greenhouse gas emissions resulting from disturbance of carbon reservoirs existing at the start of forest management actions, and for quantifying the expected carbon storage over various time periods, taking into account the likelihood of carbon stored in the carbon reservoir.

Recommended practices: The guidelines must also include recommended practices for: measuring, monitoring, and verification of carbon storage from forest management actions that, to the maximum extent practicable: are based on a consistent methodology that includes a carbon balance, is cost-effective, and allows for achieving the goals set forth in the bill.

Guidance to States: The guidelines will include guidance to States for reporting, monitoring and verifying carbon storage achieved under the carbon storage program established in Section 5 of the bill.

Biomass energy projects: The guidelines will include guidance on the use of biomass energy projects that generate net greenhouse gas reductions from biomass energy projects, including net changes in carbon storage resulting from changes in land use, and the effect that using biomass to generate electricity (including the burning of biomass with fossil fuels) has on the displacement of greenhouse gas emissions from fossil fuels.

Adoption of recommendations by DOE: The subsection directs the Secretary of Energy, ...
acting through the Administrator of the Energy Information Administration, to revise the existing voluntary reporting guidelines to include the recommendations provided by the Senate.

Periodic review of guidelines: At least every 24 months, the Secretary of Agriculture shall review and revise the guidelines as necessary, including to ensure consistency with any future Federal laws that provide recognition, credit or reward for reforestation and greenhouse gas reductions resulting from forest management actions.

Monitoring of State revolving loan program: States participating in the revolving loan program established in Section 5 of the bill must report annually to the Secretary of Agriculture on the results of the program. If a company or non-governmental entity provides funds to the State for specific projects, then the State shall report the carbon achieved by those projects. The Secretary of Agriculture shall review each of these reports, certify reports that are in compliance with the guidelines established by USDA and submit the certified report to the EIA Administrator for inclusion in the 1605(b) voluntary reporting database.

SECTION 5. CARBON STORAGE AND WATERSHED RESTORATION PROGRAM

This section directs the Secretary of Agriculture to provide assistance through State revolving loan funds to Indian tribes and owners of nonindustrial private forest land to undertake forestry carbon activities. This section also allows the Secretary of Agriculture to enter into cooperative agreements to protect and enhance fish and wildlife habitat and other resources.

(a) Assistance through revolving loan funds: The Secretary of Agriculture shall enter into cooperative agreements to provide assistance through revolving loan funds to Indian tribes and owners of nonindustrial private forest land. The assistance is in the form of loans to support the activities that increase long-term carbon storage or provide new sources of biomass feedstocks for renewable energy generation, and that have a positive impact on fish, wildlife, and other biodiversity. These agreements are designed to:

1. Contribute to the objectives of the bill, including managing the land in a manner that maximizes the forest carbon reservoir of the land.
2. Reinstate repayments collected by the Secretary of Agriculture. The State shall use the money to make additional loans.
3. Maintain all loan records and make them available to the public.

(b) State Revolving Loan Funds: This subsection establishes a program to provide assistance through revolving loan funds to Indian tribes and owners of nonindustrial private forest land. The assistance is in the form of loans to support the activities that increase long-term carbon storage or provide new sources of biomass feedstocks for renewable energy generation, and that have a positive impact on fish, wildlife, and other biodiversity. The program will be administered by the Secretary of Agriculture.

Guidance: USDA, in collaboration with States, will provide guidance on eligible forest carbon activities based on the criteria of the bill, recognizing that States should have maximum flexibility to achieve the purposes of the bill in ways most appropriate for each State.

Prohibitions: Loans will not be issued for activities required under other applicable Federal laws, nor for any activities incurred before entering into a loan agreement with the State.

Limitation on land considered for funding: State revolving loan funds may not be used to fund reforestation of land that has been harvested after enactment of the law if the landowner receives revenues from the harvest sufficient to reforest the land.

NATIVE SPECIES: Funding of reforestation activities shall be provided only for a species that is native to a region, with preference given to species that formerly occupied the land.

Sustainable forest management plan: States must give priority to projects on land under a sustainable forestry management plan. If the projects are consistent with the program or plan.

Loan amount: Loans can cover up to 100% of total project costs, not to exceed $100,000 during any 2-year period.

Repayment: Loans must be repaid to the State with interest at least 5% per annum. Loans are to be repaid when the land is harvested, or in accordance with any other repayment schedule determined by the State (for example, a portion of proceeds from each timber sale to be paid over more than one rotation).

Risk: Landowners do not have to repay loans for timber that is lost to natural catastrophes or that cannot be harvested because of government-imposed restrictions on timber harvesting.

Lien: The loan terms will include a lien on all timber, forest products and biomass grown on land covered by the loan, with an assurance that the terms of the lien shall transfer with the land on sale, lease or transfer of the land.

Buyout option: The loan terms will specify financial terms allowing the owner to pay off the loan with interest prior to harvesting the timber specified in the loan.

Greenhouse gas reductions: A loan agreement must include recognition that, until the loan is paid off or otherwise terminated, all reductions in atmospheric greenhouse gases attributable to the loan are attributable to the State that provides funding for the loan, or to any company or NGO that provides funding for the loan through the program.

Permanent conservation easements: Loan recipients can cancel the loan by donating to the State or another appropriate entity a permanent conservation easement that permanently protects the lands and resources at a level above what is required under applicable Federal, State and local law and furthers the purposes of the program by managing the land in a manner that maximizes the forest carbon reservoir of the land.

Reinvestment of repayments collected by the State shall be reinvested in the program and used by the State to make additional loans.

Records: The State Forester shall maintain all loan records and make them available to the public.

Matching funds: A State must match Federal funding by at least 25% beginning in the second year of participating in the program.

Funding Distribution: Not later than 180 days after enactment of the bill, the Secretary shall report to Congress on a formula under which Federal funds will be distributed among eligible States. The formula shall be based on maximizing greenhouse gas reductions for the purposes of the bill, and give appropriate consideration to:

- The acreage of unstocked or underproducing forested land in each State within national forest watersheds; the potential productivity of such land; the potential long-term carbon storage of such land; the potential for improved environmental benefits, such as restoration of native forest communities in riparian areas; the number of owners eligible for loans in each State; and the likelihood of landowner timber stand improvement, or other forestry investments consistent with the objectives of the bill.

The formula will give priority to States that have experienced or are expected to experience significant declines in employment levels in the forestry industries due to decreases in timber harvests and lower timber prices.

Private funding: A revolving loan fund may accept and distribute as loans any funds provided by non-Federal entities, businesses or persons in support of the purposes of this Act.

Bonneville Power Administration (BPA): States approved by the Bonneville Power Administration (BPA, for Oregon, Idaho and Montana) may apply for funding from BPA for purposes of funding loans that meet both the objectives of this Act and the fish and wildlife objectives of federal law under current law. Any such application will be subject to the same rules and procedures as any other application.

Authorization of Appropriations: For the state revolving loan program, this subsection authorizes funding from FY 2001 to FY 2010 at amounts equal to civil penalties collected under the Clean Water Act and the Clean Air Act, which currently revert to the Treasury as General Revenues. In fiscal year 1998, $65 million in penalties were assessed. Because penalty assessments can not be accurately predicted in advance, authorization in any given year would be based on the penalties assessed two years preceding.

By Mr. REID:

S. 1458. A bill to provide for a reduction in the rate of adolescent pregnancy through the evaluation of public and private prevention programs, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

TEEN PREGNANCY REDUCTION BILL

Mr. REID. Mr. President, despite the recent declines in teen birth rates in general, the overall teen birth rate for 1996 is still higher than it was in the early to mid-1980s, when the rate was at its lowest point. In fact, United States has the highest rates of teen pregnancy and births in the western industrialized world. More than 4 out of 10 young women in the U.S. become pregnant at least once before they reach the age of 20—nearly one million a year.

Unfortunately, my home state of Nevada has the highest teen pregnancy rate in the country—140 pregnancies per 1,000 girls aged 15-19 in 1996.

Teen pregnancy affects us all. Teen mothers are less likely to complete high school, and more likely to end up on welfare (nearly 80 percent of unmarried teen mothers end up on welfare). Teen pregnancy costs the United States at least $7 billion annually. The number of teen births, lower birth weights, are more likely to perform poorly in school, and are at greater risk of abuse and neglect. The sons of teen mothers are 13 percent more likely to end up in prison while their daughters are 22 percent more likely to become teen mothers.

Teen pregnancy has become a significant problem in America's fastest growing ethnic group—the Hispanic community. Latinos currently constitute approximately 11 percent of the total U.S. population. By 2050, Latinos will be the largest minority group, and by 2050 approximately one-quarter of the U.S. population will be Latino.
Latinas have the highest teen birth rate among the major racial/ethnic groups in the United States. In 1997, the birth rate for Latina 15- to 19-year-olds was 97.4 per 1,000, nearly double the national rate of 52.3 per 1,000. Approximately 40 percent of the births in 1997 to teenagers aged 15 to 19 were to Latinas. Further, the teen birth and pregnancy rates for Latinas have not decreased as much in recent years as have the overall U.S. teen birth and pregnancy rates.

To buy one's time, the plague of teen pregnancy in this country, I am introducing the "Teenage Pregnancy Reduction Act of 1999." With my colleagues, Mr. MACK, Mr. FEINSTEIN, Mr. HELMS, and Mr. ROBB, in sponsoring the Medicare Return to Home Act of 1999, I think that we can significantly reduce the teen pregnancy rate by one-third beginning this year.

To combat the plague of teen pregnancy in this country, I am introducing the "Teenage Pregnancy Reduction Act of 1999." In so doing, I join Congresswoman LOWEY, who has introduced the House companion bill.

The Teenage Pregnancy Reduction Act of 1999 will provide in-depth evaluation of promising teen pregnancy prevention programs. Experts on teen pregnancy have informed us that such an evaluation is very needed. This three-year evaluation will be funded at $3.5 million per year. The bill requires that the evaluation's results be made to Congress, and the results be disseminated to the administrators of prevention programs, medical associations, public health services, school administrators and others. In addition, the bill provides for the establishment of a National Clearinghouse on Teenage Pregnancy Prevention Programs. Lastly, the bill provides $10 million for a one-time incentive grant to programs that complete the evaluation and are found to be effective.

Social problems like teen pregnancy are not happening in a vacuum, independent from other social problems. Nevada has the highest teen pregnancy rate, and it also has the highest school dropout rate. Obviously, these two issues are related. Only one-third of teen mothers receive a high school diploma.

Senator BINGAMAN and I have offered a dropout bill similar to the teen pregnancy bill I introduce today. Both bills look to what states and communities are doing now and focus on those programs that are working. We can then help states and communities replicate these successful programs. But we are not going to totally solve these problems like teen pregnancy through programs and legislation—we need to talk to our children. Studies show that teenagers who have strong emotional attachments to their parents are much less likely to become sexually active at an early age. We cannot legislate parents talking to their children, but we can provide the information and programs that will help parents work with their teens.

I would like to acknowledge the National Campaign to Prevent Teen Pregnancy, whose mission is to reduce the teen pregnancy rate by one-third between 1996 and 2005. I think that we can accomplish this goal, and I will do all that I can to help.

By Mr. MACK (for himself, Mr. FEINSTEIN, Mr. HELMS, and Mr. ROBB):

S. 1459. A bill to amend title XVIII of the Social Security Act to protect the right of a Medicare beneficiary enrolled in an Medicare+Choice health plan who normally reside in continuing care retirement communities or nursing homes to have the opportunity to return to the same facility after a period of hospitalization. Many of the retirement communities and nursing homes have fully licensed facilities established to provide skilled nursing services to their residents when required. Often, people choose a continuing care retirement community because of the different levels of care available to them as they age in that community. These living arrangements allow couples and individuals to maintain their independence by having the ability to move in and out of various levels of care according to their needs over time. People who are fully independent when they move into a residential community often require assisted living, skilled nursing care or some other assistance over the course of their lifetime in residence.

An increasing number of seniors have chosen Medicare+Choice plans as the way that they wish to receive health care services under Medicare. These plans reduce the potential for substantial out-of-pocket costs for the very sick which might be the experience with the traditional original Medicare plan.

One unfortunate consequence of the Medicare+Choice option involves the inability of seniors to return to their chosen Medicare+Choice health plan who normally reside in continuing care retirement communities or nursing homes where they resided following a period of hospitalization. Some Medicare+Choice plans will only permit patients to be discharged from the hospital to a facility with which the Medicare+Choice plan has a contract. Then, patients cannot return to the residential community that they selected, which may have been chosen because it included a skilled nursing facility. Nor can they return to the nursing home in which they had previously resided. This can be traumatic for frail elderly patients and may contribute to their disorientation and impede their recovery. It places them in an unfamiliar setting away from home, possibly separating them from a spouse and friends. Staff at their chosen retirement community or nursing home may also be familiar with their individual needs and habits which could only assist in their return to wellness. It makes little sense for them to be sent elsewhere upon discharge from a hospital.

Passage of this legislation ensures the ability of Medicare+Choice beneficiaries to return to the residential community or nursing home in which they previously resided following hospitalization under the following conditions:

1. The enrollee chooses to return to the residential community facility where they had been living prior to hospitalization.
2. The facility is licensed and qualified under state and federal law to provide the required services.
3. The enrollee chooses to return to the managed care plan's payment which must be similar to the payment made to contracted facilities.

This legislation provides for continuity in the lives of the elderly following a period of hospitalization. It does not increase costs to Medicare+Choice plans or to beneficiaries.

It allows people to return to their loved ones in the facility where they have chosen to live.

Mr. President, I ask unanimous consent that a copy of the legislation be printed in the RECORD. There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1459

SECTION 1. SHORT TITLE.
This Act may be cited as the "Medicare Return To Home Act of 1999".

SEC. 2. ENSURING CHOICE FOR SKILLED NURSING FACILITY SERVICES UNDER THE MEDICARE CHOICE PROGRAM.

(a) in General.—Section 1852 of the Social Security Act (42 U.S.C. 1395w–22) is amended by adding at the end the following:

"(1) COVERAGE OF SERVICES PROVIDED AT A SNF LOCATED IN ENROLLEE’S CONTINUING CARE RETIREMENT COMMUNITY OR NURSING HOME IN WHICH ENROLLEE PREVIOUSLY RESIDED.—Subject to paragraph (2), a Medicare+Choice organization may not deny coverage for any service provided to an enrollee of a Medicare+Choice plan (offered by such organization) by—

"(A) a skilled nursing facility located within the continuing care retirement community in which the enrollee resided prior to being admitted to a hospital; or

"(B) a skilled nursing facility in which the enrollee resided immediately prior to being admitted to a hospital.

The requirement described in the preceding sentence shall apply whether or not the Medicare+Choice organization has a contract with such skilled nursing facility to provide such services.

"(2) REQUIRED FACTORS.—Paragraph (1) shall not apply unless the following factors exist:

"(A) The Medicare+Choice organization would be required to provide reimbursement for the service under the Medicare+Choice plan in which the individual is enrolled, if the skilled nursing facility was under contract with the Medicare+Choice organization.

"(B) The individual—

"(1) had a contractual or other right to return, after hospitalization, to the continuing care retirement community described in
paraphrase (3)(A) or the skilled nursing facility described in paragraph (3)(B); and
``(ii) elects to receive services from the skilled nursing facility after the hospitalization, which, if not, the Medicare+Choice organization described in paragraph (3)(A), the individual resided in such facility before entering the hospital.
``(C) The skilled nursing facility has the capacity to provide the services the individual requires.
``(D) The skilled nursing facility agrees to accept a substantially similar payment under the same terms and conditions that apply to similarly situated skilled nursing facilities that entered into contract with the Medicare+Choice organization.

``(3) COVERAGE OF SNF SERVICES TO PREVENT HOSPITALIZATION.—A Medicare+Choice organization may not deny payment for services provided to an enrollee of a Medicare+Choice plan (offered by such organization) by a skilled nursing facility in which the enrollee resides, without a preceding hospital stay, regardless of whether the Medicare+Choice organization has a contract with such facility to provide such services, if—
``(A) the Medicare+Choice organization has determined that the service is necessary to prevent the hospitalization of the enrollee; and
``(B) the factors specified in subparagraphs (A), (C), and (D) of paragraph (2) exist.

``(4) COVERAGE OF SERVICES PROVIDED IN SNF WHERE MEDICARE+CHOICE ORGANIZATION HAS NO CONTRACT.—A Medicare+Choice organization may not deny payment for services provided to an enrollee of a Medicare+Choice plan (offered by such organization) by a skilled nursing facility in which the enrollee resides, regardless of whether the Medicare+Choice organization has a contract with such facility to provide such services, if—
``(A) the Medicare+Choice organization has determined that the service is necessary to prevent the hospitalization of the enrollee; and
``(B) the factors specified in subparagraphs (A), (C), and (D) of paragraph (2) exist.

``(5) SKILLED NURSING FACILITY MUST MEET MEDICARE PARTICIPATION REQUIREMENTS.—This subsection shall not apply unless the skilled nursing facility involved meets all applicable participation requirements under this title.

``(6) PROHIBITIONS.—A Medicare+Choice organization offering a Medicare+Choice plan may not—
``(A) deny to an individual eligibility, or continued eligibility, to enroll or to renew coverage under the plan, solely for the purpose of avoiding the requirements of this subsection;
``(B) provide monetary payments or rebates to enrollees to encourage such enrollees to accept less than the minimum protections available under this subsection;
``(C) penalize or otherwise reduce or limit the reimbursement of a health care provider or organization because such provider or organization provided services to the individual in accordance with this subsection; or
``(D) impose (monetarily or otherwise) to a health care provider or organization to induce such provider or organization to provide care to a participant or beneficiary in a manner inconsistent with this subsection.

``(7) COST-SHARING.—Nothing in this section shall be construed as preventing a Medicare+Choice organization offering a Medicare+Choice plan from imposing deductibles, coinsurance, or other cost-sharing for services covered under this subsection.

``(8) NONPREEMPTION OF STATE LAW.—The provisions of this subsection shall not be construed to preempt any provision of State law that affords greater protections to beneficiaries with regard to coverage of items and services provided by a skilled nursing facility than is afforded by such provisions of this subsection.

``(9) DEFINITIONS.—In this subsection:
``(A) CONTINUING CARE RETIREMENT COMMUNITY.—The term `continuing care retirement community' means an organization that provides or arranges for the provision of housing and health-related services to an older person under an agreement that does not require the individual to enter such community in order to receive such services.
``(B) SKILLED NURSING FACILITY.—The term `skilled nursing facility' has the meaning given such term in section 1819(a).
``(C) THE MEDICARE+CHOICE ORGANIZATION.—The terms `the Medicare+Choice organization' and `Medicare+Choice plan' have the meaning given such terms in section 1819(b).

By Mr. HATCH (for himself, Mr. LEAHY, Mr. ABRAHAM, Mr. TORRICEILLI, Mr. DEWINE, Mr. KOHL, and Mr. SCHUMER)

S. 1461. A bill to amend the Trade Act of 1946 (15 U.S.C. 1051 et seq.) to protect consumers and promote electronic commerce by prohibiting the bad-faith registration or use of Internet domain names that are identical to, or dilutive of distinctive trademarks or service marks; to the Committee on the Judiciary.

Domain Name Piracy Prevention Act of 1999

Mr. HATCH. Mr. President, I am pleased to rise today, along with my colleagues on the Judiciary Committee, Senator LEAHY, to introduce legislation that will address a growing problem for consumers and American businesses online. At issue is the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners. For the Net-savy, this burgeoning form of cyber-abuse is known as “cybersquatting.” For the average consumer, it is basically fraud, deception, and the bad-faith trading on the goodwill of the genuine trademark owner. When you call it, it is an issue that has a great impact on American consumers and the brand names they rely on as indicators of source, quality, and authentication.

As anyone who has walked down the aisle in the grocery store knows, trademarks serve as the primary indicators of source, quality, and authenticity in the minds of consumers. How else do you explain the price disparity between various brands of toothpaste, laundry detergent, or even canned beans. These brand names are valuable in that they convey to the consumer reliable information regarding the source and quality of goods and services, thereby facilitating commerce and spurring consumer confidence in the marketplace. Unauthorized uses of others’ marks underrate the market by eroding consumer confidence and the communicative value of the brand names we all rely on. For that very reason, Congress has enacted a number of statutes addressing the problems of trademark infringement, false advertising and unfair competition, trademark dilution, and trade-mark counterfeiting. Doing so has helped protect American businesses and, more importantly perhaps, American consumers.

As we are seeing with increased frequency, the problems of brand-name theft and consumer confusion are particularly acute in the online environment. The fact is that a consumer in a “brick and mortar” world has the luxury of a variety of additional indicators of source and quality aside from a brand name. For example, when one walks into the local consumer electronics retailer, he is fairly certain with whom he is dealing, and he can often tell by looking at the products and even the storefront itself whether or not he is dealing with a reputable establishment. These protections are largely absent in the electronic world, where anyone with Internet access and minimal computer knowledge can set up a storefront online.

Furthermore, as we have seen in many cases, consumers see when they log on to a site is their only indication of source and authenticity, and legitimate and illegitimate sites may be indistinguishable in cyberspace. In fact, a well-known trademark owner may choose a brand name as a source indicator for the online consumer. So it a bad actor is using that name, rather than the trademark owner, an online consumer is at serious risk of being defrauded, or at the very least confused. The result, as with other forms of trademark violations, is the erosion of consumer confidence in brand name identifiers and in electronic commerce generally.

Last week the Judiciary Committee heard testimony of a number of examples of consumer confusion on the Internet stemming from abusive domain name registrations. For example, Anne Chasser, President of the International Trademark Association, testified that a cybersquatter had registered the domain names “atphonecard.com” and “attcallingcard.com” and used those names to establish sites purporting to sell calling cards and soliciting personally identifying information, including credit card numbers. Chris Young, President of Cyveillance, Inc.—a company founded specifically to assist trademark owners police their marks online—testified that a cybersquatter had registered the name “dellsparcom” and was purporting to sell Dell products online, when in fact Dell does not authorize online resellers to market its products. We heard similar testimony of an offshore cybersquatter selling web-hosting services under the name “belatlantics.com.” And Greg Phillips, a Salt Lake City trademark practitioner who represents Porsche in protecting their famous trademark against what is now more than 300 instances of cybersquatting, testified of several examples where he had notified fast.com to cease registering Porsche marks to sell counterfeit goods and non-genuine Porsche parts.
Consider also the child who in a "hunt-and-peck" manner mistakenly typed in the domain for "dosney.com", looking for the rich and family-friendly content of Disney's home page, only to wind up staring at a page of hardcore pornography because the cybersquatter who registered the "dosney" domain in anticipation that just such a mistake would be made. In a similar case, a 12-year-old California boy was denied privileges at his school when he entered "zelda" in a web browser at his school library, looking for a site he expected to be affiliated with the computer game of the same name, but ended up at a pornography site.

In addition to these types of direct harm to consumers, cybersquatting harms American businesses and the goodwill value associated with their names. In part this is a result of the fact that in each case of consumer confusion there is a case of brand-name misappropriation and an erosion of goodwill. Absent consumer confusion, there are many many cases of cybersquatters who appropriate brand names with the sole intent of extorting money from the lawful mark owner, of precluding evenhanded competition, of profiting from dilution of the goodwill of the mark.

For example, a couple of years ago a small Canadian company with a single shareholder and a couple of dozen domain names named itself "Umbro International, Inc," which markets and distributes soccer equipment, pay $50,000 to its sole shareholder, $50,000 to a charity, and provide a lifetime supply of soccer equipment in order for it to relinquish the "umbro.com" name. Warners Bros. was reportedly asked to pay $350,000 for the rights to the names "warner-records.com", "warner-bros-records.com", "warner-pictures.com", "warner-bros-pictures.com", and "warnerpictures.com". And Intel Corporation was forced to deal with a cybersquatter who registered the "pentiun3.com" domain and used it to post pornographic images of celebrities.

It is time for Congress to take a closer look at these abuses and to respond with appropriate legislation. In the 106th Congress, Senator LEAHY and I sponsored the "Federal Trademark Dilution Act," which has proved useful in assisting the owners of famous trademarks to police the online uses of their marks that dilute their distinctive quality. Unfortunately, the economics of litigation have resulted in a situation where it is often more cost-effective to simply "pay off" a cybersquatter rather than pursue costly litigation with little hope of anything more than an injunction against the offender. And cybersquatters are becoming more sophisticated and more creative in evading what good case law has developed under the dilution statute.

The bill I am introducing today with the Senator from Vermont is designed to address these problems head on by clarifying the rights of trademark owners online with respect to cybersquatting, by providing clear deterrence to prevent such bad faith and abusive conduct, and by providing adequate remedies for trademark owners in cybersquatting cases, whether direct or indirect.

While the bill shares the goals of, and has some similarity to, legislation introduced earlier by Senator ABRAHAM, it differs in a number of substantial respects.

First, like Senator ABRAHAM's legislation, our bill allows trademark owners to recover statutory damages in cybersquatting cases, both to deter wrongful conduct and to provide adequate remedies for trademark owners who seek to enforce their rights in court. Our bill goes beyond simply stating the remedy, however, and sets forth a substantive cause of action, based in trademark law, to define the wrongful conduct sought to be deterred and to fill in the gaps and uncertainties of statutory law with respect to cybersquatting.

Under our bill, the abusive conduct that is made actionable is appropriately limited to bad faith registrations of confusing marks by persons who seek to profit unfairly from the goodwill value associated therewith. In addition, the bill balances the property interests of trademark owners with the interests of Internet users who would make fair use of others' marks or otherwise engage in protected speech online. Our bill also limits the definition of domain name identifier to exclude such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry, it also omits criminal penalties found in Senator ABRAHAM's earlier legislation.

Second, our bill provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false contact information and is otherwise not to be found.

Additionally, some have suggested that dissidents and others who are online incognito for legitimate reasons might give false information to protect themselves and have suggested the need to preserve a degree of anonymity on the Internet particularly for this reason. Allowing a trademark owner to proceed against the domain names themselves, provided they are, in fact, legitimate, under the Trademark Dilution Act, decreases the need for trademark owners to join the hunt to chase down and root out these dissidents or others seeking anonymity on the Net.

The approach in our bill is a good compromise, which provides meaningful protection to trademark owners while balancing the interests of privacy and anonymity on the Internet.

Third, like the Abraham bill, our bill encourages domain name registrars and registries to work with trademark owners to prevent cybersquatting by providing a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order and in implementation of a reasonable policy prohibiting the registration of domain names that the registrant has provided false contact information and is otherwise materially misrepresents to the domain name registrar or registry that a domain name is infringing domain names. Our bill goes further, however, in order to protect the rights of domain name registrants against overreaching trademark owners. Under our bill, a trademark owner who knowingly and materially misrepresents to the domain name registrar for domain names, file names, and other identifiers not assigned by a domain name registrar or registry, it also omits criminal penalties found in Senator ABRAHAM's earlier legislation.

Finally, our bill includes an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights, and it ensures that any new remedies created by the bill will apply prospectively.

Mr. President, this bill is an important piece of legislation that will promote the growth of online commerce by protecting consumers and providing clarity in the law for trademark owners in cyberspace. It is a balanced bill that protects the rights of Internet users and the interests of all Americans in free speech uses of cyberspace, and provides a clear pathway for resolving disputes over the use of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc. It reflects many hours of discussions with senators and affected parties on all sides. I want to thank Senator LEAHY for his cooperation in crafting this particular measure, and also Senator ABRAHAM for his cooperation in this effort. I expect that the substance of this bill will be offered as a companion substitute to Senator ABRAHAM's legislation when the Judiciary Committee turns to that bill tomorrow, and I look forward to broad bipartisan support at that time. I similarly
look forward to working with my other colleagues here in the Senate to report this bill favorably to the House, and I urge their support in this regard.

I ask unanimous consent that the text of the bill and a section-by-section analysis of the bill be printed in the Record, as follows:

S. 1461

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

SECTION 1. SHORT TITLE; REFERENCES.

(a) Title.—This Act may be cited as the "Domain Name Piracy Prevention Act of 1999".

(b) References to the Trademark Act of 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes," approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. FINDINGS.

Congress finds the following:

(1) The registration of a domain name is a public service that provides for the identification of persons, organizations, and services and that is essential to the effective functioning of the Internet.

(2) Trademark registrations for or use of a domain name that are confusingly similar to or dilutive of a trademark or service mark without the consent of the trademark owner will; and

(3) Trademark registrations for or use of a domain name that are confusingly similar to or dilutive of a trademark or service mark without the consent of the trademark owner will:

(a) result in consumer fraud and public confusion as to the true source or sponsorship of goods or services;

(b) impair electronic commerce, which is important to interstate commerce and the United States economy;

(c) deprive legitimate trademark owners of substantial revenues and consumer goodwill; and

(d) places unreasonable, intolerable, and overwhelming burdens on trademark owners

SEC. 3. CYBERPIRACY PREVENTION.

(a) In General.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1114) is amended by inserting at the end the following:

"(v) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;"

(b) References to the Trademark Act of 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes," approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 4. DAMAGES AND REMEDIES.

(a) Remedies in Cases of Domain Name Piracy.—

(1) Injunctions.—Section 43(a) of the Trademark Act of 1946 (15 U.S.C. 1114(a)) is amended in the first sentence by striking "section 43(a)a" and inserting "section 43(a), (c), or (d)"

(b) Damages.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before the final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in a sum not less than $1,000 and not more than $100,000, which the court may determine is an appropriate remedy for such violation."

SEC. 5. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43(a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and redesignating subparagraph (E) as (F) the following:

"(D) A domain name registrant, a domain name registry, or other domain name registration authority shall not be liable for any action or other determination contained in this Act with respect to any domain name that is identical to, confusingly similar to, or dilutive of another mark registered on the Principal Register of the United States Patent and Trademark Office.

"(E) A domain name registrant, a domain name registry, or other domain name registration authority shall not be liable for any action or other determination contained in this Act with respect to any domain name that is identical to, confusingly similar to, or dilutive of another mark registered on the Principal Register of the United States Patent and Trademark Office.

"(F) A domain name registrant, a domain name registry, or other domain name registration authority shall not be liable for any action or other determination contained in this Act with respect to any domain name that is identical to, confusingly similar to, or dilutive of another mark registered on the Principal Register of the United States Patent and Trademark Office.

SEC. 6. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting the undesignated paragraph defining the term "counterfeit" the following:

"The term 'Internet' has the meaning given to that term in section 103 of the Communications Act of 1934 (47 U.S.C. 230(f)(1))."

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registry, domain name registry, or other domain name registration authority as part of an electronic address on the Internet."

SEC. 7. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Anticybersquatting Consumer Protection Act of 1999 (including any defense under section 43(c)(4) of such Act relating to fair use) or a person's right of free speech or expression under the First Amendment of the United States Constitution.

SEC. 8. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

SEC. 9. EFFECTIVE DATE.

This Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that statutory
damages under section 35(d) of the Trademark Act of 1946 (15 U.S.C. 1117), as added by section 4 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

**SECTION BY SECTION ANALYSIS—S. 1461, THE "DOMAIN NAME PIRACY PREVENTION ACT OF 1999."

**SECTION 1. SHORT TITLE; REFERENCES**

This section provides that the Act may be cited as the "Domain Name Piracy Prevention Act." It explains that any provisions of the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of marks as trademarks; to provide for the registration of service marks; to carry out the provisions of certain international conventions, and for other purposes," approved July 5, 1946 (15 U.S.C. 1051 et seq.), also commonly referred to as the Lanham Act.

**SECTION 2. FINDINGS**

This section sets forth Congress' findings that cybersquatting and cybersurfing—defined as registering, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of a trademark or service mark owned by another—often is an attempt to profit from the goodwill of a mark, and the last four suggest circumstances that may tend to indicate that such bad-faith intent exists.

First, under paragraph (1)(B)(i), a court may consider whether the defendant has registered, trafficked in, or otherwise used a mark in a site in such a lawful manner as to indicate an absence of bad-faith intent to profit from the goodwill of the mark. In these circumstances, the defendant's use of the mark may be an appropriate indication that the defendant has legitimate noncommercial or fair uses of others' marks.

Second, under paragraph (1)(B)(ii), a court may consider the domain name registrant's prior use, if any, of the domain name in connection with the bona fide offering of goods or services. This factor recognizes that the legitimate use of the domain name or service mark of another, provided that the mark was distinctive (i.e., enjoyed trademark status) at the time the domain name was registered, may be a good indicator of the person registering that domain name in commerce with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith intent on the part of the Registrant.

Third, under paragraph (1)(B)(iii), a court may consider the domain name registrant's prior offer to transfer, sell, or otherwise assign the domain name to the actual owner of the mark. This factor is intended to determine whether the domain name registrant makes of the mark.

Fourth, under paragraph (1)(B)(iv), a court may consider whether the defendant's use of the domain name has been for purposes of commercial gain or with the intent to divert consumers away from the trademark owner's mark or mark owner as being indicative of the defendant's intent to divert consumers away from the trademark owner's mark. This factor recognizes that such bad-faith intent exists.

**Fifth, under paragraph (1)(B)(v), a court may consider whether the defendant's use of the domain name is intended to confuse or deceive the public in this manner when making a determination of bad faith intent.**

Sixth, under paragraph (1)(B)(vi), a court may consider the defendant's offer to transfer, sell, or otherwise dispose of the domain name to a third party for substantial consideration, where the registrant has not used, and did not have any intent to use, the domain name prior to the bona fide offering of goods or services.

This factor is consistent with the court cases, like the Panavision case mentioned above, where courts have found a defendant's offer to sell a known trademark to a third party for substantial consideration to be indicative of the defendant's intent to use the mark for purposes of commercial gain.

It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name for use in commerce, but never uses it in commerce, and a court may determine that such a use is insufficient to prove bad faith.

**Sixth, under paragraph (1)(B)(vi), a court may consider whether the defendant's use of the domain name is intended to confuse or deceive the public in this manner when making a determination of bad faith intent.**

This factor is consistent with the court cases, like the Panavision case mentioned above, where courts have found a defendant's offer to sell a known trademark to a third party for substantial consideration to be indicative of the defendant's intent to use the mark for purposes of commercial gain.

It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name for use in commerce, but never uses it in commerce, and a court may determine that such a use is insufficient to prove bad faith.
that name to the other trademark owner. This bill does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize when bad-faith is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common bad-faith indicators in abusive domain name registrations.

Seventh, under paragraph (1)(B)(viii), a court may consider the registration of a domain name which is identical to, confusingly similar to, or dilutive of others’ marks. This factor recognizes the increasingly common cybersquatting practice known as “wandering” in which a cybersquatter registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cybersquatters have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This bill does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the factor in a case when there is clear evidence of bad-faith registration.

The bill also recognizes the notion that a cybersquatter who was caught engaging in cybersquatting by registering a domain name under false pretenses or false contact information in an application for registration may be liable for cancellation or transfer of the domain name. In this context, a reasonable policy prohibiting cybersquatting is supported by the fact that the index or search of a particular name is made by a domain name registrar or registry. This section applies traditional trademark remedies, including injunctive relief, recovery of defendant’s profits, actual damages, and costs, to cybersquatting cases under the new section 43(d) of the Trademark Act. The bill also amends section 35 of the Trademark Act to provide for statutory damages in cybersquatting cases. Under new section (3)(D)(iv) of section 32(2), a trademark owner who knowingly and materially misrepresents to the court or to the domain name registry that the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name.

This section provides for the revocation, cancellation, or transfer of a domain name to the other trademark owner. This section provides an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person’s first amendment rights.
who abuse the rights of trademark holders by purposely and maliciously registering as a domain, name the trademarked name of another company to divert and confuse customers or to deny the company the ability to establish and register a more familiar or well-known mark of others—which can lead to consumer confusion or downright fraud.

Enforcing trademarks in cyberspace will promote global electronic commerce. Enforcing trademark law in cyberspace can help bring consumer confidence to this new frontier. That is why I have long been concerned with protecting registered trademarks online. Indeed, when the Congress passed the Federal Trademark Dilution Act of 1995, I noted that:

[Although no one else has yet considered this application, it is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who abuse the rights of trademark holders online.]

In addition, last year I authored an amendment that was enacted as part of the Next Generation Internet Research Act authorizing the National Research Council of the National Academy of Sciences to study the effects on trademark law in the fast-developing world of the Internet.

The “Domain Name Piracy Prevention Act of 1999,” which we introduce today, is not intended in any way to frustrate these global efforts already underway to develop inexpensive and expeditious procedures for resolving domain name disputes over the assignment of domain names. Both the Internet Corporation for Assigned Names and Numbers (ICANN) and WIPO are also making recommendations on expensive and expeditious procedures for resolving trademark disputes over the assignment of domain names. Both the Internet Corporation for Assigned Names and Numbers (ICANN) and WIPO are also making recommendations on these procedures. Adoption of a uniform trademark domain name dispute resolution policy will be of enormous benefit to American trademark owners.

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The legislation outlines the following non-exclusive list of eight factors for courts to consider in determining whether such bad-faith intent to profit is proven: (i) the trademark rights of the domain name registrant in the domain name; (ii) whether the domain name is the legal or nickname of the registrant; (iii) the prior use by the registrant of the domain name in connection with the bona fide offering of any goods or services; (iv) the registrant's legitimate noncommercial or fair use of the mark at the site under the domain name; (v) the registrant's intent to divert consumers from the mark's owner's online location in a manner that could harm the mark's goodwill, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site; (vi) the registrant's offer to sell the domain name for substantial consideration without having or having an intent to use the domain name in the bona fide offering of goods or services; (vii) the registrant's international provision of material false and misleading contact information when applying for the registration of the domain name; (viii) the fact that the domain name registrant did not compete with the trademark owner; (ix) the fact that the domain name contains a trademark for purposes of protest, complaint, parody or commentary; (x) the registrant's international provision of material false and misleading contact information when applying for the registration of the domain name; (xi) the registrant's offer to sell the domain name for substantial consideration without having or having an intent to use the domain name in the bona fide offering of goods or services; (xii) the registrant's registration of multiple domain names that are identical or similar to or dilutive of another's trademark.

In civil actions, damages may be awarded for bad faith. The court may award damages for bad faith in rem actions. The bill would also permit in rem civil actions filed by a trademark owner in circumstances where the domain name violates the owner's rights in the trademark and the court finds that the owner demonstrated due diligence and was not able to find the domain name holder to bring an in personam civil action. The remedies of an in rem action are limited to a court order for forfeiture or cancellation of the domain name or the transfer of the domain name to the trademark owner.

Liability limitations. The bill would limit the liability for monetary damages of domain name registrars, registries, or other domain name registration authorities for any action they take to refuse to register, remove from registration, transfer, temporarily disable or permanently cancel a domain name pursuant to a court order or in the implementation of reasonable policies prohibiting the registration of domain names that are identical or similar to, or dilutive of, another's trademark.

Prevention of reverse domain name hijacking. Reverse domain name hijacking is an effort by a trademark owner to take a domain name from a legitimate good faith domain name registrant. There have been some well-publicized cases of trademark owners demanding the take down of certain web sites set up by parents who have registered their children's names in the .org domain, such as two year old Veronica Sams's "Little Veronica" website and 12 year old Chris "Pokey" Van Allen's web page.

In order to protect the rights of domain name registrants in their domain names the bill provides that registrants may recover damages, including costs and attorney's fees, incurred as a result of a knowing and material misrepresentation by a person that a domain name is identical or similar to, or dilutive of, a trademark. In addition, the domain name or the transfer or return of a domain name to the domain name registrant.
last longer. This is a serious health problem, and I am committed to legislative solutions that we can enact that provides immediate assistance to those who need it. I will soon introduce legislation that will provide prescription drug insurance for low-income Medicare beneficiaries. And today I am introducing legislation that will allow Americans of all ages who do not have sufficient coverage for prescription drugs, to purchase the medicines they need at prices they can afford.

Mr. President, it is well documented that the average price of prescription medicines is much lower in Canada than in the United States, with the price of some drugs in Vermont being twice that of the same drug available only a few miles away in a Canadian pharmacy. This is true even though many of the drugs sold in Canada are actually manufactured, packed, and distributed by American companies that sell the same products in both markets at drastically different prices. That is why many residents of my home state travel the short distance across the border into Canada to buy their prescription medicines at the lower price. Unfortunately, in most cases this is a violation of Federal law. This does not seem fair to many Vermonters, and it does not seem fair to me.

The legislation I am introducing today will change that, so that Americans who want to buy prescription medicines in Canada can legally do so. This legislation will require the Food and Drug Administration (FDA) to promulgate new regulations permitting patients to import prescription medications purchased in Canada. Currently, it is illegal for Americans to go to Canada and purchase drugs to be brought back to the United States. But FDA and U.S. Customs employ a "discretionary enforcement policy," allowing some Americans to enter the U.S. with drugs that they bought in Canada.

My legislation does a number of things. First, it requires the Secretary of Health and Human Services to promulgate regulations that will allow individuals to import prescription FDA-approved medicines from Canada in personal baggage, so long as the appropriate use is identified and the product does not represent a significant health risk. Under this bill, patients could also ask their doctors to identify the licensed U.S. health professional responsible for treatment, and to affirm that the product is for personal use, and provide other necessary information so that the FDA can continue to ensure the safety of the U.S. drug supply. All information is collected under this provision will be subject to the Privacy Act of 1974.

Under this proposal, the Secretary of Health and Human Services will also be required to promulgate regulations regarding importation of prescription drugs from Canada by mail order. The Secretary will establish criteria which will ensure the safety of patients in the United States that wish to purchase drugs by mail order from Canada.

Finally, this legislation will require the Secretary of HHS to study the safety and purity of the prescription drug products that are imported under this Act.

Mr. President, it has often been said that we have the international gold standard when it comes to drug safety. Well, we have the platinum standard when it comes to prices. I want to emphasize that the aim of this legislation is to help Vermonters and all Americans have access to the prescription drugs that they need at prices that they can afford. As Chairman of the Health, Education, Labor and Pensions Committee, the safety of American patients is always one of my top priorities, and I am committed to achieving the goal of affordable prescription drugs without putting patients' lives at risk.

This is a responsible proposal to help Vermonters and all Americans with the high price of prescription drugs and I hope my colleagues will support it.

By Mr. DeWINE (for himself, Ms. Snowe, Mr. Torricelli, Ms. Collins, Mr. Durbin, Ms. Feinstein, Ms. Mikulski, Mr. Schumer, Mr. Bingaman, Mr. Chafee, and Mr. Kennedy):

S. 1463. A bill to establish a program to provide assistance for programs of credit and other financial services for microenterprises in developing countries, and for other purposes; to the Committee on Foreign Relations.

MICRO-ENTERPRISE FOR SELF RELIANCE ACT OF 1999

Mr. DeWINE. Mr. President, I rise today to introduce legislation that would ensure the future success of international micro-enterprise grant and loan programs. Many members of Congress have seen the success of micro-enterprise programs around the world. These programs are the poor- est of the poor with small loans to help them work their way out of poverty. These programs have proven to be very worthwhile and successful programs administered worldwide by the U.S. Agency for International Development (USAID).

Unlike other assistance programs, we do not give funds away. Instead, we lend these funds to people once considered credit risks. The record of these programs boasts a client repayment rate of between 95% to 98%. Micro-enterprise programs are proof that with access to credit, the poor can and do better their lives while repaying their loans.

To ensure the future of these programs and provide continued hope to others seeking to build out of poverty, I introduce today the Micro-Enterprise for Self Reliance Act of 1999. I am pleased to be introducing the legislation along with Senators Snowe, Torricelli, Collins, Durbin, Feinstein, Mikulski, Schumer, Bingaman, Chafee and Kennedy. This bill would strengthen the foundations of these programs to ensure their survival and provide the mechanisms necessary for their continued success as financial institutions. First, it would provide grant assistance to micro-enterprise programs to increase availability of credit and other services. We also target funding to those programs who respond best to micro-lending programs.

Second, this bill would authorize credits to micro-lending programs. These credits generally are used to expand already successful programs. Further, successful programs, as I hope the programs' survival by establishing a facility to help rescue micro-lending institutions that are imperiled by war, currency movements, or natural disasters. The facility would provide for loans to successful institutions to help them get on their feet.

Finally, we are interested in encouraging the future development and stability of these programs. Our bill calls for a report by USAID that would recommend other steps that could be taken to further the development of micro-lending institutions such as networks, regulations, a federal charter, financial instruments and coordination with multilateral institutions.

We believe that this investment in micro-enterprise programs now will reduce the need for foreign assistance in the future. Congress now has the chance to ensure the future of these very successful programs, and I hope they provide a sense of hope and a future of possibilities for the poor in developing countries. I thank my fellow cosponsors for their support for this legislation and look forward to working with them to gain congressional approval.

Mr. President, I ask unanimous consent that the text of the Micro-Enterprise for Self-Reliance Act be printed in the RECORD.

S. 1463

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "MicroEnterprise for Self-Reliance Act of 1999".

SEC. 2. FINDINGS AND DECLARATIONS OF POLICY.

The Congress makes the following findings and declarations:

(1) According to the World Bank, more than 1,200,000,000 people in the developing world, or one-fifth of the world's population, subsist on less than $1 a day.

(2) Over 32,000 of their children die each day from largely preventable malnutrition and disease.

(3)(A) Women in poverty generally have larger work loads and less access to educational and economic opportunities than their male counterparts.

(B) Directly aiding the poorest of the poor, especially women, in the developing world has a positive effect not only on family incomes, but also on child nutrition, health
The poor in the developing world, particularly women, generally lack stable financial services to manage their enterprises, and to increase their income and build their assets; and

(11) Providing the United States share of the global investment needed to achieve the goal of the microcredit summit will require an increase in investment for international microcredit programs, with an increased focus on institutions serving the poorest.

(12) Providing the United States share of the global investment needed to achieve the goal of the microcredit summit will require an increase in investment for international microcredit programs, with an increased focus on institutions serving the poorest.

(13) In order to reach tens of millions of the poorest with microcredit, it is crucial to expand and replicate successful microcredit institutions.

(14) Nongovernmental organizations have demonstrated competence in developing networks of local microfinance institutions and other mechanisms so that they reach large numbers of the very poor, and achieve financial sustainability.

(15) Recognizing that the United States Agency for International Development has developed very effective partnerships with nongovernmental organizations, and that the Agency will have fewer missions to carry out its work, the Agency should place priority on investing in those nongovernmental network institutions that meet performance criteria through the central funding mechanisms of the microcredit summit.

(16) By expanding and replicating successful microcredit institutions, it should be possible to create a universal financial infrastructure to provide financial services to the world's poorest families.

(17) The United States can provide leadership in the development of microfinance in developing countries.

(18) Through increased support for microenterprise, especially credit for the poorest, the United States can continue to play a leadership role in the global effort to expand financial services and opportunity to 100,000,000 of the poorest families on the planet.

SEC. 3. PURPOSES.

The purposes of this Act are—

(1) to make microenterprise development an important element of United States foreign economic policy;

(2) to provide for the continuation and expansion of the commitment of the United States Agency for International Development to coordinate microfinance policy, in consultation with the Department of the Treasury and the Department of State, and to provide global leadership in promoting microenterprise credit to the poorest among bilateral and multilateral donors.

SEC. 4. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.

Chapter 1 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) is amended—

(1) by redesigning the second section 129 (as added by section 4 of the Torture Victims Relief Act of 1998 (Public Law 105-320) as section 120) (18) through 130; and

(2) by adding at the end the following new section:

"SEC. 131. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.

"(a) FINDINGS AND POLICY.—The Congress finds and declares that—

(1) the development of microenterprise is a vital factor in the stable growth of developing countries and in the development of free, open, and equitable international economic systems;

(2) it is therefore in the best interest of the United States to assist the development of microenterprises in developing countries; and

(3) the support of microenterprise can be served by programs providing credit, savings, training, and technical assistance.

"(b) AUTHORIZATION.—(1) In carrying out this part, the President is authorized to provide grants for programs to increase the availability of credit and other services to microenterprises lacking full access to capital and training through—

"(A) grants to microfinance institutions for the purpose of expanding the availability of credit and other services to microenterprises lacking full access to capital and training through—

"(B) training, technical assistance, and other support for microenterprises to enable them to make better use of credit, to better manage their enterprises, and to increase their income and build their assets;

"(C) capacity building for microfinance institutions in order to enable them to better meet the credit and training needs of microentrepreneurs;

"(D) policy and regulatory programs at the country level that improve the environment for microfinance institutions that serve the poor and very poor.

"(2) Assistance authorized under paragraph (1) may be provided to organizations that have a capacity to develop and implement microenterprise programs, including programs—

"(A) that are designed to meet the credit and training needs of microentrepreneurs;

"(B) in the efforts of the United States to lead the development of a new global economic architecture, microenterprise should play a role; and

"(C) other local, national, and international organizations, institutions, and programs designed to create a more inclusive financial sector which serves the broad majority of the world's population including the very poor and women and thus generate more social and economic development.

"(3) the development of microfinance policy, in consultation with the Department of the Treasury and the Department of State, and to provide global leadership in promoting microenterprise credit in developing countries; and

(5) to encourage the United States Agency for International Development to coordinate microfinance policy, in consultation with the Department of the Treasury and the Department of State, and to provide global leadership in promoting microenterprise credit to the poorest among bilateral and multilateral donors.

"(B) By expanding and replicating successful microcredit institutions, it should be possible to create a universal financial infrastructure to provide financial services to the world's poorest families.

"(C) through 130; and

"(D) the United States must be prepared to support the development of microfinance institutions as outlined in its 1994 Microenterprise Initiative;
services to the poorest with loans of $300 or less in 1995 United States dollars and can cover their costs of credit programs with revenue from lending activities or that demonstrate forward capacity to do so in a reasonable time period.

"(4) The President should continue support for central mechanisms and missions that—

(A) provide technical support for field missions;

(B) strengthen the institutional development of the intermediary organizations described in paragraphs for reaching the poorest of the poor, including poor women; and

(C) share information relating to the provision of assistance authorized under paragraphs (1) through (3)."

(2) it is, therefore, in the best interests of the United States to assist the development of the enterprises of the poor in developing countries and to engage the United States private sector in furthering these objectives.

(b) PROGRAM.—To carry out the policy set forth in subsection (a), the President is authorized to provide assistance to increase the availability of credit to micro- and small enterprises lacking full access to credit, including through—

(1) loans and guarantees to credit institutions providing the availability of credit to micro- and small enterprises;

(2) training programs for lenders in order to enable them to better meet the credit needs of microentrepreneurs; and

(3) training programs for microentrepreneurs in order to enable them to make better use of credit and to better manage their enterprises.

(c) ELIGIBILITY CRITERIA.—The Administrator of the United States Agency for International Development shall establish criteria for determining which entities described in subsection (b) are eligible to carry out activities, with respect to micro- and small enterprises, under this section. Such criteria may include the following:

(1) The extent to which the recipients of credit from the entity do not have access to the local formal financial sector.

(2) The extent to which the recipients of credit from the entity are among the poorest people in the country.

(3) The extent to which the entity is oriented toward working directly with poor women.

(4) The extent to which the entity recovers its cost of lending to the poor.

(5) The extent to which the entity implements a plan to become financially sustainable.

(d) ADDITIONAL REQUIREMENT.—Assistance provided under this section may only be used to support micro- and small enterprise programs and may not be used to support programs not directly related to the purposes described in this section. Such criteria may include the following:

(1) The extent to which the recipients of credit from the entity are among the poorest people in the country.

(2) The extent to which the entity is oriented toward working directly with poor women.

(3) The extent to which the entity recovers its cost of lending to the poor.

(4) The extent to which the entity implements a plan to become financially sustainable.

(e) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—(A) There are authorized to be appropriated $152,000,000 for fiscal year 2000 and $167,000,000 for fiscal year 2001 to carry out this section.

(B) Amounts appropriated pursuant to subparagraph (A) shall be available until expended.

(2) RULE OF CONSTRUCTION.—Amounts authorized to be appropriated under this section are in addition to amounts otherwise available for the same programs.

SEC. 5. MICRO- AND SMALL ENTERPRISE DEVELOPMENT CREDITS.

Section 108 of the Foreign Assistance Act of 1961 (22 U.S.C. 2153) is amended to read as follows:

"SEC. 108. MICRO- AND SMALL ENTERPRISE DEVELOPMENT CREDITS."

(a) FINDINGS AND POLICY.—The Congress finds and declares that—

(1) the development of micro- and small enterprises is a vital factor in the stable growth of developing countries and in the development and stability of a free, open, and equitable international economic system; and
committees' means the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate."

(2) United States-supported microfinance institution.—The term 'United States-supported microfinance institution' means a financial intermediary that has received funds made available under the Act for fiscal year 1980 or any subsequent fiscal year."

SEC. 7. REPORT RELATING TO FUTURE DEVELOPMENT OF MICROFINANCE INSTITUTIONS.

(a) REPORT.—Not later than 180 days after the date of enactment of this Act, the President, in consultation with the Administrator of the United States Agency for International Development, the Secretary of State, and the Secretary of the Treasury, shall prepare and transmit to the appropriate congressional committees a report on the most cost-effective methods for increasing the access of poor people to credit, other financial services, and related training.

(b) CONTENTS.—The report described in subsection (a) shall include:

(1) how the President, in consultation with the Administrator of the United States Agency for International Development, the Secretary of State, and the Secretary of the Treasury, will join to develop a comprehensive strategy for advancing the global microenterprise sector in a way that maintains market principles while assuring that the very poor, particularly women, obtain access to financial services; and

(2) shall provide guidelines and recommendations for—

(A) instruments to assist microenterprise networks to develop multi-country and regional microlending programs;

(B) technical assistance to foreign governments, foreign central banks and regulatory entities to improve the policy environment for microfinance institutions, and to strengthen the capacity of supervisory bodies to supervise microcredit institutions;

(C) the potential for federal chartering of United States-based international microfinance network institutions, including proposed legislation;

(D) instruments to increase investor confidence in microcredit institutions which would allow the long-term financial position of the microcredit institutions and attract capital from private sector entities and individuals, such as a rating system for microcredit institutions and local credit bureaus;

(E) an agenda for integrating microfinance into United States foreign policy initiatives seeking to develop and strengthen the global finance sector; and

(F) innovative instruments to attract funds from the capital markets, such as instruments leveraging funds from the local commercial banking sector, and the securitization of microloan portfolios.

(c) APPROPRIATE CONGRESSIONAL COMMITTEES DEFINED.—In this section, the term 'appropriate congressional committees' means the Committee on International Relations of the Senate and the Committee on Foreign Relations of the Senate.

SEC. 8. UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT AS GLOBAL LEADER AND COORDINATOR OF BILATERAL AND MULTILATERAL MICROENTERPRISE ASSISTANCE ACTIVITIES.

(a) FINDINGS AND POLICY.—The Congress finds and declares that—

(1) the United States can provide leadership to other bilateral and multilateral development agencies as such agencies expand their support to the microenterprise sector; and

(2) the United States should seek to improve coordination among G-7 countries in the support of the microenterprise sector in order to leverage the investment of the United States with that of other donor nations.

(b) SENSE OF THE CONGRESS.—It is the sense of the Congress that—

(1) the Administrator of the United States Agency for International Development and the Secretary of State should seek to support and strengthen the effectiveness of microfinance activities in United Nations agencies, such as the International Fund for Agricultural Development (IFAD) and the United Nations Development Program (UNDP), which have provided key leadership in developing the microenterprise sector; and

(2) the Secretary of the Treasury should instruct each United States Executive Director of the Multilateral Development Banks (MDBs) to advocate the development of a coherent and coordinated strategy to support the microenterprise sector and an increase of multilateral resource flows for the purposes of building microenterprise retail and wholesale intermediaries.

By Mr. HAGEL (for himself, Mrs. LINCOLN, Mr. ROBERTS, Ms. LANDRIEU, Mr. HUTCHINSON, Mr. COCHRAN, Mr. GRAMS, Mr. ABRAHAM, Mr. SMITH of Oregon, Mr. HOLLINGS, Mr. CRAIG, Mr. GORTON, Mr. GRASSLEY, Mr. CRapo, Mr. BURNS, Mr. FRIST, Mr. BREAUx, Mr. ASHCROFT, Mr. GOERDELL, Mr. HELMS, and Mr. LOTT):

S. 1464. A bill to amend the Federal Food, Drug, and Cosmetic Act to establish certain requirements regarding the Food Quality Protection Act of 1996, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry."

REGULATORY OPENNESS AND FAIRNESS ACT OF 1999

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Regulatory Openness and Fairness Act of 1999."

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

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

SEC. 2. FINDINGS.

(a) FINDINGS AND POLICY.—The Congress finds the following:

(1) The Food Quality Protection Act of 1996 amended the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.) by adding several provisions that provide flexibility to the Administrator in making the transition to the new approach to regulating pesticide chemical residues.

(2) The Food Quality Protection Act of 1996 deletes several provisions that require the Administrator of the Environmental Protection Agency to consider new kinds of information and use additional criteria for regulating pesticide chemical residues and in reviewing tolerances for pesticide chemical residues that had previously been found to be adequate to protect the public health.

(b) Since the enactment of the Food Quality Protection Act of 1996, it has become clear that several of the new concepts embodied in that Act involve a high degree of complexity.

(c) Practical implementation of the concepts demands new scientific tools in addition to the tools that were available when the Food Quality Protection Act of 1996 was enacted.

(d) To reach sound, suitably protective decisions on tolerance reviews under the new criteria, the Administrator also will need a great deal of new data, not only on the newly considered nondietary routes of exposure, but in some cases on dietary exposure and toxicity, so that the Administrator can determine whether pesticide chemicals residues that were found safe under the former criteria satisfy the new criteria as well.

(e) Some data collection efforts are underway to obtain new data for tolerance reviews, but will not yield results for 1 or more years.

(f) In some areas, the need for new data depends on decisions not yet made by the Administrator about what kinds of tests should be conducted and what kinds of compounds should be tested, for tolerance reviews.

(g) The Administrator has instituted public proceedings, relating to the regulation of pesticide chemical residues as what new interpretations and policies are needed, what new kinds of data are needed, how the new data would be used, and how the needed regulatory transition can be achieved.

(h) These proceedings are not yet finished, and on some issues public notice and comment proceedings have been scheduled but have not yet begun.

(i) The Food Quality Protection Act of 1996 amended the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.) by adding several provisions that provide flexibility to the Administrator in making the transition to the new approach to regulating pesticide chemical residues.

(j) The Federal Food, Drug, and Cosmetic Act allows a continuing process of refinement and improvement in tolerance decisionmaking, as additional information is collected and as new policies and methods are developed and adopted for the practical implementation of the new requirements in that Act.

(k) The Federal Food, Drug, and Cosmetic Act provides that the data requirements for tolerances must be set out clearly in regulations and the regulated community will know what types of information the Administrator requires and what

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testing procedures should be used to develop the information.

(D) Amendments made by the Food Quality Protection Act of 1996 relating to risk assessments are allowed to make use of reliable information regarding non-dietary exposure routes, which were not previously considered in risk assessments affecting tolerance reviews.

(E) Congress did not anticipate that a tolerance would be revoked because of reliance by the Administrator on estimates or assumptions made in the absence of that information, without first providing notice of what information is needed and a reasonable time in which to collect the information.

(F) When a tolerance is under review and the Administrator determines that additional information is needed to support the continuation of the analysis, the Federal Food, Drug, and Cosmetic Act authorizes the Administrator to postpone the effective date of any tolerance rule resulting from the review, and this authority can be utilized as appropriate in cases in which additional information is pertinent to a tolerance review.

(G) The Federal Food, Drug, and Cosmetic Act permits the Administrator to conduct a transition in stages, as allowed by the available, reliable information.

(A) Although the authorities described in subparagraphs (C) and (D) of paragraph (5) already are provided by law, it appears that further congressional guidance is needed to ensure that the Administrator relating to tolerance reviews is reasonable, well-supported, and balanced, and to avoid disruptions in agriculture, other sectors of the economy, and international trade.

(B) During the transition to revised standards, procedures, and requirements for the regulation of pesticide chemical residues, the Administrator must ensure that decisions are balanced, reasonable, and understandable, and are based on and supported by sound information, in order to avoid unnecessary disruptions in agriculture, the economy, and international trade, and to maintain the public trust in the food supply.

(C) Unless the Administrator implements section 408 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 346a) carefully and wisely, decisions made under that section could lack a firm basis for:

(A) the safe and affordable food supply of the United States;

(B) the agricultural system of the United States (including food, fiber, nursery, and forest products, food storage, and transportation);

(C) related industries; and

(D) other private and public sector activities, such as:

(i) public health protection against bacteria and other microorganisms;

(ii) control of insects and diseases; and

(iii) residential and business pest control.

TITLE I—ISSUANCE AND CONTINUATION OF TOLERANCES

SEC. 101. TRANSITION ANALYSIS AND DESCRIPTION OF BASIS FOR DECISION RELATING TO TOLERANCE REVIEWS.

Section 408 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 346a) is amended by adding at the end the following:

"(t) Transition Analysis and Description of Basis for Decisions Relating to Tolerance Reviews.

Section 408 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 346a) is amended by adding at the end the following:

"(t) Transition Analysis and Description of Basis for Decisions Relating to Tolerance Reviews.

(1) Application of Requirements to Certain Documents.

(2) In general.—Except as provided in subparagraph (B), this subsection applies to any proposed or final rule, order, notice, report, guidance document, or risk assessment (referred to in this subsection as a ‘document’).

(i) on, or results from, any review (including a reassessment) by the Administrator of a tolerance or of the uses of a pesticide chemical for which a tolerance is in effect;

(ii) issued or disclosed as described in paragraphs (f) and (g) of section 408 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 346a); or

(B) Exception.—This subsection does not apply to any document in which the Administrator determines or recommends that no revocation of tolerance, or other adverse action regarding a tolerance, is required.

(2) Period of Applicability.—This subsection applies to a document that the Administrator issues or otherwise discloses to any member of the public during the period beginning on the date of completion of the process of reviewing tolerances under subsection (q).

(3) Transition Analysis Report.—

(A) Transition Analysis.—Before issuing any document to which this subsection applies, the Administrator shall conduct a transition analysis of the findings and regulatory steps recommended by or set forth in the document.

(B) Report.—The Administrator shall prepare a report, to be issued with the document, that:

(i) describes the results of the analysis;

(ii) describes the extent to which the conclusions in the document are tentative, preliminary, or subject to modification because of policy reevaluation, correction of data deficiencies, or use of new data to re-evaluate assumptions; and

(iii) contains the information described in subparagraphs (C) and (D).

(C) Contents of Report Relating to Basis for Findings and Regulatory Steps.

A transition analysis report prepared under this paragraph shall contain information—

(i) summarizing and responding briefly to comments received by the Administrator from any other person regarding the applicability of any provision of subparagraph (C) to the document analyzed under this subsection;

(ii) describing briefly the availability and suitability of pesticidal and non pesticidal alternatives to the current chemical uses being reviewed, including a description of—

(aa) a significant regional shift of production of food within the United States;

(bb) an increase in imports of corresponding commodities;

(cc) an increase in pest control costs;

(dd) an increase in yield loss, including quality degradation, due to the lack of an effective alternative; or

(ee) a disruption of domestic production of an adequate, wholesome, and economical food supply;

(iii) identifying the data that, if available, would make unnecessary any reliance on any information, assumption, or calculation that is described in clause (ii), (iii), (iv), or (v) of subparagraph (C) and identified in the report;

(iv) describing the extent to which any finding or regulatory step recommended by or set forth in the document is based in whole or in part on any assumption regarding the method for determining the aggregate exposure to a pesticide chemical or the cumulative effect of exposure to 2 or more pesticide chemicals that is being evaluated, if the use of the assumption was based in whole or in part on the absence of data that could be obtained by the Administrator by an action taken in accordance with subsection (f), unless the data that would eliminate the need for the use of the assumption have been determined not to be available, or information, assumption, or calculation that is described in clause (ii), (iii), (iv), or (v) of subparagraph (C) and identified in the report.

(H) Content of Report.—The Administrator shall, if the information is anecdotal, unverified, or scientifically implausible, or comes from a study whose design and conduct has not been found by the Administrator to be scientifically sound with regard to design, conduct, reporting, and data availability, identify the information in the report as anecdotal, unverified, or scientifically implausible, or identify the study whose design and conduct has not been found by the Administrator to be scientifically sound with regard to design, conduct, reporting, and data availability.

(I) Transition Analysis Report Prepared Under This Paragraph Shall Contain Information—

(aa) summarizing and responding briefly to comments received by the Administrator in accordance with subsection (f); and

(bb) describing the availability and suitability of pesticidal and non pesticidal alternatives to the current chemical uses being reviewed, including a description of—

(aa) a significant regional shift of production of food within the United States;

(bb) an increase in imports of corresponding commodities;

(cc) an increase in pest control costs;

(dd) an increase in yield loss, including quality degradation, due to the lack of an effective alternative; or

(ee) a disruption of domestic production of an adequate, wholesome, and economical food supply;

(iii) identifying the data that, if available, would make unnecessary any reliance on any information, assumption, or calculation that is described in clause (ii), (iii), (iv), or (v) of subparagraph (C) and identified in the report;
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SEC. 102. INTERIM PROCEDURES FOR REVIEWS OF TOLERANCES.

Section 408 of the Federal Food, Drug, and Cosmetic Act, as amended by section 101, is further amended by adding at the end the following:

“(u) INTERIM PROCEDURES FOR REVIEWS OF TOLERANCES.—

“(1) APPLICATION OF REQUIREMENTS TO CERTAIN ACTIONS.—This subsection applies to—

“(A) any review (including a reassessment) by the Administrator of a tolerance, whether initiated by the Administrator or by petition by another person; and

“(B) any review (including a reassessment) by the Administrator of any registration of a pesticide under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.) that is associated with or results from such a tolerance review; that the Administrator issues during the period described in paragraph (2).

“(2) PERIOD OF APPLICABILITY.—The period referred to in paragraph (1) is the period beginning on January 1, 1999, and ending on the date of completion of the process of reviewing tolerances under subsection (q).

“(3) LIMITATION.—Notwithstanding any other provision of law—

“(A) in any tolerance review (including a reassessment) to which this subsection applies, the Administrator may not base the revocation or denial of, or other adverse action regarding, a tolerance on any information, calculation, or assumption described in subparagraph (A) or (B); and

“(B) by striking the period at the end and inserting `, after providing notice and an opportunity for comment under section 3(c)(2)(A) of the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136a(c)(2)(A));`

“(c) TOLERANCES FOR EMERGENCY USES.—

“(1) ENSURING SPEEDY AGENCY ACTION.—Section 408(e) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(e)) is amended by adding after the end the following:

“(2) IMPLEMENTATION RULES AND GUIDANCE.

“SEC. 103. IMPLEMENTATION RULES AND GUIDANCE.

Section 408(e) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(e)) is amended by adding after the end the following:

“(d) IMPLEMENTATION RULES AND GUIDANCE.—In establishing general procedures and requirements to implement this section in accordance with paragraph (1)(C), the Administrator shall issue rules and guidance, including guidance regarding the provisions of this Act regarding aggregate exposure to pesticide chemicals and cumulative effects of exposure to 2 or more pesticide chemicals having a common mechanism of toxicity. The Administrator shall include in such rules and guidance general procedures and requirements to implement the provisions of this subsection that were added by amendments made by the Regulatory Openness and Fairness Act of 1999.

“(2) ISSUANCE.—The Administrator shall issue—

“(i) proposed rules and guidance described in subparagraph (A) not later than 180 days after the date of enactment of the Regulatory Openness and Fairness Act of 1999;

“(ii) final rules and guidance described in subparagraph (A) not later than 1 year after the date of enactment of the Regulatory Openness and Fairness Act of 1999; and

“(iii) such revisions to the rules and guidance as the Administrator determines to be necessary and appropriate.

“SEC. 104. DATA IN SUPPORT OF TOLERANCES AND REGISTRATIONS.

“(a) FEDERAL INSECTICIDE, FUNGICIDE, AND COSMETIC ACT.—Section 408(f) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(f)) is amended by adding after the end the following:

“(1) IN GENERAL.—The Administrator shall revise the guidelines from time to time. The guidelines shall specify the conditions under which data requirements will apply to particular types of pesticide chemical residues.

“(B) PROCEDURES.—In issuing the guidelines described in subparagraph (A), the Administrator shall provide notice and an opportunity for comment on the guidelines.

“(ii) for which—

“(I) there is no registered effective and economic alternative (as of the date of submission of the application); or

“(II) the number of the alternatives is insufficient to avoid problems such as pest resistance.

“(c) COORDINATION.—Section 408(d)(4)(B) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(d)(4)(B)) is amended—

“(1) by striking `tolerance or exemption for’ and inserting `tolerance or exemption for’; and

“(2) by adding at the end the following:

“(3) that is needed in connection with an application under section 3(c)(3)(E) of the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136a(c)(3)(E)) for approval of an effective and economic alternative.

“SEC. 105. TOLERANCES FOR EMERGENCY USES.—Section 408(g)(6) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(g)(6)) is amended by adding the end the following:

“(c) SAFETY STANDARD.—

“(C) ISSUANCE.—In the fifth sentence, by striking the period and inserting ”, except as described in subparagraph (D),” and

“(D) EMERGENCY EXEMPTIONS.—The Administrator may establish a tolerance for a pesticide chemical, or an exemption from the requirement of such a tolerance, without regard to other tolerances for a pesticide chemical residue and before reviewing those other tolerances, if the Administrator determines that the incremental exposure that may result from the tolerance associated with the emergency exemption will not pose any significant risk to human or animal consumers.

“TITLE II—STUDIES AND REPORTS

SEC. 201. DEFINITIONS.

In this title:

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

“(B) PESTICIDE CHEMICAL; PESTICIDE CHEMICAL RESIDUE.—The terms ‘pesticide chemical’ and ‘pesticide chemical residue’ have the meanings given the terms in section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321).

“(C) SECRETARY.—The term ‘Secretary’ means the Secretary of Agriculture.

“(D) TOLERANCE.—The term ‘tolerance’ means a tolerance for a pesticide chemical, or an exemption from the requirement of such a tolerance, established under section 408 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348).

“SEC. 202. PRIORITIES AND RESOURCES.

“(a) ENVIRONMENTAL PROTECTION AGENCY PROPOSAL.—The Administrator shall prepare a proposal for revising the priorities of and resources available to the Administrator that will allow the Administrator to—

“(1) to perform promptly all—

“(A) applications for registration of pesticide chemicals under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.);


“(c) TOLERANCES FOR EMERGENCY USES.—

“(2) requests for experimental use permits, for approval of new ingredients and, for emergency exemptions, relating to pesticide chemicals under an Act described in subparagraph (A) or (B); and

“(D) requests for decisions on the merits of the applications, petitions, and requests described in subparagraphs (A) through (C); and

“(2) to perform tolerance reviews (including reassessments) and other duties relating to pesticide chemicals, as required by the Federal Food, Drug, and Cosmetic Act or the Federal Insecticide, Fungicide, and Rodenticide Act.

“(b) DEPARTMENT OF AGRICULTURE PROPOSAL.—The Secretary shall prepare a proposal revising the priorities of and resources available to the Secretary that will allow the Secretary—
The Second Treaty of
John Locke said,
"[I]f any one shall claim a power to lay
and collect Taxes on the People of any
province, district, or county, without the
consent of the people, he thereby * * *
subverts the end of gov-
ernment.
"
or their representatives chosen by them." The Boston Tea Party celebrated Americans' opposition to taxation without representation. And the Declaration of Independence listed, among the despotic acts of King George III, imposing Taxes on us without our Consent." First among the powers that the Constitution gave to the Congress, our new government's representative branch, was the power to levy taxes. The logic of allowing only Congress to establish federal taxes is clear: Congress considers and weighs the economic and social issues that rise to national importance. While any agency or government office may view its own priorities as paramount, only Congress can decide which of the people's goals of the people merit spending hard-earned taxpayer dollars. Only Congress can determine how many taxpayer dollars should be spent. Congress' decisions are made through an open political process that the public can see and participate in. And if the public is unhappy with a tax, they can hold Congress and the President responsible on election day.

The accountability of lawmakers is a core feature of our representative democracy. For most of our history, Congress has delegated more and more of its legislative authority to unaccountable federal agencies. The Taxpayer's Defense Act would help restore constitutional balance and authority by requiring congressional approval for a rule that sets or raises a tax before the rule could take effect. Unelected officials could not directly establish or raise a tax, but would still have a chance to advance their proposals through an open political process in Congress.

Few would publicly dispute the American principle of no taxation without representation. But increasingly, in ways often subtle or hidden, federal agencies are taking on—or receiving—powers that have the economic effect of taxation. Federal agencies tax pass the costs of government programs on to American consumers in the form of higher prices. These secret taxes are often regressive—hitting many who struggle to get by. They also put a drag on the economy. These taxes take money from everyone, and they are imposed without accountability.

One big example of agency taxation is the Federal Communications Commission's (FCC) telecommunications tax. The Telecommunications Act of 1996 included provisions that allowed the FCC to establish a "universal service" fund, which is intended to help ensure that all of Americans have access to affordable telecommunications services. This provision was intended to ensure that telecommunications services are available to all areas of the country and to institutions that benefit the community, such as schools, libraries, and rural health care facilities.

Most importantly, the Act gave the FCC the power to decide the level of "contributions"—taxes—that telecommunications providers would have to pay to support universal service. The FCC must determine how much can be collected in taxes to subsidize a variety of "universal service" spending programs, such as those for low-income and high-cost telephone services. These taxes are passed on to consumers, who pay them in the form of higher telephone bills. The FCC recently nearly doubled the tax to $2.5 billion per year, and Administration's budget has projected an annual $1.4 billion in revenue from the tax. One such revenue estimate is already out of control.

The FCC's provisions for universal service have many flaws. These include the three "administrative" taxes on telecommunications providers, which pass the costs on to consumers in the form of higher telephone bills. The FCC recently nearly doubled the tax to $2.5 billion per year, and Administration's budget has projected an annual $1.4 billion in revenue from the tax. This agency tax is already out of control.

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If discharged, all points of order against the bill and against consideration of the bill are waived. 

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The motion is highly privileged. A motion to reconsider the vote by which the motion was agreed to shall not be in order. During consideration of the bill in the Committee of the Whole, the first reading of the bill shall be dispensed with. General debate shall be confined to the bill, and shall not exceed 1 hour equally divided and controlled by a proponent and an opponent of the bill. An opponent's statement shall be considered as read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill, the Committee shall rise and re- port the bill to the House without intervening motion. 

The previous question shall be considered as ordered on the bill to final passage without intervening motion. A motion to reconsider the vote on passage of the bill shall not be in order.

(C) Appeals from decisions of the Chair regarding application of the rules of the House of Representatives to the procedure relating to a bill shall be decided without debate.

A motion to reconsider the vote by which the motion to proceed was adopted or rejected, although subsequent motions to proceed may be made under this paragraph.

(D) After no more than 10 hours of consideration of a bill in the Senate, the Senate shall be placed on the calendar. If the Senate fails to report the bill within that period, the Committee shall rise and report the bill without amendment not later than the 30th day of session following the date of introduction of that bill. If any committee fails to report the bill within that period, that committee shall decide further consideration of the bill and the bill shall be placed on the calendar.

When the Senate receives from the House of Representatives a bill not at a time designated by the Majority Leader.

If a single motion to extend the time for consideration under clause (i) for no more than an additional order before the expiration of such time and shall be decided without debate.

The time for debate on the dis- approval bill shall be equally divided between the Majority Leader and the Minority Leader or their designees.

A motion to recommit a bill shall not be in order.

If the Senate has read for the third time a bill that originated in the Senate, or order at any time thereafter to the consideration of a bill for the same special message received from the Committee of Representatives and placed on the calendar under subparagraph (B), strike all after the enacting clause, substitute the text of the Senate bill, agree to the Senate amendment, and vote on final disposition of the Senate bill, all without any intervening action or debate.

Consideration in the Senate of all motions, amendments, or appeals necessary to dispose of a bill from the House of Representatives on a bill shall be limited to not more than 4 hours. Debate on each motion or amendment shall be limited to 30 minutes. Debates on points of order that are submitted in connection with the disposition of the House message shall be limited to 20 minutes. Any time for debate shall be equally divided and controlled by the proponent and the majority manager, unless the majority manager is a proponent of the motion, amendment, or appeal, or point of order, in which case the minority manager shall be in control of the time in opposition.

SEC. 3. TECHNICAL AMENDMENTS.

(a) Subchapter II of chapter 8 of title 5, United States Code, is amended by inserting before section 801 the following:

``SUBCHAPTER II—MANDATORY REVIEW OF CERTAIN RULES''

(b) Table of Sections.—The table of sections for chapter 8 of title 5, United States Code, is amended by inserting before the reference to section 801 the following:

``(b) TABLE OF SECTIONS.—The table of sections for chapter 8 of title 5, United States Code, is amended by inserting before the reference to section 801 the following:

ADDITIONAL COPONSORS

At the request of Mr. McCain, the name of the Senator from South Dakota (Mr. DASCHLE) was added as a cosponsor of S. 311, a bill to authorize the Disabled Veterans' LIFE Memorial Foundation to establish a memorial in the District of Columbia or its environs, and for other purposes.

At the request of Mr. Durbin, the name of the Senator from Indiana (Mr. BAYH) was added as a cosponsor of S. 429, a bill to designate the legal public holiday of "Washington's Birthday" as "Presidents' Day"; to establish the National Lincoln and Franklin Roosevelt and in recognition of the importance of the institution of the Presidency and the contributions that Presidents have made to the development of our Nation and the principles of freedom and democracy.

At the request of Mr. Breaux, the name of the Senator from Nevada (Mr. REID) was added as a cosponsor of S. 469, a bill to encourage the timely development of a more cost effective United States commercial space transportation industry, and for other purposes.

At the request of Mr. MACK, the name of the Senator from Illinois (Mr. FITZGERALD) was added as a cosponsor of S. 635, a bill to amend the Internal Revenue Code of 1986 to more accurately codify the depreciable life of printed wiring board and printed wiring assembly equipment.

At the request of Mr. Campbell, the name of the Senator from South Carolina (Mr. THURMOND) was added as a cosponsor of S. 727, a bill to exempt...
qualified current and former law enforcement officers from State laws prohibiting the carrying of concealed firearms and to allow States to enter into compacts to recognize other States’ concealed weapons permits.

At the request of Mr. Leahy, the name of the Senator from Iowa (Mr. Harkin) was added as a cosponsor of S. 751, a bill to combat nursing home fraud and abuse, increase protections for victims of telemarketing fraud, enhance safeguards for pension plans and health care benefit programs, and enhance penalties for crimes against seniors, and for other purposes.

At the request of Mr. Conrad, the name of the Senator from Maryland (Ms. Mikulski) was added as a cosponsor of S. 770, a bill to provide reimbursement under the medicare program for telehealth services, and for other purposes.

At the request of Mr. Rockefeller, the name of the Senator from Connecticut (Mr. Lieberman) was added as a cosponsor of S. 784, a bill to establish a demonstration project to study and provide coverage of routine patient care costs for medicare beneficiaries with cancer who are enrolled in an approved clinical trial program.

At the request of Mr. Cleland, the name of the Senator from South Carolina (Mr. Hollings) was added as cosponsors of S. 1172, a bill to provide a patent term restoration review procedure for certain drug products.

At the request of Mr. Dorgan, the names of the Senator from Idaho (Mr. Crapo), and the Senator from Indiana (Mr. Lugar) were added as cosponsors of S. 1187, a bill to require the Secretary of the Treasury to mint coins in commemoration of the bicentennial of the Lewis and Clark Expedition, and for other purposes.

At the request of Mr. Roth, the name of the Senator from California (Ms. Feinstein) was added as a cosponsor of S. 1197, a bill to prohibit the importation of products made with dog or cat fur, to prohibit the sale, manufacture, offer for sale, transportation, and distribution of products made with dog or cat fur in the United States, and for other purposes.

At the request of Mr. Bennett, the name of the Senator from Arizona (Mr. Kyl) was added as a cosponsor of S. 1211, a bill to amend the Colorado River Basin Security Act to authorize additional measures to carry out the control of salinity upstream of Imperial Dam in a cost-effective manner.

At the request of Mr. Akaka, the name of the Senator from Hawaii (Ms. Hirono) was added as a cosponsor of S. 1334, a bill to amend chapter 63 of title 5, United States Code, to increase the amount of leave time available to a Federal employee in any year in connection with serving as an organ donor, and for other purposes.

At the request of Mr. Macker, the names of the Senator from North Carolina (Mr. Helms), the Senator from Tennessee (Mr. Frist), and the Senator from California (Ms. Feinstein) were added as cosponsors of S. 1414, a bill to amend title XVIII of the Social Security Act to restore access to home health services covered under the medicare program, and to protect the medicare program from financial loss while preserving the due process rights of home health agencies.

At the request of Mr. Kohl, his name was added as a cosponsor of S. 1430, a bill to amend the Controlled Substances Act and the Export Act relating to the manufacture, traffic, import, and export of amphetamine and methamphetamine, and for other purposes.

At the request of Mr. Campbell, the name of the Senator from Maine (Ms. Snowe) was added as a cosponsor of S. 1438, a bill to Enforcement Museum on Federal land in the District of Columbia.

At the request of Mr. Harkin, the name of the Senator from Massachusetts (Mr. Kennedy) was added as a cosponsor of S. 1443, a bill to amend section 10102 of the Elementary and Secondary Education Act of 1965 regarding elementary school and secondary school counseling.

At the request of Ms. Snowe, the names of the Senator from New Jersey (Mr. Lautenberg) and the Senator from Wisconsin (Mr. Feingold) were added as cosponsors of Senate Concurrent Resolution 9, a concurrent resolution calling for a United States effort to end restrictions on freedoms and human rights of the enclaved people in the occupied area of Cyprus.

At the request of Mr. Jeffords, the names of the Senator from Georgia (Mr. Cleland) and the Senator from North Dakota (Mr. Hoeven) were added as cosponsors of Senate Concurrent Resolution 28, a concurrent resolution urging the Congress and the President to increase funding for the Pell Grant Program and existing Campus-Based Aid Programs.

At the request of Mr. Thurmond, the name of the Senator from Wisconsin (Mr. Feingold) was added as a cosponsor of Senate Resolution 95, a resolution designating August 16, 1999, as “National Airborne Day”.

At the request of Mr. Reid, the names of the Senator from Georgia (Mr. Coverdell), and the Senator from New Jersey (Mr. Lautenberg) were added as cosponsors of Senate Resolution 95, a resolution designating November 20, 1999, as “National Survivors for Prevention of Suicide Day.”

At the request of Mr. Hagel, his name was added as a cosponsor of amendment No. 1398 proposed to S. 1429, an original bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

At the request of Mr. Abraham, the names of the Senator from Washington (Mr. Gorton), the Senator from Maine (Ms. Collins), and the Senator from Ohio (Mr. Voinovich) were added as cosponsors of amendment No. 1398 proposed to S. 1429, supra.

TAXPAYERS REFUND ACT OF 1999  

STEVENS AMENDMENT NO. 1403  
(Ordered to lie on the table)  
Mr. STEVENS submitted an amendment intended to be proposed by him to the bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000; as follows:

At page 180, line 18 before the period insert the following new phrase: “and passengers
permitted to utilize otherwise empty seats on aircraft. At page 180, between lines 21 and 22 insert the following new subsec-

"(b) Subsection (j) of section 152 of the Internal Revenue Code of 1986 (relating to certain fringe benefits) is amended by adding at the end thereof the following new paragraph: "(8) In paragraph (1)(B) of section 152, subsection 152(a) is amended by inserting "subsection (c), (e), or (f)'' and inserting "subsection (c), (e), or (f)''.

"(c) Section 15 NOT TO APPLY.—No amend-
ment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986."

"(D) TABLE OF CONTENTS.—The table of con-

"(E) Subparagraphs (A)(i)(II) and (B)(i) of section 15(h)(I) are each amended by striking "28 percent" and inserting "25.2 percent".

"(F) Mr. ALLARD, and Mr. HAGEL) proposed

"(G) SEC. 101. 10-PERCENT REDUCTION IN INDI-

"(H) Mr. DELL, Mr. CRAIG, Mr. MCCONNELL, Mr.

"(I) Mr. GRAMM (for himself, Mr. LOTT, Ms. LANDRIEU submitted an amend-

"(J) Mr. LANDRIEU AMENDMENT NO. 1404

"(K) SEC. 401. INDEXING OF CAPITAL ASSETS FOR PUR-

"(L) SEC. 502. DEDUCTION FOR HEALTH INSURANCE

"(M) "(a) IN GENERAL.—Subpart B of part II of

"(N) TITLE I.—ACROSS-THE-BOARD TAX CUTS

"(O) SEC. 101. 10-PERCENT REDUCTION IN INDI-

"(P) "(a) REGULAR INCOME TAX RATES.—

"(Q) "(b) MINIMUM TAX RATES.—Subparagraph

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

"(S) TITLE II.—MARRIAGE TAX PENALTY ELIMINATION

"(T) (a) General Rule.—A husband and wife may make a combined return of income taxes under subtitle A and insert-

"(U) "(a) Short Title.—This Act may be cited as the "Taxpayer Refund Act of 1999'.

"(V) "(b) In general.—Subparagraph (B) of section 1(f)(2) is amended by inserting "except as provided in paragraph (1)(B)".

"(W) "(b) In general.—Subsection 152(a) is amended by inserting "subsection (c), (e), or (f)'' and inserting "subsection (c), (e), or (f)''.

"(X) Section 15 NOT TO APPLY.—No amend-
ment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986."

"(Y) TABLE OF CONTENTS.—The table of con-

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

"(AA) "(a) General Rule.—A husband and wife may make a combined return of income taxes under subtitle A and insert-

"(BB) "(a) General Rule.—A husband and wife may make a combined return of income taxes under subtitle A

"(CC) "(b) In general.—Subparagraph (B) of section 1(f)(2) is amended by inserting "except as provided in paragraph (1)(B)".
For taxable years beginning in: 2000, 2001, and 2002 2003, 2004, and thereafter The applicable percentage is: 25% 50% 75%  

(a) ALLOWANCE OF CREDIT.—In the case of a joint return for the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the marriage penalty reduction credit.  

(b) CREDIT DISALLOWED FOR INDIVIDUALS CLAIMING SECTION 991, ETC.—No credit shall be allowed under this section for any taxable year if either spouse claims the benefits of section 991, 93L, or 93c for such taxable year.  

(c) MARRIAGE PENALTY REDUCTION CREDIT.—For purposes of this section—  

(1) IN GENERAL.—The marriage penalty reduction credit is an amount equal to the product of—  

(A) the excess (if any) of—  

(i) the amount of tax determined for such taxable year before the application of this section, and  

(ii) the amount of tax determined for the taxable year before the application of this section prescribed under paragraph (1) shall reach $2,000,000, as in effect on the date of enactment of this section, and  

(b) C REROUS.ÐSection 32(j)(2)(A) (relating to percentages and amounts) is amended by striking subparagraph (B) of such section 1.''

SEC. 230. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.  

(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended—  

(1) by striking "AMOUNTS.—The earned" and inserting "AMOUNTS.—The earned"—  

(2) Subject to subparagraph (B), the earned", and—  

(3) by adding at the end the following new subparagraph:—  

(3) JOIN RETURNS.—In the case of a joint return for taxable years beginning after December 31, 2004, the phaseout amount determined under subparagraph (A) shall be increased by $2,000.  

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 33(j) (relating to inflation adjustments) is amended to read as follows:—  

(1) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, as determined—  

(ii) in the case of the amount in subparagraph (b)(1)(A) and (i)(1), by substituting "calendar year 1995" for "calendar year 1992" in subparagraph (b) thereof.  

(c) ROUNDING.—Section 33(j)(2)(A) (relating to rounding) is amended by striking "subsection (b)(2)" and inserting subsection (b)(2)(A), after being increased under subparagraph (B) thereof.  

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.  

TITLE III.—DEATH TAX REPEAL Subtitle A—Repeal of Estate, Gift, and Generation-Skipping Taxes; Repeal of Step Up In Basis At Death  

SEC. 301. REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.  

(a) IN GENERAL.—Subtitle B is hereby repealed.  

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2004.  

SEC. 302. TERMINATION OF STEP UP IN BASIS AT DEATH.  

(a) TERMINATION.—In the case of a decedent dying after December 31, 2004, this section shall not apply to property for which basis is provided by section 1022.  

(b) TERMINATION.—In the case of a decedent dying after December 31, 2004, this section shall not apply to property for which basis is provided by section 1022.  

(c) TERMINATION.—In the case of a decedent dying after December 31, 2004, this section shall not apply to property for which basis is provided by section 1022.
"(4) IN GENERAL.—For purposes of this subsection, the term 'includible property' means property which would be included in the gross estate of the decedent under any of the following provisions as in effect on the day before the date of the enactment of this section:

(1) the amount of the tax imposed by section 2001 (as in effect on the day before the date of the enactment of this section),
(2) (A) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2000,
(B) the aggregate amount of gifts for which credit was allowed by section 2503 (as in effect on the day before the date of the enactment of this section),
(3) the sum of—
(A) the amount of the exemption allowable under section 2521 for the calendar year,
(B) the aggregate amount of gifts for which credit was allowed by section 2503 (as in effect on the day before the date of the enactment of this section),
(4) for purposes of paragraph (2), the aggregate amount as a credit against gift tax is hereby repealed.

"(5) Subparagraph (a) of section 2013 is amended by striking the end of the paragraph and adding the following:
"The amounts set forth in subparagraph (C) are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exempt Amount</th>
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<tbody>
<tr>
<td>2003</td>
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<tr>
<td>2004</td>
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<td>$900,000</td>
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<td>(C)</td>
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<td>(E)</td>
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<td>Subsection (a)</td>
<td>Subsection (b)</td>
<td>Subsection (c)</td>
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"(6) The amounts set forth in subparagraph (B) are:

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<tr>
<th>Year</th>
<th>Exempt Amount</th>
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<td>2003</td>
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<td>2004</td>
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<td>2005</td>
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<td>2006</td>
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<td>Subsection (a)</td>
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"(7) The amounts set forth in subparagraph (A) are:

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<td>Subsection (a)</td>
<td>Subsection (b)</td>
<td>Subsection (c)</td>
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"(ii) that proportion of $175,000 which the value of that part of the decedent’s gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

"(C) Special rules.—

"(i) Coordination with treaties.—To the extent required under any treaty obligation of the United States, the exemption allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 252(g) (for the calendar year in which the decedent died) as the value of the part of the decedent’s gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from taxation by the United States under any treaty obligation of the United States.

"(ii) Coordination with gift tax exemption and unified credit.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2525 as in effect on the day before the date of the enactment of this paragraph) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (v) of subparagraph (iv) (whichever applies) shall be reduced by the exemption so allowed under section 2521 (or, in the case of such a credit, by the amount of the credit for which the credit was so allowed).

(10) Subsection (c) of section 2107 is amended—

(A) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(B) by striking the second sentence of paragraph (2) as so redesignated.

(11) Subsection (d) is amended by striking "the taxable estate" in the first sentence and inserting "the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate".

(12) Section 2207 is amended by striking "the taxable estate" in the first sentence and inserting "the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate".

(13) Subparagraph (B) of section 2207(b)(1) is amended to read as follows:

"(B) the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate."

(14) Subsection (a) of section 2505 is amended by striking "section 2522" and inserting "section 2521".

(15) Paragraph (1) of section 6018(a) is amended by striking "$600,000" and inserting "the amount under section 2522 for the calendar year which includes the date of death".

(16) Subparagraph (A) of section 6021(j)(2) is amended as follows:

"(A) the amount of the tax which would be imposed by chapter 11 on an amount of taxable estate equal to the excess of $1,000,000 over the exemption amount allowable under section 2520, or.

(17) The table of sections for part II of subchapter A of chapter 11 is amended by striking the section relating to section 2505.

(18) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(d) Effective date.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2000, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2000.

TITLe IV—CAPITAL FORMATION

SEC. 401. INDEXING OF CAPITAL ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

(a) In general.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1221 the following new section:

"SEc. 1222. INDEXING OF CAPITAL ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

"(b) General rule.—

"(1) Indexation substituted for adjusted basis.—Except as provided in paragraph (2), if an indexed asset which has been held for more than 1 year is sold or otherwise disposed of, for purposes of this title, the indexed basis of the asset shall be substituted for its adjusted basis.

"(2) Exception for depreciation, depletion, and amortization.—(A) the amount of the tax which would be imposed by chapter 11 on the sale of an asset which is an indexed asset, shall be determined without regard to the application of paragraph (1) to the taxpayer or any other person.

"(B) in the case of stock of a corporation, a substantial improvement to property.

"(B) In the case of a personal holding company (as defined in section 542), the deduction for depreciation, depletion, and amortization shall be determined with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (v) of subparagraph (iv) (whichever applies) shall be reduced by the exemption so allowed under section 2521 (or, in the case of such a credit, by the amount of the credit for which the credit was so allowed).

(10) Subsection (c) of section 2107 is amended—

(A) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(B) by striking the second sentence of paragraph (2) as so redesignated.

(11) Subsection (d) is amended by striking "the taxable estate" in the first sentence and inserting "the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate".

(12) Section 2207 is amended by striking "the taxable estate" in the first sentence and inserting "the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate".

(13) Subparagraph (B) of section 2207(b)(1) is amended to read as follows:

"(B) the sum of the taxable estate and the amount of the exemption allowed under section 2520 or 2108(a)(4) in computing the taxable estate."

(14) Subsection (a) of section 2505 is amended by striking "section 2522" and inserting "section 2521".

(15) Paragraph (1) of section 6018(a) is amended by striking "$600,000" and inserting "the amount under section 2522 for the calendar year which includes the date of death".

(16) Subparagraph (A) of section 6021(j)(2) is amended as follows:

"(A) the amount of the tax which would be imposed by chapter 11 on an amount of taxable estate equal to the excess of $1,000,000 over the exemption amount allowable under section 2520, or.

(17) The table of sections for part II of subchapter A of chapter 11 is amended by striking the section relating to section 2505.

(18) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(d) Effective date.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2000, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2000.
subsection (b) be 90 percent or more, such ratio for such month shall be zero.

``(C) RATIO OF 10 PERCENT OR LESS.—If the ratio for any calendar month determined under subparagraph (A) would be (for this subparagraph) be 10 percent or less, such ratio for such month shall be zero.

``(D) VALUATION OF ASSETS IN CASE OF REAL ESTATE INVESTMENT TRUST.—Nothing in this paragraph shall require a real estate investment trust to value its assets more frequently than once each 36 months (except where such trust ceases to exist). The ratio under subparagraph (A) for any calendar month for which there is no valuation shall be the trustee's good faith judgment as to such valuation.

``(E) QUALIFIED INVESTMENT ENTITY.—For purposes of this paragraph, the term 'qualified investment entity' means—

``(i) a real estate investment trust (within the meaning of section 856),

``(ii) a life insurance company (as defined in section 805(b)(1)), and

``(iii) a mutual savings bank (as defined in section 896(a)(4)).

``(F) Part II of Subchapter O of such trust fund (as defined in section 584(a)).

``(G) Q UALIFIED INVESTMENT ENTITY .—For purposes of this section, 'qualified investment entity' means—

``(1) IN GENERAL.—This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

``(2) RELATED PERSONS DEFINED.—For purposes of this section, the term 'related persons' means—

``(A) persons bearing a relationship set forth in section 267(b), and

``(B) persons treated as single employer under subsection (b) or (c) of section 414.

``(H) Transfers To Increase Indexing Adjustment Allowance.—If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is—

``(1) to secure or increase an adjustment under subsection (a), or

``(2) to increase (by reason of an adjustment under subsection (a)) a deduction for depreciation, depletion, or amortization, the adjustment made under subsection (a) shall be passed through to the shareholders.

``(I) Dispositions Between Related Persons.—

``(1) IN GENERAL.—This section shall not apply to the disposition of capital assets for purposes of determining gain or loss.

``(ii) GAIN OR LOSS.—For purposes of this section, the term 'gain or loss' includes any interest in a common trust fund (as defined in section 584).

``(I) Adjustments To Apply for Purposes of Determining Earnings and Profits.—Subsection (f) of section 312 (relating to effect on earnings and profits of gain or loss and of receipt of tax-free distributions) shall be amended by adding at the end thereof the following new paragraph:

``(1) EFFECT ON EARNINGS AND PROFITS OF INDEXED BASIS.

``For substitution of indexed basis for adjusted basis in the case of the disposition of capital assets after December 31, 1999, see section 1022(a)(1)."

``(J) EFFECTIVE DATES.—

``(1) IN GENERAL.—The amendments made by this section shall apply to dispositions of any property the holding period of which begins—

``(2) CERTAIN TRANSACTIONS BETWEEN RELATED PERSONS.—The amendments made by this section shall not apply to the disposition of any property acquired after December 31, 1999, from a related person (as defined in section 402(f)(2) of the Internal Revenue Code of 1986, as added by this section) if—

``(A) such property was purchased for a price less than the property's fair market value, and

``(B) the amendments made by this section did not apply to such property in the hands of such related person.

``(K) TITLE V—FULL DEDUCTION FOR HEALTH INSURANCE.

``SEC. 501. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

``(a) IN GENERAL.—Subsection (a) shall not apply to any amount paid for medical care insurance which constitutes medical care for the taxpayer, his spouse, and their dependents.

``(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—The amount taken into account by the taxpayer in computing the deduction allowed by section 222 shall not be taken into account under this section.

``(c) LIMITATION BASED ON OTHER COVERAGE.—

``(1) COVERAGES NOT TO BE TAKEN INTO ACCOUNT.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section only the amount which is permitted to be taken into account under this subsection.

``(d) Coordination With Deduction for Health Insurance Costs of Self-Employed Individuals.—The amount taken into account by the taxpayer in computing the deduction allowed by section 222 shall not be taken into account under this section.

``(e) Special Rules.—

``(1) Coordination with Deduction for Health Insurance Costs of Self-Employed Individuals.—The amount taken into account by the taxpayer in computing the deduction allowed by section 222 shall not be taken into account under this section.

``(2) DEDUCTION NOT AVAILABLE FOR PAYMENT OF ANCILLARY COVERAGE PREMIUMS.—Any amount paid by an employer as a premium for insurance which provides for—

``(A) coverage for accidents, disability, dental care, vision care, or a specified illness, or

``(B) coverage for other medical care which constitutes medical care for the individual, is not eligible to be taken into account under this section.

``(3) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—The amount taken into account by the taxpayer in computing the deduction allowed by section 222 shall be taken into account under this section.

``(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations requiring employers to report to their employees and the Secretary such information as the Secretary determines to be appropriate.

``(5) HEALTH INSURANCE COSTS.—The amount taken into account by the taxpayer in computing the deduction allowed by section 222 shall be taken into account under this section.
Mr. SHELBY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT No. 1404
At the end of title VI, insert:
SEC. ___. DEFINITION OF FACILITIES FOR AGENT-DRIVERS AND COMMISSIONAGEES.
(a) INTERNAL REVENUE CODE.—The flush language at the end of section 3122(d)(3) is amended by inserting "including distribution routes or territories" after "facilities" the first place it appears.

(b) SOCIAL SECURITY ACT.—The flush language at the end of title 210(i)(3) of the Social Security Act is amended by inserting "including distribution routes or territories" after "facilities" the first place it appears.

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

AMENDMENT No. 1407
On page 422, line 12, after the end period, insert the following: "For purposes of the preceding sentence, an entity shall be treated as such a controlled entity on JJuly 14, 1999, if it becomes such an entity after such date in a filing with the Securities and Exchange Commission required solely by reason of the transaction."
CONGRESSIONAL RECORD — SENATE

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

AMENDMENT NO. 1410

On page 371, between lines 16 and 17, insert the following:

SEC. 1122. CONGRESSIONAL REVIEW OF INTERNAL REVENUE SERVICE RULES THAT AFFECT REVENUE.

Section 804(2) of title 5, United States Code, is amended to read as follows:

“(a) IN GENERAL.—For purposes of the Internal Revenue Service, and the amendments made by that Act.”.

ABRAHAM (AND OTHERS) AMENDMENT NO. 1411

Mr. ROTH (for Mr. ABRAHAM (for himself), Mr. FITZGERALD, Mr. MOYNIHAN, and Mr. SCHUMER)) proposed an amendment to the bill, S. 1429, supra, as follows:

At the end of title XI, insert the following:

BILL AMENDMENT

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include:

(1) any amount received by an individual (or any heir of the individual)—

(A) from the Swiss Humanitarian Fund established by the Government of Switzerland or from a Swiss fund established by any foreign country, or

(B) as a result of the settlement of the action entitled “In re Holocaust Victims’ Asset Litigation”, (E.D. NY), C.A. No. 96-4862, or as a result of any similar action; and

(2) the value of any land (including structures thereon) recovered by an individual (or any heir of the individual) from a government of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

(b) EFFECTIVE DATE.—This section shall apply to any amount received before, on, or after the date of the enactment of this Act.

SECTIONS AMENDMENT NO. 1412

Mr. ROTH (for Mr. SESSIONS) proposed an amendment to the bill, S. 1429, supra; as follows:

On page 193, after line 23, add:

(h) SHORT TITLE.—This section may be cited as the “Collegiate Learning and Student Savings (CLASS) Act”.

LANDRIEU AMENDMENT NO. 1413

(Or ordered to lie on the table.)

Ms. LANDRIEU submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

At the end of title II, insert the following:

SEC. 2. EXPANSION OF ADOPTION CREDIT.

(a) IN GENERAL.—Section 23(a) (relating to allowance of credit) is amended as follows:

“(1) ALLOWANCE OF CREDIT.—

“(A) IN GENERAL.—In the case of an eligible adoption, there shall be allowed as a credit against the tax imposed by this chapter—

“(A) in the case of an eligible adoption, $5,000, or

“(B) in the case of an eligible special needs adoption, $10,000.

“(2) YEAR CREDIT ALLOWED.—The credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.

“(b) INCOME LIMITATION.—Section 23(b) is amended to read as follows:

“(1) ELIGIBLE ADOPTION.ÐThe term ‘eligible adoption’ means any adoption by a taxpayer of a child with special needs.

“(2) ELIGIBLE SPECIAL NEEDS ADOPTION.ÐSection 23(d)(4) (defining child with special needs) is amended to read as follows:

“(A) who has not attained age 18, or

“(B) who has been physically or mentally incapa-

“(1) except as otherwise provided in this section, not less than—

“(A) $5,65 an hour during the year beginning on September 1, 1999 and

“(B) $5,85 an hour on September 1, 2000.”.

KENNEDY AMENDMENT NO. 1414

(Or ordered to lie on the table.)

Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of title IV, insert the following:

SCHUMER AMENDMENT NO. 1415

(Or ordered to lie on the table.)

Mr. SCHUMER submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 303, strike lines 17 through 19, and insert the following:

SEC. 1397F. First-time homebuyer credit.

(a) ALLOWANCE OF CREDIT.—In the case of an individual who is a first-time homebuyer of a principal residence in an empowerment zone or an enterprise community during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to one third of the purchase price of the residence as does not exceed $2,000.

“(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“PART V—FIRST-TIME HOMEBUYER CREDIT

“Sec. 1397F. First-time homebuyer credit.

“Sec. 1397F. First-time homebuyer credit.
taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the credit so allowable as—

(A) the excess (if any) of—

(i) any grandparents, or (ii) any grandchildren of the taxpayer, over

(ii) $70,000 ($110,000 in the case of a joint return), bears to

(b) Modified Adjusted Gross Income—

For purposes of paragraph (1), the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

(c) First-Time Homebuyer.—For purposes of this section—

(1) In General.—The term 'first-time homebuyer' means any individual if such individual (and if married, such individual's spouse) had no prior ownership interest in a principal residence in either an empowerment zone or an enterprise zone in the area during the 1-year period ending on the date of the purchase of the principal residence to which this section applies.

(2) One-Time Only.—If an individual is treated as a first-time homebuyer with respect to any principal residence, such individual may not be treated as a first-time homebuyer with respect to any other principal residence.

(3) Principal Residence.—The term 'principal residence' has the same meaning as when used in section 151.

(d) Carryover of Credit.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credit allowable under subpart A of part IV of chapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to individual itemized deductions for personal exemptions under section 56(b)(1)), the excess shall be carried to the succeeding taxable year.

(e) Special Rules.—For purposes of this section, rules similar to the rules of subsection (e)(1), (f), (g), and (h) of section 1400C shall apply.

(f) Application of Section.—This section shall apply to property acquired after December 31, 1999, and before January 1, 2005.

(b) Conforming Amendments.—

(1) Subsection (a) of section 1016 is amended by striking the last sentence and adding after 'subsection (a)' the following:

'This amount shall be reduced by the amount which bears the same ratio to the credit so allowable as—

(i) the taxpayer's modified adjusted gross income for such taxable year, over

(ii) $20,000 ($30,000 in the case of a joint return), bears to

(b) Limitation Based on Modified Adjusted Gross Income.—

(1) In General.—The amount which would (but for this subsection) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

(2) Amount of Reduction.—The amount determined under this paragraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

(A) the excess of—

(i) the taxpayer's modified adjusted gross income for such taxable year, over

(ii) $20,000 ($30,000 in the case of a joint return), bears to

(B) $25,000.

(c) Modified Adjusted Gross Income.—

For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

(A) without regard to section 151; and

(B) after the application of sections 6, 135, 221, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

(c) Qualified Higher Education Expenses.—

For purposes of this section—

(1) Qualified Higher Education Expenses.—

(A) In General.—The term 'qualified higher education expenses' means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

(i) the taxpayer,

(ii) the taxpayer's spouse,

(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, or

(iv) any grandchild of the taxpayer, as an eligible student at an institution of higher education.

(B) Eligible Courses.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses—

(i) are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required college work at a vocational school, and

(ii) are not attributable to any graduate program of such individual.

(C) Exception for Nonacademic Fees.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student's academic course of instruction.

(d) Special Rules.—

(1) No Double Benefit.—

(A) In General.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowable to the taxpayer under any other provision of this subtitle or under section 135 or 530(d)(2) for the taxable year.

(B) Denial of Deduction if Credit Elects.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of any individual if the taxpayer elects to have section 22A apply with respect to such individual.

(2) Coordination with Exclusions.—A deduction shall be allowed under subsection (a) for qualified higher education expenses of any individual only to the extent such expenses exceed the amount deductible under section 135 or 530(d)(2) for the taxable year.

(2) Limitation on Taxable Year of Deduction.—

(A) In General.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent the amount of such expenses exceeds the amount deductible under section 135 or 530(d)(2) for the taxable year.
(B) Certain prepayments allowed.—

Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

(3) Adjustment for certain scholarships or benefits.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b) by the sum of the amounts received with respect to such individual for the taxable year as—

(A) scholarships or fellowships which under section 117 is not includable in gross income,

(B) an educational assistance allowance under chapter 30, 31, 34, or 35 of title 38, United States Code, or

(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

(4) Deduction for married individuals filing separate returns.—If the taxpayer is a married individual (within the meaning of section 7073), this section shall apply only with respect to the taxpayer’s spouse’s filing a joint return for the taxable year.

(5) Nonresident aliens.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of chapter 1 of subchapter A of chapter 1 (relating to nonresident aliens) for the calendar year, and

(6) Regulations.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring record-keeping and information reporting.

(b) Deduction allowed in computing adjusted gross income.—

(1) In general.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($80,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as subparagraph (B) of section 135(d)(1) bears to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘2004’ for ‘1992’.

(2) Rounding.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

(c) Dependent not eligible for credit.—No credit shall be allowed by this section to an individual for a taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual’s taxable year begins.

(d) Limit on period credit allowed.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

(e) Definitions.—For purposes of this section—

(1) Qualified education loan.—The term ‘qualified education loan’ means any indebtedness incurred to pay qualified higher education expenses—

(A) which are incurred on behalf of the taxpayer, the taxpayer’s spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred,

(B) which are paid or incurred within a reasonable time before or after the indebtedness is incurred, and

(C) which are attributable to education furnished during a period during which the recipient was a full-time student.

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified education loan. The term ‘qualified education loan’ shall not include any indebtedness owed to a person who is related (within the meaning of section 707(b)(1) or 707(b)(2)(B)) to the taxpayer.

(2) Qualified higher education expenses.—The term ‘qualified higher education expenses’ means the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, as in effect on the day before the date of the enactment of this Act) of the taxpayer, the taxpayer’s spouse, or a dependent of the taxpayer at an eligible educational institution, reduced by the sum of—

(A) the amount excluded from gross income under section 135 by reason of such expenses, and

(B) the amount of the refund described in section 135(d)(1).

For purposes of the preceding sentence, the term ‘eligible educational institution’ has the same meaning given such term by section 135(c)(3), except that such term shall also include an institution conducting an internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility which offers postgraduate training.

(3) Half-time student.—The term ‘half-time student’ means any individual who would be a student as defined in section 135(c)(2) if the term ‘full-time’ each place it appears in such section.

(4) Dependent.—The term ‘dependent’ has the meaning given such term by section 152.

(f) Special rules.—

(1) Denial of double benefit.—No credit shall be allowed under this section for any amount for which a deduction is allowable under any other provision of this chapter.

(2) Married couples must file joint return.—If the taxpayer is married and the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year.

(3) Marital status.—Marital status shall be determined in accordance with section 7703.

(g) Reporting requirement.—

(1) In general.—Subpart B of part III of subchapter A of chapter 1 (relating to information concerning persons (e.g., children, dependents, or other persons) is amended by inserting after section 6050S the following new section:

SEC. 6050T. RETURNS RELATING TO EDUCATION LOANS AND INTEREST RECEIVED IN TRADE OR BUSINESS FROM INDIVIDUALS.

(a) Education loan interest of $500 or more.—Any person—

(1) who is engaged in a trade or business, and

(2) who, in the course of such trade or business, receives from any individual interest aggregating $500 or more for any calendar year with respect to one or more qualified education loans, shall make the return described in subsection (b) with respect to each individual from whom such interest was received at such time as the Secretary may by regulations prescribe.

(b) Form and manner of returns.—A return is described in this subsection if such return—

(1) is in such form as the Secretary may prescribe, and

(2) contains—

(A) the name, address, and TIN of the individual from whom the interest described in subsection (a)(2) was received,

(B) the amount of interest received for the calendar year, and

(C) such other information as the Secretary may prescribe.

(c) Application to governmental units.—For purposes of subsection (a)—

(1) treated as persons.—The term ‘person’ includes any governmental unit (and any agency or instrumentality thereof).

(2) Special rules.—In the case of a governmental unit or any agency or instrumentality thereof—

(A) subsection (a) shall be applied without regard to the trade or business requirement contained therein, and

(B) any return required under subsection (a) shall be made by an officer or employee appropriately designated for the purpose of making such return.

(d) Statements to be furnished to individuals with respect to whom information is required.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement saying—

(1) the name and address of the person required to make such return, and

(2) the aggregate amount of interest described in subsection (a)(2) received by the
person required to make such return from the individual to whom the statement is required to be furnished. The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

(2) ASSESSABLE PENALTIES.—Section 6724(d) (relating to definitions) is amended—

(A) in paragraph (3)(B), by redesignating clauses (xi) through (xvii) as clauses (xii) through (xviii), respectively, and by inserting after clause (ix) the following new clause:

"(xi) section 6050T relating to returns relating to education loan interest received in trade or business from individuals,"; and

(B) in paragraph (2), by striking "or" at the end of the last subparagraph, by striking the period at the end of the last subparagraph and inserting ", or", and by adding at the end the following new subparagraph:

"(BB) section 6050S relating to returns relating to education loan interest received in trade or business from individuals."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended—

(A) in section 6202(a), by redesigning clauses (xi) through (xvii) as clauses (xii) through (xviii), respectively, and by inserting after clause (ix) the following new clause:

"(xi) section 6050T relating to returns relating to education loan interest received in trade or business from individuals.", and

(B) in section 6050S, by striking paragraph (2), by striking "or" at the end of the last subparagraph and inserting ", or", and by adding at the end the following new subparagraph:

"(BB) section 6050S relating to returns relating to education loan interest received in trade or business from individuals."

(2) The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended—

(A) in section 6202(a), by redesigning clauses (xi) through (xvii) as clauses (xii) through (xviii), respectively, and by inserting after clause (ix) the following new clause:

"(xi) section 6050T relating to returns relating to education loan interest received in trade or business from individuals.", and

(B) in section 6050S, by striking paragraph (2), by striking "or" at the end of the last subparagraph and inserting ", or", and by adding at the end the following new subparagraph:

"(BB) section 6050S relating to returns relating to education loan interest received in trade or business from individuals."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.
reprisal against an employee for asserting rights or taking other actions permitted under Federal law.

(18) Any provision of State or local law, or any provision of civil rights law, which would have been performed but for a claim of unlawful employment discrimination, shall be applied as if such section had not been enacted.

"(b) LIMITATION ON TAX BASED ON INCOME AVERAGING FOR BACKPAY AND FRONTPAY RECEIVED ON ACCOUNT OF CERTAIN UNLAWFUL EMPLOYMENT DISCRIMINATION.—Part I of subchapter Q of chapter 1 (relating to income averaging) is amended by adding at the end the following:

"SEC. 1302. INCOME FROM BACKPAY AND FRONTPAY RECEIVED ON ACCOUNT OF CERTAIN UNLAWFUL EMPLOYMENT DISCRIMINATION.

"(a) GENERAL RULE.—If employment discrimination backpay or frontpay is received by a taxpayer during a taxable year, the tax imposed by this chapter for such taxable year shall not exceed the sum of—

"(1) the tax which would be so imposed if such backpay or frontpay were included in gross income for such year, and

"(2) no deduction were allowed for such year for any item (otherwise allowable as a deduction to the taxpayer for such year) in connection with making or prosecuting any claim of unlawful employment discrimination by or on behalf of the taxpayer, plus

"(A) the product of—

"(i) the taxpayer's adjusted gross income

"(ii) the applicable dollar amount

"(B) the average annual net backpay and frontpay amount

"(i) which is made on or after the date that

"(ii) which is a charitable contribution (as defined in section 170(c)) made directly from the

"(ii) the excess of—

"(i) employment discrimination backpay and frontpay, over

"(ii) the amount of deductions that would have been allowable but for subsection (a)(1), divided by

"(B) the number of years in the backpay period and frontpay period.

"(c) INCOME AVERAGING FOR BACKPAY AND FRONTPAY RECEIVED ON ACCOUNT OF CERTAIN UNLAWFUL EMPLOYMENT DISCRIMINATION.—The table contained in section 1302 of this chapter is amended by striking paragraph (2) and inserting after paragraph (1) the following:

"(2) COORDINATION WITH INCOME AVERAGING FOR AMOUNTS RECEIVED ON ACCOUNT OF UNLAWFUL EMPLOYMENT DISCRIMINATION.—For purposes of this section—

"(A) DOLLAR LIMIT.—The amount determined under paragraph (2) for any taxable year shall not exceed an amount equal to the product of—

"(i) the applicable dollar amount

"(ii) the excess of—

"(i) the taxpayer's adjusted gross income

"(ii) the applicable dollar amount.

"(iii) the applicable dollar amount is—

"(A) as compensation which is attributable—

"(i) in the case of backpay, to services performed after the date on which the taxpayer could have been discharged but for a claim of violation of law, as an employee, former employee, or prospective employee by such taxable year for the taxpayer's employer, or prospective employer; and

"(ii) in the case of frontpay, to employment that would have been performed but for a claim of violation of law, as an employee, former employee, or prospective employee by such taxable year for the taxpayer's employer, or prospective employer; and

"(B) which were—

"(i) received, recommended, or approved by any governmental entity to satisfy a claim for a violation of law, or

"(ii) received from the settlement of such a claim.

"(4) BACKPAY PERIOD.—The term 'backpay period' means the period during which services are performed (or would have been performed) to which backpay is attributable. If such period is not equal to a whole number of taxable years, such period shall be increased to the next highest number of whole taxable years.

"(5) FRONTPAY PERIOD.—The term 'frontpay period' means the period of foregone employment which is attributable. If such period is not equal to a whole number of taxable years, such period shall be increased to the next highest number of whole taxable years.

"(6) AVERAGE ANNUAL NET BACKPAY AND FRONTPAY AMOUNT.—The term 'average annual net backpay and frontpay amount' means the amount determined by—

"(A) the excess of—

"(i) employment discrimination backpay and frontpay, over

"(ii) the amount of deductions that would have been allowable but for subsection (a)(1), divided by

"(B) the number of years in the backpay period and frontpay period.

"(d) CLERICAL AMENDMENTS.—The table of sections for part I of subchapter Q of chapter 1 is amended by inserting after paragraph 1302 of this section 1303 (relating to averaging of income from backpay or frontpay received on account of certain unlawful employment discrimination) shall not apply in computing the regular tax.

"(e) DEFINITIONS.—For purposes of this section—

"(1) IN GENERAL.—The amendments made by subsection (b) shall apply to damages received in taxable years beginning after December 31, 2000.

"(2) The amendments made by subsection (c) shall apply to tax years beginning after December 31, 2000.

"(3) The amendment made by subsection (f) shall apply to taxable years beginning after December 31, 2000.

"(4) REVENUE OFFSET.—Section 302(a) of this Act is null and void and the Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

AMENDMENT NO. 1421

On page 184, between lines 6 and 7, insert the following:

"(A) INCREASE IN MAXIMUM DEDUCTION.—(1) IN GENERAL.—The table contained in section 221(b)(1) (relating to maximum deduction) is amended by striking "$2,500" and inserting "$5,000."

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

"(B) EXCISE TAX.—Section 203 of this Act is null and void and the Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.
[45x74]employee.

(a) IN GENERAL.—Section 205(f)(2) (relating to maximum deduction) is amended by striking "$1,975,000" and inserting "$1,975,000".

(b) CONFORMING AMENDMENTS.—Section 2057(g)(3)(B) (relating to coordination with unified credit) is amended by striking "$75,000" and inserting "$1,975,000.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

SEC. 4. CREDIT FOR EMPLOYEE HEALTH INSURANCE EXPENSES.

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

**SEC. 45D. EMPLOYEE HEALTH INSURANCE EXPENSES.**

"(a) GENERAL RULE.—For purposes of section 38, in the case of a small employer, the employee health insurance expenses credit determined under this section is an amount equal to the applicable percentage of the amount paid by the employer for health insurance expenses.

"(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the applicable percentage is equal to—

"(1) 60 percent in the case of self-only coverage, and

"(2) 70 percent in the case of family coverage (as defined in section 220(c)(5)).

"(c) PER DOLLAR LIMITATION.—The amount of qualified employee health insurance expenses taken into account under subsection (a) with respect to any qualified employee for any taxable year shall not exceed—

"(1) $1,000 in the case of self-only coverage, and

"(2) $1,715 in the case of family coverage (as so defined).

"(d) DEFINITIONS.—For purposes of this section—

"(1) SMALL EMPLOYER.—

"(A) IN GENERAL.—The term 'small employer' means, with respect to any calendar year, any employer if such employer either of 9 or fewer employees on business days during either of the 2 preceding calendar years. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the employer was in existence throughout such year.

"(B) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEARS.—In the case of an employer which was not in existence throughout the 1st preceding calendar year, the determination under subparagraph (A) shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

"(2) QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES.—

"(A) IN GENERAL.—The term 'qualified employee health insurance expenses' means any amount paid by an employer for health insurance coverage to the extent such amount is attributable to coverage provided to any employee while such employee is a qualified employee.

"(B) EXCEPTION FOR AMOUNTS PAID UNDER SALARY REDUCTION ARRANGEMENTS.—No amount paid or incurred for health insurance coverage pursuant to a salary reduction arrangement shall be taken into account under subparagraph (A).

"(C) HEALTH INSURANCE COVERAGE.—The term 'health insurance coverage' has the meaning given such term by section 4980B(b)(1).

"(3) QUALIFIED EMPLOYEE.—

"(A) IN GENERAL.—The term 'qualified employee' means, with respect to any period, an employee of an employer if the total amount of wages paid by such employer to such employee at an annual rate during the taxable year exceeds $5,000 but does not exceed $16,000.

"(B) TREATMENT OF CERTAIN EMPLOYEES.—For purposes of subparagraph (A), the term 'employee'—

"(i) shall not include an employee within the meaning of section 410(c)(1), but

"(ii) shall include a leased employee within the meaning of section 414(n).

"(C) WAGES.—The term 'wages' has the meaning given such term by section 312(a) (determined without regard to any dollar limitation contained in such section).

"(D) INFLATION ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2001, the $16,000 amount contained in subparagraph (A) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such year begins.

"(ii) Rounding.—If any increase determined under subparagraph (I) is not a multiple of $100, such amount shall be rounded to the nearest multiple of $100.

"(e) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of section 52 shall apply.

"(f) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed with respect to qualified employee health insurance expenses taken into account under subsection (a).

"(g) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit) is amended by striking 'section 4980B' and inserting 'section 45D.'

"(h) DETERMINATION OF QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES DETERMINED UNDER SECTION 45D.—For purposes of subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), the term 'qualified employee health insurance expenses' means any amount paid by an employer for health insurance expenses.

"(i) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2000.

SEC. 5. MODIFICATION OF INDIVIDUAL RETIREMENT ACCOUNT LIMITATIONS.

(a) DEDUCTION LIMIT.—Section 402(b)(5), as added by section 301(a)(2), is amended to read as follows:

"(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

"(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

For taxable years 2001, 2002, and 2003: $3,000
2004, 2005, and 2006: $4,000
2007 and thereafter: $5,000.

"(B) COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2009, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such year begins, determined by substituting 'calendar year 2008' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) INCREASE IN ESTATE TAX DEDUCTION FOR FAMILY-OWNED BUSINESS INSURANCE EXPENSES.

(b) INCOME LIMITS.—The amendments made by section 302 are null and void and the Internal Revenue Code of 1986 shall be applied as if they had not been enacted.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall take to taxable years beginning after December 31, 2000.

KERREY (AND OTHERS)

AMENDMENT NO. 1424

(Ordained to lie on the table.)

Mr. KERREY (for himself, Mr. GREGG, Mr. BREAUX, Mr. GRASSLEY, Mr. ROBB, Mr. THOMPSON, and Mr. THOMAS) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

At the end, add the following:

DIVISION B—BI partisan SOCIAL SECURITY REFORM

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the "Bipartisan Social Security Reform Act of 1999."

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

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TITLE I—INDIVIDUAL SAVINGS ACCOUNTS

SEC. 211. INDIVIDUAL SAVINGS ACCOUNTS.

(a) ESTABLISHMENT OF INDIVIDUAL SAVINGS ACCOUNTS.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) in paragraph 101, by striking before section 201 the following:

"PART A—INSURANCE BENEFITS";

and

(2) by inserting after subsection (b) with respect to such individual, shall establish, in the name of such individual an individual savings account. The individual savings account shall be identified to the account holder by means of the account holder’s Social Security account number.

(b) USE OF KIDSAVE ACCOUNT.—If a KidSave Account has been established in the name of an individual under subsection (a) before the date of the first contribution received by the Commissioner pursuant to subsection (b) with respect to such individual, the Commissioner shall reestablish the KidSave Account as an individual savings account for such individual.

(2) DEFINITION OF ELIGIBLE INDIVIDUAL.—In this paragraph, ‘eligible individual’ means any individual born after December 31, 1937.

(b) CONTRIBUTIONS.—

(1) AMOUNTS TRANSFERRED FROM THE TRUST FUND.—The Secretary of the Treasury shall transfer from the Federal Old-Age and Survivors Insurance Trust Fund, for crediting by the Commissioner of Social Security to an individual savings account of an eligible individual, an amount equal to the sum of any contributions made on behalf of such individual under section 3101(a)(2) or 1401(a)(2) of the Internal Revenue Code of 1986.

(2) AMOUNTS CONTRIBUTED.—For provisions relating to additional contributions credited to individual savings accounts, see sections 531(c)(2) and 6401(i) of the Internal Revenue Code of 1986.

(c) DESIGNATION OF INVESTMENT TYPE OF INDIVIDUAL SAVINGS ACCOUNT.—

(1) DESIGNATION.—Each eligible individual who is employed or self-employed shall specify in order to ensure ease of administration and reductions in burdens on employers.

(2) FORM OF DESIGNATION.—The designation described in paragraph (1) shall be made in such manner and at such intervals as the Commissioner of Social Security may prescribe in order to ensure ease of administration and reductions in burdens on employers.

(3) SPECIAL RULE FOR 2000.—Not later than January 2000, the Commissioner shall establish and make the designation of the individual savings account in accordance with regulations that take into account the competing objectives of maximizing returns on investments and minimizing the risk involved with such investments.

(g) TREATMENT OF INCOMPETENT INDIVIDUALS.—(A) In general.—The amount described in subsection (c)(1) to be made by an individually incompetent or under other legal disability may be made by the Commissioner, on behalf of such individual, to a custodial guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual or his estate. Payment under this paragraph shall be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. In any case in which such an individual or the individual’s guardian is at such time legally incapacitated or incompetent, any payment under this paragraph which is otherwise payable to such individual according to applicable nontaxable requirements (which shall be provided in regulations), shall be made to the person who is otherwise legally vested with the care of such individual or his estate.

"DEFINITION OF INDIVIDUAL SAVINGS ACCOUNT; TREATMENT OF ACCOUNTS.—

SEC. 252. (a) INDIVIDUAL SAVINGS ACCOUNT.—In this part, the term ‘individual savings account’ means any individual savings account in the Individual Savings Fund (established under section 254 which is administered by the Individual Savings Fund Board).

(b) TREATMENT OF ACCOUNT.—Except as otherwise provided in this part and in section 8440 of the Code of 1986, any individual savings account described in subsection (a) shall be treated in the same manner as an individual account in the Thrift Savings Fund in the Social Security Administration, (b) MODIFICATION OF FICA RATES.—

SEC. 255. The receipts and disbursements of the Individual Savings Fund Board shall be treated in the same manner as the Federal Retirement Thrift Investment Board under subchapter VII of chapter 84 of title 5, United States Code.

(b) STUDY AND REPORT ON INCREASED INVESTMENT OPTIONS.—

"(A) IN GENERAL.—The Individual Savings Fund Board shall conduct a study regarding ways to increase an eligible individual’s investment options with respect to such individual’s individual savings account and with respect to rollovers or distributions from such account.

(b) REPORT.—Not later than 2 years after the date of enactment of the Bipartisan Social Security Reform Act of 1999, the Individual Savings Fund Board shall submit a report to the President, Congress and the White House Council on Economic Policy that contains a detailed statement of the results of the study conducted pursuant to clause (1), together with the Board’s recommendations for such legislative actions as the Board considers appropriate.

"BUDGETARY TREATMENT OF INDIVIDUAL SAVINGS FUND AND ACCOUNTS.—

SEC. 255. The receipts and disbursements of the Individual Savings Fund and any accounts within such fund shall not be included in the totals of the budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget limitation imposed by statute on expenditures for national defense (other than personnel and operating expenses of the Department of the Army).
(1) **EMPLOYEES.**—Section 3101(a) of the Internal Revenue Code of 1986 (relating to tax on employees) is amended to read as follows:

(a) **OLD-AGE, SURVIVOR, AND DISABILITY INSURANCE.**—

(1) **IN GENERAL.**—

(A) **INDIVIDUALS COVERED UNDER PART A OF THE SOCIAL SECURITY ACT.**—In addition to other taxes, there shall be imposed on the self-employment income of every individual who is not a part B eligible individual a tax equal to 12.4 percent of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3212(b)).

(B) **INDIVIDUALS COVERED UNDER PART B OF THE SOCIAL SECURITY ACT.**—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual a tax equal to 4.2 percent of the wages (as defined in section 3121(a)) received by such individual with respect to employment (as defined in section 3212(b)).

(2) **CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.**—

(A) **IN GENERAL.**—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual an individual savings account contribution equal to the sum of—

(i) 2 percent of the wages (as so defined) received by such individual with respect to employment (as so defined), plus

(ii) so much of such wages (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

(B) **INFLATION ADJUSTMENT.**—

(i) **IN GENERAL.**—In the case of any calendar year beginning after 2000, the dollar amount in subparagraph (A)(ii) shall be increased by an amount equal to—

(1) such dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 1999’ for ‘calendar year 1992’ in subparagraph (B) thereof.

(ii) **ROUNDING.**—If any dollar amount after being increased under clause (i) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.

(3) **PART B ELIGIBLE INDIVIDUAL.**

(A) **TAXES ON EMPLOYEES.**—Section 3121 of such Code (relating to definitions) is amended by inserting after subsection (f) the following:

(5) **PART B ELIGIBLE INDIVIDUAL.**—

For purposes of this chapter, the term ‘part B eligible individual’ means, for any calendar year, an individual who is an eligible individual (as defined in section 251(a)(2) of the Social Security Act) for the calendar year.

(B) **SELF-EMPLOYMENT TAX.**—Section 1402 of such Code (relating to definitions) is amended by adding at the end the following:

(5) **PART B ELIGIBLE INDIVIDUAL.**—The term ‘part B eligible individual’ means, for any calendar year, an individual who is an eligible individual (as defined in section 251(a)(2) of the Social Security Act) for the calendar year.

(4) **EFFECTIVE DATES.**—

(A) **EMPLOYMENTS.**—The amendments made by paragraphs (1) and (3) apply to—

(1) the wages (as so defined) received by such individual with respect to employment (as so defined), plus

(2) so much of such wages (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

(B) **MATCHING CONTRIBUTIONS.**—

(1) **AMOUNT.**—The amount determined under paragraphs (1) and (3) applies to—

(1) the wages (as so defined) received by such individual with respect to employment (as so defined), plus

(2) so much of such wages (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

(2) **CONTRIBUTION OF CREDITS OR REFUNDS TO INDIVIDUAL SAVINGS ACCOUNTS.**—

(A) **AMOUNTS TREATED AS OVERPAYMENT OF TAX.**—Subsection (b) of section 6402 of such Code (relating to authority to make credits or refunds) is amended by adding at the end the following:

‘‘(3) SPECIAL RULE FOR CREDIT UNDER SECTION 54.—Subject to the provisions of section 6402(b), the amount of any credit allowed under section 54 for any taxable year shall be considered an overpayment.‘‘

(B) **TRANSFER OF CREDIT AMOUNT TO INDIVIDUAL SAVINGS ACCOUNT.**—Section 6402 of such Code (relating to authority to make credits or refunds) is amended by adding at the end the following:

‘‘(3) CREDIT AMOUNTS TREATED AS OVERPAYMENT OF TAX.**—Subsection (b) of section 6402 of such Code (relating to authority to make credits or refunds) is amended by adding at the end the following:

‘‘(3) SPECIAL RULE FOR CREDIT UNDER SECTION 54.—Subject to the provisions of section 6402(b), the amount of any credit allowed under section 54 for any taxable year shall be considered an overpayment.‘‘

(5) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to returns payable after December 31, 1999.

(6) **CONFORMING AMENDMENTS.**—

(A) **Section 1324(b)(2) of title 31.** United States Code, is amended by inserting before the period at the end ‘‘, or enacted by the Bipartisan Social Security Reform Act of 1999’’.

(B) The table of subparts for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

‘‘Subpart H—Individual Savings Accounts Credits.‘‘

(1) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to refunds payable after December 31, 1999.

(2) **TAX TREATMENT OF INDIVIDUAL SAVINGS ACCOUNTS.**—

(A) **IN GENERAL.**—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to exempt organizations) is amended by adding at the end the following:
SEC. 261. (a) ESTABLISHMENT.—The Commissioner of Social Security shall establish in the name of each individual born on or after January 1, 1995, a KidSave Account upon the later of—

(1) the date of enactment of this part, or

(2) the date of the issuance of a Social Security account number under section 200(c)(2) to such individual.

The KidSave Account shall be identified to the account holder by means of the account holder's Social Security account number.

(b) CONTRIBUTIONS.—

(1) IN GENERAL.—There are authorized to be appropriated and are appropriated such sums as are necessary in order for the Secretary to transfer from the general fund of the Treasury for crediting by the Commissioner to each account holder's KidSave Account under subsection (a), an amount equal to—

(A) in the case of any individual born on or after January 1, 2000, $1,000, on the date of the establishment of such individual’s KidSave Account; and

(B) in the case of any individual born on or after January 1, 1995, $500, on the 1st, 2nd, 3rd, 4th, and 5th anniversaries of such individual’s birth.

(2) ADJUSTMENT FOR INFLATION.—For any calendar year after 2009, each of the dollar amounts described in paragraph (1) shall be increased by the cost-of-living adjustment determined under section 215(i) for the calendar year.

(c) DESIGNATIONS REGARDING KIDSAVE ACCOUNTS.—

(1) INITIAL DESIGNATIONS OF INVESTMENT VEHICLES.—In subsection (a) of section 401(a)(9)(B) shall apply to distributions of amounts in paragraph (1) in the same manner as is applicable to distributions of amounts in paragraph (2).

(2) TREATMENT OF MINORS AND INCOMPETENT INDIVIDUALS.—Any designation under subsection (c) shall be made by the individual described in subsection (a), designate the investment vehicle for the KidSave Account to which contributions on behalf of such individual are to be credited.

(3) CHANGES IN INVESTMENT VEHICLES.—The Commissioner shall by regulation provide for the manner and time by which an individual or a person described in subsection (d) on behalf of such individual may change one or more investment vehicles for a KidSave Account.

(4) DETERMINATION OF TAXATION.—In section 72(c)(4) of the Internal Revenue Code of 1986, the term ‘individual savings account’ means the KidSave Account established on behalf of such individual under section 261(a) and any KidSave Account established on behalf of such individual under any amendment made by this section.

(5) DETERMINATION OF AMOUNTS.—In section 72(a)(1)(B), in the case of the KidSave Account established on behalf of an individual under section 261(a), the amount described in subparagraph (B) shall be added to the amount otherwise described in such subparagraph in the same manner as is applicable to amounts described in section 72(a)(1)(A).

(6) TREATMENT OF AMOUNTS.—In section 72(c)(4) of the Internal Revenue Code of 1986, the term ‘retirement annuity investment contract’ means the KidSave Account established on behalf of such individual under section 261(a) and any KidSave Account established on behalf of such individual under any amendment made by this section.

(7) APPLICATION OF DETERMINATION.—In applying applicable provisions of this chapter relating to computations and recomputations of primary insurance amounts under section 215(j) of the Social Security Act to computations and recomputations of primary insurance amounts under this section, the determination under section 215(j) shall be made without the application of this subsection, over

(1) the annualized amount of the KidSave Account described in paragraph (1) of this subsection, and

(2) the amount described in paragraph (2) of this subsection.

SEC. 262. (a) KIDSAVE ACCOUNTS.—In this part, the term ‘KidSave Account’ means any KidSave Account in the Individual Savings Fund established under section 254 which is administered by the Individual Savings Fund Board.

(b) TREATMENT OF ACCOUNTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), a KidSave Account described in subsection (a) shall be treated in the same manner as an individual savings account under part B.

(2) DISTRIBUTIONS.—Notwithstanding any other provision of law, distributions may only be made from a KidSave Account of an individual on or after the earlier of—

(A) the date on which such individual begins receiving benefits under this title, or

(B) the date of the individual’s death.

SEC. 103. ADJUSTMENTS TO PRIMARY INSURANCE AMOUNT SUBPART A OF TITLE II OF THE SOCIAL SECURITY ACT.

(a) IN GENERAL.—Section 215 of the Social Security Act (42 U.S.C. 415) is amended by adding at the end the following:

“Adjustment of Primary Insurance Amount in Relation to Deposits Made to Individual Savings Accounts and KidSave Accounts” and

“(i) [except as provided in paragraph (2), an individual’s primary insurance amount shall be determined in accordance with this section (before adjustments made under subsection (ii) shall be equal to the excess (if any) of—

(1) the amount which would be so determined without the application of this subsection, over

(2) the monthly amount of an immediate life annuity, determined on the basis of the sum of—

(A) the total of all amounts which have been credited pursuant to section 251(b) (in the same manner as is applicable with respect to average indexed monthly earnings under subsection (b) to the individual savings account held by such individual, plus

(B) 50 percent of the accumulated value of the KidSave Account (established on behalf of such individual under section 261(a) described in this section, over such individual under section 254(a)(1)(B), plus

(C) accrued interest on such amounts compounded annually—

(i) assuming an interest rate equal to the projected interest rate of the Federal Old-Age, Survivors, and Disability Insurance Account (as determined in accordance with section 254 of this title), and

(ii) using the mortality table used in section 412(l)(7)(C)(ii) of the Internal Revenue Code of 1986, or

(2) in the case of an individual who becomes entitled to disability insurance benefits under subsection 223, such individual’s primary insurance amount is equal to the excess (if any) of—

(A) the annuity starting date (as defined in section 72(c)(4) of the Internal Revenue Code of 1986, which commences with the first month following the date of the determination, and

(B) which provides for a series of substantially equal monthly payments over the life expectancy of the individual.

(b) CONFORMING AMENDMENT TO RAILROAD RETIREMENT ACT.—Section 201 of the Railroad Retirement Act of 1974 (45 U.S.C. 231) is amended by adding at the end the following:

“(2) In applying applicable provisions of this title relating to the computation of primary insurance amounts under this Act, section 215(b) of the Social Security Act and part B of title I of such Act shall be disregarded.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to computations and recomputations of primary insurance amounts occurring after December 31, 1999.”
For purposes of this subsection, (A) shall be equal to the percentage in effect under such clause for calendar year 2005 decreased the applicable percentage in effect under such clause for calendar year 2005 decreased the applicable percentage in effect under clause (i) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 decreased the applicable percentage in effect under clause (i) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 decreased the applicable number of times by 3.8 percentage points, (i) the incentive to work; and (ii) the financial status of the Federal Disability Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund; and (D) the relationship between the effect of substantial gainful activity limits on blind individuals receiving disability insurance benefits and other individuals receiving disability insurance benefits.

(3) CONSULTATION.—The amendments made by section 203 of the Social Security Act (42 U.S.C. 403(f)(8)(B)) is amended—

(a) IN GENERAL.—Section 203 of the Social Security Act (42 U.S.C. 403(f)(8)(B)) is amended—

(b) CONFORMING AMENDMENTS ELIMINATING THE SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE ACHIEVED AGE 62.—

(1) UNIFORM EXEMPT AMOUNT.—Section 203(f)(1)(B) of the Social Security Act (42 U.S.C. 403(f)(1)(B)) is amended—

(A) in the matter preceding clause (i), by striking “except” and all that follows for gain ‘‘whichever’’ and inserting ‘‘the exempt amount which is applicable for each month of a particular taxable year shall be whichever’’;

(B) in clauses (i) and (ii), by striking ‘‘corresponding’’ each place it appears; and

(C) in the last sentence, by striking “an exempt amount” and inserting “the exempt amount”.

(3) REPEAL OF BASIS FOR COMPUTATION OF SPECIAL EXEMPT AMOUNT.—Section 203(f)(1)(B)(1) of the Social Security Act (42 U.S.C. 403(f)(1)(B)(1)) is amended—

(a) IN GENERAL.—Section 203 of the Social Security Act (42 U.S.C. 403(f)(8)(A)) is amended—

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to primary insurance amounts of individuals attaining early retirement age (as defined in section 216(h)(1)) of the Social Security Act, or dying after attaining age 60.

SEC. 202. ADJUSTMENT OF WIDOWS’ AND WIDowers’ INSURANCE BENEFITS.

(a) WIDOW’S BENEFIT.—Section 202(f)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking equal to and all that follows and inserting “equal to the greater of—

(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C) of such deceased individual, or

(ii) the applicable percentage of the joint benefit which would have been received by the widow or surviving divorced wife and the decease individual for such month if such individual had not died. For purposes of clause (ii), the applicable percentage is equal to 50 percent in 2000, increased (but not above 177.5 percent) by percentage point in every second year thereafter.

(b) WIDOWER’S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking ‘‘equal to” and all that follows and inserting “equal to” and all that follows. For purposes of clause (i), (ii) the applicable percentage of the joint benefit which would have been received by the widower or surviving divorced husband and the deceased individual for such month if such individual had not died. For purposes of clause (ii), the applicable percentage is equal to 50 percent in 2000, increased (but not above 177.5 percent) by percentage point in every second year thereafter.

(c) ADJUSTMENT TO PIA FORMULA FACTORS.—Section 215(a)(1)(B) of such Act (42 U.S.C. 415(a)(1)(B)) is amended further—

(1) by redesignating clause (iii) as clause (iv); and

(2) by inserting after clause (ii) the following—

(iii) For individuals who initially become eligible for old-age, disability insurance benefits, or who die (before becoming eligible for such benefit), in any calendar year after 2005, effective for such calendar year, the applicable number of times shall be calculated by multiplying the number of times by 0.5 percentage points.

(3) SPECIAL EXEMPT AMOUNT.—Section 216(l) of the Social Security Act, as amended by the Bipartisan Budget Act of 1997 and the Medicare, Medicaid, and State Children’s Health Insurance Program Reauthorization Act of 2000, is further amended—

(A) by striking “the age of seventy” each place it appears and inserting “the exempt amount as determined

(b) E FFECTIVE DATE.ÐThe amendments made by this section shall apply with respect to special benefits of the individual are gradually reduced as a result of substantial gainful activity and extending such eligibility for a fixed period of time after the benefits are terminated on—

(i) the incentive to work; and

(ii) the financial status of the Federal Disability Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund; and

(D) the relationship between the effect of substantial gainful activity limits on individuals receiving disability insurance benefits and other individuals receiving disability insurance benefits.

(3) CONSULTATION.—The amendments made by subsection (B) shall be done in consultation with the Administrator of the Health Care Financing Administration.

(e) EFFECTIVE DATE.—The amendments and provisions made by this section shall apply with respect to taxable years ending after December 31, 2002.
SEC. 204. GRADUAL INCREASE IN NUMBER OF BENEFIT COMPUTATION YEARS; USE OF ALL YEARS IN COMPUTATION.

(a) IN GENERAL.—Section 215(b)(2)(A) of the Social Security Act (42 U.S.C. 415(b)(2)(A)) is amended—

(1) in clause (i), by striking "5 years" and inserting "the applicable number of years for purposes of this clause"; and

(2) by striking "Clause (ii)," in the matter following clause (ii) and inserting the following:

"For purposes of clause (i), the applicable number of years is the number of years specified in connection with the year in which such individual reaches early retirement age (as defined in section 215(b)(2)(B)), or, if earlier, the calendar year in which such individual dies, as set forth in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Number of Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4</td>
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<tr>
<td>2003</td>
<td>3</td>
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<tr>
<td>2009</td>
<td>2</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
</tr>
<tr>
<td>After 2010</td>
<td>1</td>
</tr>
</tbody>
</table>

(b) USE OF ALL YEARS IN COMPUTATION.—(1) In general.—Section 215(b)(2)(B) of the Social Security Act (42 U.S.C. 415(b)(2)(B)) is amended by striking clauses (i) and (ii) and inserting the following:

"(i) for calendar years after 2001 and before 2010, the term "benefit computation years" means the calendar base years in which an individual attains the age of 62 in a calendar year and taxable years beginning after such year; and

(ii) for calendar years after 2010, the term "benefit computation years" means all of the computation base years; and

(II) for calendar years after 2009, the term "benefit computation years" means all of the computation base years that are taxable years beginning in any calendar year after 1999.

(c) EFFECTIVE DATE.—(1) Subsection (a).—The amendments made by subsection (a) shall apply with respect to individuals attaining early retirement age (as defined in section 215(b)(2)(B) of the Social Security Act) after December 31, 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Number of Years</th>
</tr>
</thead>
<tbody>
<tr>
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<td>2009</td>
<td>5½</td>
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<tr>
<td>2010</td>
<td>5½</td>
</tr>
<tr>
<td>After 2010</td>
<td>5½</td>
</tr>
</tbody>
</table>

SEC. 205. MAINTENANCE OF BENEFIT AND CONVERSION BASE.

(a) IN GENERAL.—Section 230 of the Social Security Act (42 U.S.C. 430) is amended to read as follows:

"MAINTENANCE OF THE CONTRIBUTION AND BENEFIT BASE.

SEC. 230. (a) The Commissioner of Social Security shall determine and publish in the Federal Register on or before November 1 of each calendar year the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid in taxable years beginning after December 31 of the year in which the preceding calendar year is an amount equal to 86 percent of the total wages for the preceding calendar year (within the meaning of section 230(b)).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to remuneration paid in taxable years beginning in any calendar year after 1999.

SEC. 206. REDUCTION IN THE AMOUNT OF CERTAIN TRANSFERS TO MEDICARE TRUST FUND.

Subparagraph (A) of section 122(c)(1) of the Social Security Amendments of 1983 (42 U.S.C. 410 note), as amended by section 13215(c)(1) of the Omnibus Budget Reconciliation Act of 1993, is amended—

(1) in clause (i), by striking "the amounts" and inserting "the applicable percentage of the amounts"; and

(2) by adding at the end the following:

"For purposes of this section, the applicable percentage of the total wages for the preceding calendar year (within the meaning of section 230(b)) that are subject to taxation in taxable years beginning in any calendar year after 1999 shall be equal to 86 percent of the total wages for the preceding calendar year.

SEC. 207. ACTUARIAL ADJUSTMENT FOR RETIREMENT.

(a) IN GENERAL.—Section 230 of the Social Security Act (42 U.S.C. 402(q)) is amended—

(1) by striking "(D) 2003, is 23½; and

(2) by adding at the end the following:

"(E) 2004, is 23½; and

(F) 2005 or any succeeding year, is 23½."

(b) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to individuals who attain the age of 62 in a calendar year after 2004 and before 2007; and

(c) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to individuals who attain the age of 62 in a calendar year after 2005 and before 2007; and

SEC. 208. IMPROVEMENTS IN PROCESS FOR COST-OF-LIVING ADJUSTMENTS.

(a) ANNUAL DECLARATIONS OF PERSISTING UPPER LEVEL SUBSTITUTION BIAS, QUALITY-CHANGE BIAS, AND NEW-PRODUCT BIAS.—Not later than December 1, 1999, and annually thereafter, the Commissioner of the Bureau of Labor Statistics shall publish in the Federal Register an estimate of the upper level substitution bias, quality-change bias, and new-product bias retained in the Consumer Price Index, expressed in terms of a percentage point effect on the annual rate of change in the Consumer Price Index determined through the use of a superlative index that accounts for changes that consumers make in the quantities of goods and services consumed.

(b) MODIFICATION OF COST-OF-LIVING ADJUSTMENT.—Notwithstanding any other provision of law, for each calendar year after 1999 any cost-of-living adjustment described in subsection (a) shall be further adjusted by the greater of—

(1) 0.5 percentage point, or

(2) the percentage of the applicable level within the upper level substitution bias, quality-change bias, and new-product bias retained in the Consumer Price Index.

(c) FUNDING FOR CPI IMPROVEMENTS.—(1) IN GENERAL.—There is hereby appropriated to the Bureau of Labor Statistics in the Department of Labor, for each of fiscal years 2000, 2001, and 2002, $60,000,000 for use by the Bureau for the following purposes:

(A) Research, evaluation, and implementa-
tion of a superlative index to estimate upper level substitution bias, quality-change bias, and new-product bias in the Consumer Price Index.

(B) Expansion of the Consumer Expendi-
ture Survey and the Point of Purchase Survey.

(C) REPORTS.—The Commissioner of the Bu-
reau of Labor Statistics shall submit reports regarding the use of appropriations made under paragraph (1) to the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate upon the request of each Committee.

(D) INFORMATION SHARING.—The Com-
missioner of the Bureau of Labor Statistics may directly from the Com-
merce Department furnishes that information to the Com-
missioner.
(e) **Administrative Advisory Committee.**—The Bureau of Labor Statistics shall, in consultation with the National Bureau of Economic Research, the American Economic Association, and the National Academy of Statisticians, establish an administrative advisory committee. The advisory committee shall periodically advise the Bureau of Labor Statistics regarding revisions of the Consumer Price Index and conduct research and experimentation with alternative data collection and estimating approaches.

(f) **Cost-of-Living Adjustment Determination.**—A cost-of-living adjustment determined under subsection (e) shall be the amount equal to the applicable percentage referred to in subsection (a) with respect to the number of years beginning with 2012 and ending with the year of initial eligibility.

SEC. 209. MODIFICATION OF INCREASE IN NORMAL RETIREMENT AGE.

After 2039 and before 2060 1.0 percent.

SEC. 210. MODIFICATION OF INCREASE IN NORMAL RETIREMENT AGE.

(a) **In General.**—Section 215(a)(1) of the Social Security Act (42 U.S.C. 401) is amended by adding at the end the following:

"(n) On July 1 of each calendar year specified in the following table, the Secretary of the Treasury shall transfer, from the general fund of the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the applicable percentage for such year, specified in such table, of the total wages paid in and self-employment income credited to such year.

For a calendar year—

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1999</td>
<td>1.0 percent</td>
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<tr>
<td>2000</td>
<td>1.0 percent</td>
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<tr>
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<td>2007</td>
<td>1.0 percent</td>
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<tr>
<td>2008</td>
<td>1.0 percent</td>
</tr>
<tr>
<td>2009</td>
<td>1.0 percent</td>
</tr>
</tbody>
</table>

(b) **Study of the Effect of Increases in Life Expectancy.**—

(1) **Study Plan.**—Not later than February 15, 2001, the Commissioner of Social Security shall submit to Congress a detailed study containing an analysis of the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources. The study shall include a description of the methodology, data, and funding that will be required in order to provide to Congress not later than February 15, 2006:

(A) an evaluation of trends in mortality and their relationship to trends in health status, among individuals approaching eligibility for retirement income, those with poor health or physically demanding occupations;

(B) an evaluation of trends in labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits; and

(C) an evaluation of changes, if any, in the social security disability program that would reduce the impact of changes in the retirement income of workers in poor health or physically demanding occupations.

(2) **Evaluation of Other Matters.**—In addition to any reports under subparagraph (A), the President shall, not later than May 30, 2001, prepare and submit to Congress an evaluation of such other matters as the President deems appropriate for determining initial eligibility and reviewing continued eligibility for benefits under such program.

(c) **Applicability.**—Subparagraph (A) shall not apply to any recommendation of the Board for that disapproval, together with such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under the program, the relationship of such program with old age benefits under such Act, and the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources.

SEC. 211. MECHANISM FOR REMEDYING UNFORESEEN DETERIORATION IN SOCIAL SECURITY SOLVENCY.

(a) **In General.**—Section 709 of the Social Security Act (42 U.S.C. 910) is amended—

(1) by redesignating subsection (b) as subsection (c);

(2) by striking "Sec. 709. (a) If the Board of Trustees and all that follows through "any such Trust Fund" and inserting the following:

"Sec. 709. (a)(1) If the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund determines at any time, using intermediate actuarial assumptions, that the balance ratio of either such Trust Fund, or for any carry forward period during the succeeding period of 75 calendar years will be zero, the Board shall promptly submit to the President a report setting forth its recommendations for statutory adjustments affecting the receipts and disbursements of such Trust Fund as necessary to bring the balance ratio of such Trust Fund at not less than 20 percent, with due regard to the economic conditions which created such inadequacy in the balance ratio and time necessary to alleviate such inadequacy in a prudent manner. The report shall set forth specifically the extent to which benefits under the Social Security Act (42 U.S.C. 401) would have to be reduced, taxes under section 1401, 3101, or 3111 of the Internal Revenue Code of 1986 would have to be increased, or a combination thereof, in order to obtain those objectives referred to in the preceding sentence.

(b) **In any reports under subparagraph (A), the Board shall, not later than May 30, 2001, prepare and submit to Congress and the President recommendations for statutory adjustments to the definitions of benefits under the Social Security Act (42 U.S.C. 401) to modify the changes in disability benefits under the Bipartisan Social Security Reform Act of 1999 without reducing the balance ratio of the Federal Old-Age and Survivors Insurance Trust Fund. The Board shall develop such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under such program, the relationship of such program with old age benefits under such Act, and the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources.

(c) **Applicability.**—Subparagraph (A) shall not apply to any recommendation of the Board for that disapproval, together with such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under the program, the relationship of such program with old age benefits under such Act, and the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources.

SEC. 212. MODIFICATION OF PI/A FACTORS TO REFLECT CHANGES IN LIFETIME EXPECTANCY.

(a) **Modifications of PI/A Factors.**—Section 215(a)(1)(B) of the Social Security Act (42 U.S.C. 401(a)(1)(B)) is amended by redesignating subparagraph (D) as subparagraph (F) and by inserting after subparagraph (C) the following:

"(D) For individuals who initially become eligible for old-age insurance benefits in any calendar year after 2011, each of the percentages under clauses (i), (ii), (iii), and (iv) of subparagraph (A) shall be multiplied by the applicable number of times by the applicable percentage referred to in subsection (a) with respect to the number of years beginning with 2012 and ending with the year of initial eligibility; and

"(ii) the term 'applicable percentage' means .988 with respect to the first 6 applicable number of times and .997 with respect to the applicable number of times in excess of 6.

(b) **Study of the Effect of Changes in Life Expectancy.**—

(1) **Study Plan.**—Not later than February 15, 2001, the Commissioner of Social Security shall submit to Congress a detailed study containing an analysis of the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources. The study shall include a description of the methodology, data, and funding that will be required in order to provide to Congress not later than February 15, 2006:

(A) an evaluation of trends in mortality and their relationship to trends in health status, among individuals approaching eligibility for retirement income, those with poor health or physically demanding occupations;

(B) an evaluation of trends in labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits; and

(C) an evaluation of changes, if any, in the social security disability program that would reduce the impact of changes in the retirement income of workers in poor health or physically demanding occupations.

(2) **Evaluation of Other Matters.**—In addition to any reports under subparagraph (A), the President shall, not later than May 30, 2001, prepare and submit to Congress and the President recommendations for statutory adjustments to the definitions of benefits under the Social Security Act (42 U.S.C. 401) to modify the changes in disability benefits under the Bipartisan Social Security Reform Act of 1999 without reducing the balance ratio of the Federal Old-Age and Survivors Insurance Trust Fund. The Board shall develop such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under such program, the relationship of such program with old age benefits under such Act, and the changes in life expectancy on the expected level of retirement income from social security, pensions, and other sources.
A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the respective House shall immediately dispose of the joint resolution without intervening motion, order, or other business, and the joint resolution shall remain unfinished business of the respective House until disposed of.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

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(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

(iii) On or after the third day after the date of the vote by which the joint resolution is not agreed to or disagreed to it is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.
Mr. GREGG submitted two amendments, to be considered together, and in his name, to title XI of division C of Public Law 107-27, which together amend the Economic Opportunity Act of 2004, to provide for a two-year extension of the Act.

Mr. GREGG. Mr. President, I rise to offer amendment No. 1427, to extend the Economic Opportunity Act of 2004, by striking "2004" and inserting "2006"; to add new subsection (g) to section 1202, to provide for a two-year extension of the Act; and to delete section 1203.

Mr. WELLSTONE. Mr. President, I rise to offer amendment No. 1428, to extend the Economic Opportunity Act of 2004, by striking "2004" and inserting "2006"; to add new subsection (g) to section 1202, to provide for a two-year extension of the Act; and to delete section 1203.

Mr. GREGG. Mr. President, I rise to offer amendment No. 1429, to extend the Economic Opportunity Act of 2004, by striking "2004" and inserting "2006"; to add new subsection (g) to section 1202, to provide for a two-year extension of the Act; and to delete section 1203.

Mr. WELLSTONE. Mr. President, I rise to offer amendment No. 1430, to extend the Economic Opportunity Act of 2004, by striking "2004" and inserting "2006"; to add new subsection (g) to section 1202, to provide for a two-year extension of the Act; and to delete section 1203.

At the end, add the following:}

**APPLICATION OF ACT.**

Notwithstanding any other amendment made by, or provision of, this Act, the amendments made by this Act shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to have this paragraph apply to such qualifying individual for such taxable year.
LIEBERMAN (AND LEVIN) AMENDMENT NO. 1431
(Ordered to lie on the table.)
Mr. LIEBERMAN (for himself, and Mr. LEVIN) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

Strike all after the first word.

KERRY AMENDMENT NO. 1432
(Ordered to lie on the table.)
Mr. KERRY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. INCREASED LIFETIME LEARNING CREDIT FOR TECHNOLOGY TRAINING FOR ELEMENTARY AND SECONDARY TEACHERS.

(a) IN GENERAL.—Subsection (c) of section 25A (relating to lifetime learning credit) is amended by adding at the end the following new paragraph:

``(C) Final Rule for Technology Training for Elementary and Secondary Teachers.—If any portion of the qualified tuition and related expenses to which this subsection applies—

``(i) is paid or incurred by an individual who is a teacher in the classroom in an elementary or secondary school, and

``(ii) is incurred before January 1, 2005—

``(A) is paid or incurred by an individual who is a teacher in the classroom in an elementary or secondary school, and

``(B) is incurred before January 1, 2005—

``(i) for the enrollment or attendance of such individual in a course of instruction on basic or advanced computer software (including educational software offered by a single institution) approved for such individual by such local educational agency, and

``(ii) for purposes of integrating materials covered by such course into the courses taught in the elementary or secondary classroom,

paragraph (1) shall be applied with respect to such portion by substituting ‘‘50 percent’’ for ‘‘20 percent’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

DOMENICI AMENDMENTS NOS. 1433-1436
(Ordered to lie on the table.)
Mr. DOMENICI submitted four amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT No. 1433
On page 371, between lines 16 and 17, insert the following:

SEC. ___. IMPROVEMENT OF ALTERNATIVE INCREMENTAL CREDIT.

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities), as amended by section 1201, is amended by adding at the end the following new paragraph:

``(h) Election of Alternative Incremental Credit.—

``(1) In General.—At the election of the taxpayer, the credit under subsection (a)(1) shall be determined under this section by taking into account the modifications provided by this subsection.

``(2) Determination of base amount.—

``(A) In general.—In computing the base amount under subsection (c), the fixed-base percentage shall be equal to 20 percent of the percentage which the aggregate qualified research expenses of the taxpayer for the base period is of the aggregate gross receipts of the taxpayer for the base period, and

``(B) Start-up and small taxpayers.—In computing the base amount under subsection (c), the gross receipts of a taxpayer for any taxable year shall be treated as at least equal to $1,000,000.

``(C) Base period.—For purposes of this section, the base period is the 8-taxable year period preceding the taxable year (or, if shorter, the period the taxpayer (and any predecessor) has been in existence).

``(D) Election.—An election under this subsection shall apply to taxable years for which made and all succeeding taxable years unless revoked with the consent of the Secretary.

``(B) Conforming Amendment.—Section 41(c) is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. ___. MODIFICATIONS TO CREDIT FOR BASIC RESEARCH.

(a) Elimination of Incremental Requirement.—

``(1) In General.—Paragraph (1) of section 41(e) (relating to credit allowable with respect to certain payments to qualified organizations for basic research) is amended to read as follows:

``(1) In General.—The amount of basic research payments taken into account under subsection (a)(2) shall be determined in accordance with this subsection.

``(B) Conforming Amendments.—

``(A) Section 41(a)(2) is amended by striking determined under subsection (e)(1)(A)” and inserting “determined under subsection (e)(1)(A)” and inserting “determined under subsection (e)(1)(A)”.

``(B) Section 41(e) is amended by striking paragraphs (3), (4), and (5) and by redesignating paragraphs (6) and (7) as paragraphs (3) and (4), respectively.

``(C) Section 41(e)(4), as redesignated by subparagraph (B), is amended by striking subparagraph (B) and by redesigning subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D), respectively.

``(D) Clause (i) of section 170(e)(4)(B) is amended by striking “section 41(e)(6)” and inserting “section 41(e)(6)”.

``(B) Basic Research.—

``(1) Specific Commercial Objective.—Section 41(e)(4) (relating to definitions and special rules), as redesignated by subsection (a)(2)(B), is amended by adding at the end the following:

``(E) Specific commercial objective.—For purposes of subparagraph (A), research shall not be treated as having a specific commercial objective if the results of such research and the findings shall be published in a timely manner (as to be available to the general public prior to their use for a commercial purpose).’’.}

``(2) Exclusions from Basic Research.—Clause (ii) of section 41(e)(4) (relating to definitions and special rules), as redesignated by subsection (a), is amended to read as follows:

``(ii) basic research in the arts and humanities.’’

``(C) Expansion of Credit to Research Done at Federal Laboratories.—Section 41(e)(3), as redesignated by subsection (a), is amended by adding at the end the following new subparagraph:

``(D) Federal Laboratories.—Any organization which is a Federal laboratory (as defined in section 46 of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3706)).’’

``(D) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. ___. CREDIT FOR EXPENSES ATTRIBUTABLE TO CERTAIN COLLABORATIVE RESEARCH CONSORTIA.

(a) Credit for Expenses Attributable to Certain Collaborative Research Consortia.—

``(A) Credit for expenses attributable to certain collaborative research consortia. Subsection (a) of section 41 (relating to credit for increasing research activities), as amended by the end of paragraph (1), striking the period at the end of paragraph (2) and inserting ‘‘(2)’’, and by adding at the end the following:

``(3) 20 percent of the amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the taxable year (including as contributions to a qualified research consortium)’’.}

``(B) Qualified Research Consortium Defined.—Subsection (f) of section 41 is amended by adding at the end the following:

``(F) Qualified Research Consortium. The term ‘‘qualified research consortium’’ means any organization—

``(A) which is—

``(i) described in section 501(c)(3) and is exempt from tax under section 501(a) and is organized and operated primarily to conduct scientific or engineering research, or

``(ii) organized and operated primarily to conduct scientific or engineering research in the public interest (within the meaning of section 501(c)(3)));

``(B) which is not a private foundation;

``(C) to which at least 5 unrelated persons paid or incurred during the calendar year in which the taxable year of the organization begins amounts (including as contributions) to such organization for scientific or engineering research, and

``(D) to which no single person paid or incurred (including as contributions) during such calendar year an amount equal to more than 50 percent of the total amounts received by such organization during such calendar year for scientific or engineering research.

All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as related persons for purposes of subparagraph (C) and as a single person for purposes of subparagraph (D).’’

``(C) Conforming Amendment.—Paragraph (3) of section 41(e) is amended by striking subparagraph (C).’’

``(D) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

DOMENICI AMENDMENTS NOS. 1433-1436
(Ordered to lie on the table.)
Mr. DOMENICI submitted four amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:...
or the Secretary’s delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) CONFORMING AMENDMENTS.—Section 41(a)(2) is amended by inserting “and” at the end of the section.

SEC. 721. INCREASE IN ANNUAL GIFT EXCLUSION.

(a) IN GENERAL.—Section 2503(a) (relating to the annual gift exclusion) is amended by striking the second subsection and inserting the following:

“(1) IN GENERAL.—The annual exclusion is $10,000,000 for taxable years beginning after December 31, 2004.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SECTION 722. IMPROVED ALTERNATIVE INCREMENTAL CREDIT.

(a) IN GENERAL.—The amount of the credit shall be determined in accordance with the following:

(1) IN GENERAL.—The amount of the credit shall be increased in each calendar year by $500,000,000, as determined under paragraph (2), except that for taxable years beginning after December 31, 2005, the amount of the credit shall be $40,000,000,000.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SECTION 723. APPLICATION TO CERTAIN COLLABORATIVE RESEARCH CONSORTIA.

(a) IN GENERAL.—The credit for expenses attributable to certain collaborative research consortia is amended by striking “certain collaborative research consortia” and inserting “certain collaborative research consortia established by the Secretary or the Secretary’s delegate.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

AMENDMENT NO. 1434

On page 371, between lines 16 and 17, insert the following:

SEC. 721. IMPROVED ALTERNATIVE INCREMENTAL CREDIT.

(a) IN GENERAL.—The amount of the credit shall be determined in accordance with the following:

(1) IN GENERAL.—The amount of the credit shall be increased in each calendar year by $500,000,000, as determined under paragraph (2), except that for taxable years beginning after December 31, 2005, the amount of the credit shall be $40,000,000,000.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

AMENDMENT NO. 1434

On page 371, between lines 16 and 17, insert the following:

SEC. 721. IMPROVED ALTERNATIVE INCREMENTAL CREDIT.

(a) IN GENERAL.—The amount of the credit shall be determined in accordance with the following:

(1) IN GENERAL.—The amount of the credit shall be increased in each calendar year by $500,000,000, as determined under paragraph (2), except that for taxable years beginning after December 31, 2005, the amount of the credit shall be $40,000,000,000.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.
(a) PURPOSES.—The purposes of this section are—

(1) to simplify the tax code so that millions of Americans will no longer be required to calculate their income taxes under 2 systems; and

(2) to recognize that tax credits should not be denied to individuals who are eligible for such credit.

(b) IN GENERAL.—Subsection (a) of section 55 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

```
(f) Phaseout of Tax on Individuals.—

(1) In general.—The tax imposed by this subsection on a taxpayer other than a corporation for any taxable year beginning after December 31, 2009, shall be zero.

(2) Reduction of Tax on Individuals Prior to Repeal.—Section 55 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

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(c) REDUCTION OF TAX ON INDIVIDUALS PRIOR TO REPEAL.—Section 55 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

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(2) Applicable Percentage.—For purposes of paragraph (1), the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>For taxable years beginning in calendar year</th>
<th>The applicable percentage is—</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>80</td>
</tr>
<tr>
<td>2006</td>
<td>70</td>
</tr>
<tr>
<td>2007</td>
<td>60</td>
</tr>
<tr>
<td>2008 or 2009</td>
<td>50</td>
</tr>
</tbody>
</table>

(d) NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY.—

(1) In General.—Subsection (a) of section 26 of the Internal Revenue Code of 1986 (relating to limitation based on amount of tax) is amended to read as follows:

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(a) Limitation Based on Amount of Tax.—The aggregate amount of credits allowed for the taxable year shall not exceed the taxpayer's regular tax liability for the taxable year.
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(2) Child Credit.—Subsection (d) of section 24 of such Code is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(3) Limitation on Use of Credit for Prior Year Minimum Tax Liability.—Subsection (c) of section 53 of the Internal Revenue Code of 1986 is amended to read as follows:

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(c) Limitation.—

(1) Limitation on Credit for Prior Year Minimum Tax Liability.—Except as otherwise provided in this subsection, the credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

(A) the tentative minimum tax of the taxpayer for such taxable year reduced by the sum of the credits allowable under subsections A, B, D, E, and F of this part, over

(B) the tentative minimum tax for the taxable year.

(2) Taxable Years Beginning After 2009.—In the case of any taxable year beginning after December 31, 2009, the credit allowable under subsection (a) to a taxpayer other than a corporation for any taxable year shall not exceed 90 percent of the excess (if any) of—

(A) the regular tax liability of the taxpayer for such taxable year, over

(B) the sum of the credits allowable under subsections A, B, D, E, and F of this part.
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(f) Special Rules.—For purposes of this section—

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(1) DISTRIBUTIONS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—Subsection (a) shall apply with respect to distributions by—

(A) regulated investment companies to the extent provided in section 854(c), and

(B) real estate investment trusts to the extent provided in section 857(c).

(2) Certain Nonresident Aliens Ineligible for Exclusion.—In the case of a nonresident alien individual, subsection (a) shall apply only—

(A) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends and interest which are effectively connected with the conduct of a trade or business within the United States, or

(B) in determining the tax imposed for the taxable year pursuant to section 871(b)(2).

(3) Conforming Amendments.—(1) The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 115 the following new section:

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(SEC. 13. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.
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(2) The amendments made by this section shall apply to taxable years beginning after December 31, 1998.
allowable by section 163 for the taxable year as does not exceed aggregate interest received for the taxable year.

(2) NOTICE TO SHAREHOLDERS.—The amount determined by a regulated investment company which may be taken into account as a dividend for purposes of the exclusion under section 116 shall not exceed the amount designated by the trust in a written notice to its shareholders mailed not later than 60 days after the close of its taxable year.

(3) DEFINITIONS.—For purposes of this subsection—

(A) GROSS INCOME.—The term 'gross income' does not include gain from the sale or other disposition of stock or securities.

(B) AGGREGATE DIVIDENDS.—The term 'aggregate dividends' includes only dividends received from domestic corporations other than dividends described in section 116(b)(2).

In determining the amount of any dividend for purposes of this subparagraph, the rules provided in section 116(d)(1) (relating to certain distributions) shall apply.

(C) INTEREST.—The term 'interest' has the meaning given such term by section 116(c).

(D) a partnership,

E) an estate, (F) a trust, and

(F) a common trust fund.''.

SECTION 1202. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(1) the net capital gain of the taxpayer for the taxable year, or

(2) $5,000.

(b) SALES BETWEEN RELATED PARTIES.—Gains from sales and exchanges to any related person (within the meaning of section 267(b) or 707(b)(1)) shall not be taken into account as a dividend for purposes of this section.

(c) SPECIAL RULE FOR SECTION 1250 PROPERTY.—Soley for purposes of this section, in applying section 1250 to any disposition of section 1250 property, all depreciation adjustments in respect of the property shall be treated as additional depreciation.

(d) SECTION NOT TO APPLY TO CERTAIN TAXPAYERS.—Section 1202 shall be applied under this section to—

(1) an individual with respect to whom a deduction under section 151 is allowable to the individual for the taxable year in which such individual's taxable year begins,

(2) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

(3) an estate or trust.

(e) SPECIAL RULE FOR PASS-THRU ENTITIES.—

(1) IN GENERAL.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

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

(A) a regulated investment company,

(B) a real estate investment trust,

(C) an S corporation,

(D) a partnership,

(E) an estate, (F) a trust, and

(F) a common trust fund.''.

(f) CONFORMING AMENDMENTS.—

(1) Section 57(a)(7) of the Internal Revenue Code of 1986 is amended by striking '1202' and inserting '1203'.

(2) Clause (ii) of section 163(d)(4)(B) of such Code is amended to read as follows—

(iii) the sum of—

(i) the portion of the net capital gain referred to in clause (ii)(I) (or, if lesser, the net capital loss referred to in clause (ii)(II)) taken into account under section 1202, reduced by the amount of the deduction allowed with respect to such gain under section 1202, plus

(ii) so much of the gain described in subclause (I) which is not taken into account under section 1202 and which the taxpayer elects to take into account under this chapter.

(3) Subparagraph (B) of section 172(d)(2) of such Code is amended to read as follows—

'B) the deduction under section 1202 and the exclusion under section 1203 shall not be allowed.''

(4) Section 642(c)(4) of such Code is amended by striking '1202' and inserting '1203'.

(5) Section 643(a)(3) of such Code is amended by striking '1202' and inserting '1203'.

(6) Paragraph (4) of section 691(c) of such Code is amended inserting '1203', after '1202'.

(7) The second sentence of section 871(3)(a) of such Code is amended by inserting 'or 1203' after 'section 1202'.

The last sentence of section 104(d) of such Code is amended by striking '1202' and inserting '1203'.

SEC. 22. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) PURPOSES.—The purposes of this section are—

(1) to provide an incremental step toward shifting the Internal Revenue Code away from taxing savings and investment, and

(2) to lower the tax on such gains so that prosperity, better paying jobs, and innovation will continue in the United States.

(b) AMENDMENTS.—The Internal Revenue Code of 1986 (relating to capital gains and losses) is amended by inserting after paragraph (11) the following:

''(II) the portion of such gain or loss which bears the same ratio to the amount of the deduction allowable by section 163 for the taxable year, or

(3) to eliminate capital gain taxes for businesses, corporations which meet the requirements of this part for the taxable year, or

(4) to provide an incremental step toward reducing the Federal corporate income tax.

(c) LIMITATIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

(1) IN GENERAL.—For purposes of section 116 (relating to an exclusion for dividends and interest received by individuals) and section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered as a dividend.

(2) INTANGIBLE ARMS LENGTH.—For purposes of section 116, in the case of a dividend (other than a capital gain dividend, as defined in subsection (c)) received by corporations which meet the requirements of this part for the taxable year in which it paid the dividend—

(A) such dividend shall be treated as interest if the aggregate interest received by the real estate investment trust for the taxable year equals or exceeds 75 percent of its gross income, or

(B) subparagraph (A) does not apply, the portion of such dividend which bears the same ratio to the amount of such dividend as the aggregate interest received bears to gross income, shall be treated as interest.

(3) ADJUSTMENTS TO GROSS INCOME AND AGGREGATE INTEREST RECEIVED.—For purposes of paragraph (2)—

(A) gross income does not include the net capital gain.

(B) gross income and aggregate interest received shall each be reduced by so much of the deduction allowable by section 163 for the taxable year (other than for interest on mortgages on real property owned by the real estate investment trust) as does not exceed aggregate interest received by the taxable year, and

(C) gross income shall be reduced by the sum of the taxes imposed by paragraphs (4), (5), and (6) of section 851(b).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.
For treatment of eligible gain not excluded under subsection (a), see section 1202.

(11) Section 1203 of such Code, as redesignated by subsection (a), is amended by adding after subsection (a) and before subsection (b) the following:

(i) Cross Reference.—For treatment of eligible gain not excluded under subsection (a), see section 1202.

The purpose of this section is to eliminate one of the most misguided, anti-growth, anti-investment tax schemes ever devised.

(a) Purpose.—The purpose of this section is to begin phasing out the confiscatory gift and estate tax by reducing the rate of tax.

(b) Repeal of Estate and Gift Taxes.—Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is repealed effective with respect to estates of decedents dying, and gifts made, after December 31, 2008.

(c) Phaseout of Tax.—Subsection (c) of section 2001 of the Internal Revenue Code of 1986 (relating to imposition and rate of tax) is amended by adding at the end the following:

(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2008.

(2) Amendment.—Section 2001(b) of the Internal Revenue Code of 1986 shall be amended by striking "2009" and inserting "2008".

(d) Coordination with Paragraph (2).—Paragraph (2) shall be applied by reducing the 55 percent percentage point determined for such calendar year under subparagraph (B) by the number of percentage points below zero equal to the number of calendar years beginning after 2008 and before 2010.

(e) Effective Date.—(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2008.

(2) Amendment.—Section 2001(b) of the Internal Revenue Code of 1986 shall be amended by striking "2009" and inserting "2008".

(f) Effective Date.—The amendment made by section (d)(2)(A) shall apply to taxable years beginning after December 31, 2009.

For taxable years beginning after 2009, the $25,000 amount under paragraph (1) shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

In no event shall the limitation determined under this paragraph be greater than the sum of the tax imposed by section 55 and the regular tax reduced by the sum of the credits allowed under subparts A, B, D, E, and F of this part.

(2) Conforming Amendments.—(A) Section 55(e) of such Code is amended by striking paragraph (5).

(B) Paragraph (3) of section 55(c) of such Code, as redesignated by paragraph (1), is amended by striking "to a taxpayer other than a corporation".

(c) Coordination With Paragraph (2).—Paragraph (2) shall be applied by reducing the 55 percent percentage point determined for such calendar year under subparagraph (B) by the number of percentage points below zero equal to the number of calendar years beginning after 2008 and before 2010.

(d) Coordination With Credit for State Death Taxes.—Rules similar to the rules of
subparagraph (A) shall apply to the table contained in section 201(b) except that the number of percentage points referred to in subparagraph (A)(i) shall be determined under the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2</td>
</tr>
<tr>
<td>2002</td>
<td>3</td>
</tr>
<tr>
<td>2003</td>
<td>4</td>
</tr>
<tr>
<td>2004</td>
<td>5</td>
</tr>
<tr>
<td>2005</td>
<td>6</td>
</tr>
<tr>
<td>2006</td>
<td>7</td>
</tr>
<tr>
<td>2007</td>
<td>8</td>
</tr>
<tr>
<td>2008</td>
<td>9</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
</tr>
<tr>
<td>2010</td>
<td>11</td>
</tr>
</tbody>
</table>

(c) Effective Date.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

TITLE V—RESEARCH CREDIT EXTENSION AND MODIFICATION

SEC. 51. PURPOSE.

The purpose of this title is to make the research credit permanent and make certain modifications to the credit.

SEC. 52. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) IN GENERAL.—Section 41 of the Internal Revenue Code of 1986 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Section 45C(b)(1) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D).

(c) Effective Date.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2000.

SEC. 53. IMPROVED ALTERNATIVE INCREMENTAL CREDIT.

(a) IN GENERAL.—Section 41 of the Internal Revenue Code of 1986 (relating to credit for increasing research activities), as amended by section 52, is amended by adding at the end the following:

"(1) IN GENERAL.—At the election of the taxpayer, the credit under subsection (a)(1) shall be determined under this section by taking into account the modifications provided by this subsection.

(2) Determination of Base Amount.—

(A) IN GENERAL.—In computing the base amount under subsection (c)—

(i) notwithstanding subsection (c)(3), the fixed-rate shall be equal to 50 percent of the percentage which the aggregate qualified research expenses of the taxpayer for the base period is of the aggregate gross receipts of the taxpayer for the base period, and

(ii) the minimum base amount under subsection (c)(2) shall not apply.

(3) BASE PERIOD.—For purposes of this subsection, the base period is the 5-taxable year period preceding the taxable year (or, if shorter, the period the taxpayer (and any predecessor) has been in existence).

(4) ELECTION.—An election under this subsection shall be irrevocable for the taxable year for which it is made, but may be revoked with the consent of the Secretary.

(b) Conforming Amendment.—Section 41(c)(2) of the Internal Revenue Code of 1986 is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 54. MODIFICATIONS TO CREDIT FOR BASIC RESEARCH.

(a) Elimination of Incremental Requirement.

(1) IN GENERAL.—Paragraph (1) of section 41(e) of the Internal Revenue Code of 1986 (relating to credit allowable with respect to certain payments to qualified organizations for basic research) is amended to read as follows:

"(I) IN GENERAL.—The amount of basic research payments taken into account under subsection (a)(2) shall be determined in accordance with this subsection.

(2) Conforming Amendments.—

(A) Section 41(a)(2) of the Internal Revenue Code of 1986 (relating to striking "determined under subsection (e)(1)(A)" and insert "for the taxable year") is amended by striking "section 41(e)(6)" and inserting "section 41(e)(3)".

(B) Basic Research.—

(1) Specific Commercial Objective.—

(i) I N GENERAL.—For purposes of subparagraph (A), research shall not be treated as having a specific commercial objective if the results of such research are to be published in a timely manner as to be available to the general public prior to commercial use.

(ii) Reductions.—The specific commercial objective of the research for which the credit is allowed under this paragraph shall be reduced by the amount of any credit claimed under other paragraphs (including paragraphs (2) and (7)) of section 41(e)(3) in that taxable year.

(C) Base Period.—For purposes of this paragraph, the base period is the 5-taxable year period preceding the taxable year (or, if shorter, the period the taxpayer (and any predecessor) has been in existence).

(D) Clause (i) of section 41(e)(4)(B) of such Code is amended by striking "section 41(e)(6)" and inserting "section 41(e)(3)".

(E) Federal Laboratories.—Any organization which is a Federal laboratory (as defined in section 318 of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3703(b))

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 55. CREDIT FOR EXPENSES ATTRIBUTABLE TO CERTAIN COLLABORATIVE RESEARCH CONSORTIA.

(a) Credit for Expenses Attributable to Certain Collaborative Research Consortia.—

Subsection (a) of section 41 of the Internal Revenue Code of 1986 (relating to credit for increasing research activities) is amended by striking paragraph (2) and inserting "and, by adding at the end the following:

"(2) 20 percent of the amounts paid or incurred by the taxpayer in carrying on any trade or business during the taxable year (including as contributions) to a qualified research consortium.

(b) Qualifying Research Consortium Defined.—

Subsection (a) of section 41 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(G) Qualified Research Consortium.—The term 'qualified research consortium' means any organization—

(A) which is—

(iii) described in section 501(c)(3) and is exempt from tax under section 501(a) and is organized and operated primarily to conduct scientific or engineering research, or

(iv) organized and operated primarily to conduct scientific or engineering research in the public interest (within the meaning of section 501(c)(3)).

(B) which is not a private foundation,

(C) to which at least 5 unrelated persons paid or incurred during the calendar year in which the taxable year of the organization begins amounts (including as contributions) to such organization for scientific or engineering research, and

(D) to which no single person paid or incurred (including as contributions) during such calendar year an amount equal to more than 5 percent of the total amounts received by such organization during such calendar year for scientific or engineering research.

All persons treated as a single employer under section (a) or (b) of section 52 shall be treated as related persons for purposes of subparagraph (C) and shall be treated as a single person for purposes of subparagraph (D).

(c) Conforming Amendment.—

(1) Subparagraph (C) of section 41(e)(4)(B) of the Internal Revenue Code of 1986 is amended by striking subparagraph (E).

(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 56. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS.

(a) Assistance to Small and Start-Up Businesses.—

The Secretary of the Treasury or the Secretary's delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) Repeal of Limitation on Contract Research Expenses Paid to Small Businesses and Federal Laboratories.—

Section 41(b)(3) of the Internal Revenue Code of 1986 is amended by striking subsection (a). The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 57. AMOUNTS PAID TO ELIGIBLE SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.

(a) IN GENERAL.—In the case of amounts paid by the taxpayer to an eligible small business, an institution of higher education (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 59(c)), the term 'eligible small business' means—

(1) in the case of a corporation, the outstanding stock of the corporation (either by voting or by value), and

(2) in the case of a small business which is not a corporation, the capital and profits interests of the small business.

(b) ELIGIBLE SMALL BUSINESS.—For purposes of this subparagraph—

(1) in general.—The term 'small business' means, with respect to any calendar year, the number of employees employed by such person during either of the 2 preceding calendar
years was 500 or fewer. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the person was in existence throughout the year."

(ii) STARTING THE PERIOD AT THE END OF PARAGRAPHS (B) AND (D) OF SECTION 202A(c)(4) SHALL APPLY FOR PURPOSES OF THIS CLAUSE.

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

"(1) IN GENERAL.—Subsection (c) of section 30 of the Internal Revenue Code of 1986 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following:

"(3) SPECIAL RULE FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—

"(A) IN GENERAL.—In the case of the marginal oil and gas well production credit—

"(i) this section and section 39 shall be applied separately with respect to the credit, and

"(ii) in applying paragraph (1) to the credit—

"(I) subparagraphs (A) and (B) thereof shall not apply, and

"(II) the limitation under paragraph (1) (as modified by subparagraph (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the marginal oil and gas well production credit).

"(B) MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—For purposes of this subsection, the term 'marginal oil' and gas well production credit' is amended by inserting 'the marginal oil and gas well production credit' after 'employment credit'.

"(C) CARRYBACK.—Subsection (a) of section 39 of the Internal Revenue Code of 1986 (relating to carryback and carryforward of unused credits generally) is amended by adding at the end the following:

"(3) 10-YEAR CARRYBACK FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—In the case of the marginal oil and gas well production credit—

"(A) this section shall be applied separately from the business credit (other than the marginal oil and gas well production credit) otherwise provided for in this subtitle,

"(B) paragraph (1) shall be applied by substituting '10 taxable years' for '1 taxable years' in subparagraph (A) thereof, and

"(C) paragraph (2) shall be applied by substituting '3 taxable years' for '2 taxable years' in subparagraph (A) thereof, and

"(D) by substituting '30 taxable years' for '20 taxable years' in subparagraph (B) thereof.

"(d) CREDIT ALLOWED AGAINST REGULAR MINIMUM TAX CREDIT.—

"(A) IN GENERAL.—Section 33(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(2) CREDIT ALLOWED AGAINST REGULAR MINIMUM TAX CREDIT.—

"(A) IN GENERAL.—Section 33(c) of the Internal Revenue Code of 1986 is amended by adding at the end of subsection (c), by striking the period at the end of paragraph (2) and inserting the following:

"(3) 10-YEAR CARRYBACK FOR UNUSED MINIMUM TAX CREDIT.—

"(A) IN GENERAL.—Section 33(c) of the Internal Revenue Code of 1986 (relating to limitation on amount of credit) is amended by adding at the end the following:

"(3) 10-YEAR CARRYBACK FOR UNUSED MINIMUM TAX CREDIT.—
(2) Special rule for taxpayers with unused energy minimum tax credits.—

(A) In general.—If, during the 10-taxable year period ending with the current taxable year, any unused energy minimum tax credit for any taxable year in such period (determined without regard to the application of this paragraph to the current taxable year)

(i) paragraph (1) shall not apply to each of the taxable years in such period for which the taxpayer has an unused energy minimum tax credit, and

(ii) the credit allowed under subsection (a) (for purposes of this subparagraph) is determined

(B) Energy minimum tax credit.—For purposes of this paragraph, the term ‘energy minimum tax credit’ means the energy minimum tax credit which would be computed with respect to any taxable year if the adjusted net minimum tax were computed by only taking into account taxable income.

(i) the taxpayer’s mineral interests in oil and gas property, and

(ii) the taxpayer’s active conduct of a trade or business of providing tools, products, personnel, and technical solutions on a contractual basis to persons engaged in oil and gas exploration and production,

(3) Coordination with subsection (b)(2).—For purposes of this paragraph, the term ‘energy minimum tax credit’ means the lesser of

(a) the amount which would be the net operating loss for the taxable year if only in- come and deductions attributable to

(i) mineral interests in oil and gas well, and

(ii) the active conduct of a trade or business of providing tools, products, personnel, and technical solutions on a contractual basis to persons engaged in oil and gas exploration and production,

are taken into account, and

(b) the amount of the net operating loss for such taxable year.

(C) Election to expense delay rental payments.—

Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

(4) Delay rental payments.—For purposes of paragraph (1), the term ‘delay rental payment’ means an amount paid for the privilege of deferring development of an oil or gas well.

(2) Conforming amendment.—Section 263A(c)(3) of the Internal Revenue Code of 1986, as amended by subsection (b)(2), is amended by inserting ‘263(k),’ after ‘263(j),’.

(3) Effective date.—The amendments made by this subsection shall apply to payments made or incurred after December 31, 2000.

(8) Transition rule.—In the case of any payment described in section 638 of the Internal Revenue Code of 1986, as added by this subsection, which were paid or incurred on or before December 31, 2000, the taxpayer may elect to treat such payment as incurred at such time and in such manner as the Secretary of the Treasury may prescribe, to amortize the unamortized portion of such payments over the 36-month period beginning with the first day of the taxable year in which paid or incurred.

For purposes of this subparagraph, the unamortized portion of any payment is the amount remaining unamortized as of the first day of the 36-month period.

TITLE VII—REVENUE PROVISION

SEC. 71. 4-YEAR AVERAGING FOR CONVERSION OF TRADITIONAL IRA TO ROTH IRA.

(a) In general.—Section 408(a)(d)(3)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking ‘‘January 1, 1999,’’ and inserting ‘‘January 1, 2004,’’.

(b) Effective date.—The amendments made by this section shall apply to distributions made after December 31, 2000.

AMENDMENT NO. 1436

Beginning on page 334, strike line 3 and all that follows through page 335, line 16 and insert the following:

SECT. 1101. MODIFICATIONS TO SPECIAL RULES FOR NUCLEAR DECOMMISSIONING COSTS.

(a) repeal of limitation on deposits into fund based on cost of service.—Subsection (b) of section 468a is amended to read as follows:

(b) limitation on amounts paid into fund.—The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the ruling amount applicable to such taxable year.

(c) clarification of treatment of fund transfers.—Subsection (e) of section 468a is amended by adding at the end the following:

(d) treatment of fund transfers.—If, in connection with the transfer of the nuclear power plant to the transferee, the transferor elects to continue the application of this section to such Fund—
"(A) the transfer of such Fund shall not cause such Fund to be disqualified from the application of this section, and

"(B) no amount shall be treated as distributed if the amount, or part thereof, is not treated as being from a qualified fund.

"(c) Transfers of Balances in Non-Qualified Funds.—Section 469(a) is amended by redesignating subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

"(f) transfers of balances in non-qualified funds into qualified funds.—(1) in general.—Section 530(c)(1)(A)(i)(I) (defining education individual retirement account) is amended by striking "$500" and inserting "the contribution limit" for such taxable year.

"(2) contribution limit.—Section 530(b) (relating to contributions) is amended by adding at the end the following new paragraph:

"(B) the transfer of such Fund shall not exceed the balance in the nonqualified fund as transferred under paragraph (1) shall not exceed $500 ($2,000 in the case of a taxable year beginning after December 31, 2004)."

"(B) IN GENERAL.—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably by subsection (a) for any transfer permitted by this subsection (d)(2) which is not includible in gross income by reason of subsection (d)(2)."

"(c) transfers of balances in non-qualified funds into qualified funds.—(1) in general.—Section 530(c)(1)(A)(i)(I) (defining education individual retirement account) is amended by striking "$500" and inserting "the contribution limit" for such taxable year.

"(2) contribution limit.—Section 530(b) (relating to contributions) is amended by adding at the end the following new paragraph:

"(B) the transfer of such Fund shall not exceed the balance in the nonqualified fund as transferred under paragraph (1) shall not exceed $500 ($2,000 in the case of a taxable year beginning after December 31, 2004)."

"(B) IN GENERAL.—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably by subsection (a) for any transfer permitted by this subsection (d)(2) which is not includible in gross income by reason of subsection (d)(2)."

"(c) transfers of balances in non-qualified funds into qualified funds.—(1) in general.—Section 530(c)(1)(A)(i)(I) (defining education individual retirement account) is amended by striking "$500" and inserting "the contribution limit" for such taxable year.

"(2) contribution limit.—Section 530(b) (relating to contributions) is amended by adding at the end the following new paragraph:

"(B) the transfer of such Fund shall not exceed the balance in the nonqualified fund as transferred under paragraph (1) shall not exceed $500 ($2,000 in the case of a taxable year beginning after December 31, 2004)."

"(B) IN GENERAL.—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably by subsection (a) for any transfer permitted by this subsection (d)(2) which is not includible in gross income by reason of subsection (d)(2)."

"(c) transfers of balances in non-qualified funds into qualified funds.—(1) in general.—Section 530(c)(1)(A)(i)(I) (defining education individual retirement account) is amended by striking "$500" and inserting "the contribution limit" for such taxable year.

"(2) contribution limit.—Section 530(b) (relating to contributions) is amended by adding at the end the following new paragraph:

"(B) the transfer of such Fund shall not exceed the balance in the nonqualified fund as transferred under paragraph (1) shall not exceed $500 ($2,000 in the case of a taxable year beginning after December 31, 2004)."

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

"(E) Deemed Made.—An individual shall be deemed to have made a contribution to an education individual retirement account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(F) extension of time to return excess contributions.—Subparagraph (c) of section 530(d)(4) (relating to additional tax for distributions not used for educational expenses) is amended—

"(A) by striking clause (i) and inserting the following new clause:

"(i) such distribution is made before the 1st day of the 6th month of the taxable year following the taxable year, and

"(B) by striking "due date of return" in the heading and inserting "June".

"(G) EFFECTIVE AMENDMENTS.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.
SEC. 40A. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) In General.—Subsection (d) (relating to termination of exclusion for educational assistance programs) is amended by striking “May 31, 2000” and inserting “December 31, 2006.”

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—

(1) In General.—The last sentence of section 220(b) (relating to limitation on graduate education) is amended by striking “; or” and inserting “; and”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to courses beginning after December 31, 1999.

DASCHLE AMENDMENT NO. 1438
(Ordered to lie on the table.)

Mr. DASCHLE submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the appropriate place add the following:

SECTION 1. CERTAIN CASH RENTALS OF FARM LAND TO CAUSE RECAPTURE OF SPECIAL ESTATE TAX VALUATION.

(a) In General.—Subsection (c) of section 2023A of the Internal Revenue Code of 1986 (relating to tax treatment of dispositions and failures to use for qualified use) is amended by adding at the end the following new paragraph:

“‘(b) CERTAIN CASH RENTAL NOT TO CAUSE RECAPTURE.—For purposes of this subsection, a qualified farm rental shall not be treated as failing to use property in a qualified use solely because such heir rents such property on a net cash basis to a member of the decedent’s family, but only if, during the period of the lease, such member of the decedent’s family uses such property in a qualified use.”

(b) CONFORMING AMENDMENT.—Section 2023A(b)(3)(A) is amended by striking the last sentence.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to rentals occurring after December 31, 1976.

CONRAD (AND OTHERS) AMENDMENT NO. 1439
(Ordered to lie on the table.)

Mr. CONRAD (for himself, Mr. REID, and Mr. ROBB) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 4. CREDIT FOR INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

(a) In General.—Subpart D of part IV of subchapter A (relating to business-related credits) is amended by adding at the end the following:

“SEC. 45D. INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

“(a) GENERAL RULE.—For purposes of section 38, in the case of an employer, the information technology training program credit determined under this section shall be increased by 5 percent points for information technology training program expenses paid or incurred by the taxpayer during the taxable year or the preceding calendar year.

“(b) ADDITIONAL CREDIT PERCENTAGE FOR CERTAIN PROGRAMS.—The percentage under subsection (a) shall be increased by 5 percent points for information technology training program expenses paid or incurred by the taxpayer with respect to a program operated by a school district in which at least 50 percent of the students attending schools in such district are eligible for free or reduced-cost lunches under the school lunch program established under section 111 of the National School Lunch Act. . . .

“(c) No Carrybacks.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(13) the information technology training program credit determined under section 45D.)

“(d) No Carryovers.—Subsection (e) of section 39 (relating to carryover of unused credits) is amended by adding at the end the following:

“(15) the information technology training program credit determined under section 45D.

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

On page 99, strike lines 11 through 14, and insert the following:

“(B) APPLICABLE PERCENTAGE.—

“(i) IN GENERAL.—Subject to clause (ii), for purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>10</td>
</tr>
<tr>
<td>2002</td>
<td>20</td>
</tr>
<tr>
<td>2003</td>
<td>30</td>
</tr>
<tr>
<td>2004</td>
<td>40</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>50</td>
</tr>
</tbody>
</table>

On page 99, before line 15, insert the following:

“(ii) ADJUSTMENT.—The Secretary shall adjust any applicable percentage under clause (i) in order to reduce the reduction in revenues deposited in the Treasury as the result of the enactment of this subsection by $386,000,000.

CONRAD AMENDMENT NO. 1440
(Ordered to lie on the table.)

Mr. CONRAD submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 423, strike lines 1 through 3, and insert the following:

“(e) SMALL EMPLOYER.—For purposes of this section, the term ‘small employer’ means, with respect to any calendar year, any employer if such employer employed 200 or fewer employees on an annual basis for at least 20 or more calendar weeks in such year or the preceding calendar year.

“(f) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed with respect to information technology training program expenses determined under section 45D (without regard to the limitation under subsection (c)).

“(g) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of section 45A(c)(3) and subsections (c), (d), and (e) of section 52 shall apply.”

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit) is amended by striking “plus” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ‘‘; plus’’, and by adding the following at the end:

“(13) the information technology training program credit determined under section 45D.”

CONGRESSIONAL RECORD—SENATE JULY 29, 1999
agreement which was binding on July 14, 1999, and at all times thereafter, the amendments made by this section shall apply to such assumption of liability after September 30, 1999.

DORGAN AMENDMENT NO. 1441
(Ordered to lie on the table.)

Mr. DORGAN submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the appropriate place, insert the following:

SEC. 1. SHORT TITLE; ETC.
(a) Short Title—This Act may be cited as the "Taxpayer Refund Act of 1999".
(b) Amendment of 1986 Code—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be to a section or other provision of the Internal Revenue Code of 1986.
(c) Section 15 Not to Apply.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.
(d) Table of Contents.—The table of contents for this Act is as follows:

TITLE I—BROAD-BASED TAX RELIEF
Sec. 101. Increase in standard deduction.
Sec. 102. Increase in maximum taxable income for 15 percent bracket.

TITLE II—FAMILY TAX RELIEF
Sec. 201. Modification of alternative minimum tax for individuals.
Sec. 202. Marriage penalty relief for earned income credit.
Sec. 203. Modification of dependent care credit.
Sec. 204. Exclusion for foster care payments and cash or deferred arrangements.

TITLE III—SAVINGS AND INVESTMENT PROVISIONS
Subtitle A—Long-Term Capital Gains
Sec. 301. Long-term capital gains deduction for individuals.
Subtitle B—Individual Retirement Arrangements
Sec. 310. Modification of deduction limits for IRA contributions.
Sec. 311. Modification of deduction limits for IRA contributions.

Subtitle C—Expanding Coverage
Sec. 320. Option to treat elective deferrals as cash or deferred arrangements.
Sec. 321. Increase in elective contribution limits.
Sec. 322. Plan loans for subchapter S owners, partnerships, and sole proprietors.
Sec. 323. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 324. Reduced PBGC premium for new plans of small employers.
Sec. 325. Reduction of additional PBGC premium for new plans.
Sec. 326. Elimination of use fee for requests to IRS regarding new pension plans.
Sec. 327. Safe harbors and trusts.
Sec. 328. Modification of top-heavy rules.
Subtitle D—Enhancing Fairness for Women
Sec. 329. Catchup contributions for individuals age 50 or over.
Sec. 330. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 331. Clarification of tax treatment of division of section 401 plan benefits upon divorce.
Sec. 332. Modification of safe harbor relief for hardship withdrawal from cash or deferred arrangements.
Sec. 333. Faster vesting of certain employer matching contributions.

Subtitle E—Increasing Portability for Participants
Sec. 341. Rollovers allowed among various types of plans.
Sec. 342. Rollovers of IRAs into workplace retirement plans.
Sec. 343. Rollovers of after-tax contributions.
Sec. 344. Hardship exception to 60-day rule.
Sec. 345. Treatment of forms of distribution.
Sec. 346. Rationalization of restrictions on distributions.
Sec. 347. Purchase of service credit in governmental defined benefit plans.
Sec. 348. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 349. Inclusion requirements for section 403(b) plans.

Subtitle F—Strengthening Pension Security and Enforcement
Sec. 351. Repeal of 150 percent of current liability funding limit.
Sec. 352. Extension of partitioning participants program to multiemployer plans.
Sec. 353. Excise tax relief for sound pension funding.
Sec. 354. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
Sec. 355. Protection of investment of employee contributions to 401(k) plans.
Sec. 356. Treatment of multiemployer plans under section 415.

Subtitle G—Encouraging Retirement Education
Sec. 361. Periodic pension benefits statement.
Sec. 362. Clarification of treatment of employer-provided retirement advice.
Sec. 363. Reducing Regulatory Burdens
Sec. 364. Flexibility in nondiscrimination and coverage rules.
Sec. 365. Modification of timing of plan valuations.
Sec. 366. Substantial owner benefits in terminated plans.
Sec. 367. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 368. Notice and consent period regarding distributions.
Sec. 369. Repeal of transition rule relating to certain highly compensated employees.
Sec. 370. Employees of tax-exempt entities.
Sec. 371. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
Sec. 372. Annual report dissemination.
Sec. 373. Modification of exclusion for employer provided transit passes.

Subtitle I—Plan Amendments
Sec. 381. Provisions relating to plan amendments.

TITLE IV—EDUCATION TAX RELIEF
Sec. 401. Permanent extension of exclusion for employer-provided educational assistance.
Sec. 402. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.

Sec. 403. Modifications to qualified tuition programs.

Sec. 404. Additional increase in arbitrage rebate exceptions for governmental bonds used to finance educational facilities.

Sec. 405. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program and the F. Edward Hébert Armed Forces Health Professions Scholarship and Financial Assistance Program.

Title V—Health Care Relief

Sec. 501. Deduction for health and long-term care insurance costs of individuals not participating in employer-subsidized health plans.

Sec. 502. Long-term care insurance per- manent family owned policies issued under cafeteria plans and flexible spending arrangements.

Sec. 503. Long-term care tax credit.

Sec. 504. Increase of certain vaccines against streptococcus pneumoniae to list of taxable vaccines; reduction in per dose tax rate.

Title VI—Estate Tax Relief

Sec. 601. Increase in unified estate and gift tax credit.

Title VII—Small Business and Agricultural Relief

Sec. 701. Deduction for 100 percent of health insurance costs of self-employed individuals.

Sec. 702. Repeal of Federal unemployment tax surtax.

Sec. 703. Income averaging for farmers not to increase alternative minimum tax liability.

Sec. 704. Farm and ranch risk management accounts.

Sec. 705. Increase in estate tax deduction for farms and ranches.

Sec. 706. Increase in expense treatment for small businesses.

Sec. 707. Recovery period for depreciation of certain leasehold improvements.

Title VIII—Provisions Relating to Housing, Real Estate, Environment, and Transportation

Subtitle A—Housing and Real Estate

Sec. 801. Modification of State ceiling on low-income housing credit.

Sec. 802. Increase in volume cap on private activity bonds.

Subtitle B—Environmental Provisions

Sec. 811. Tax credit for renovating historic homes.

Sec. 812. Extension and modification of credit for producing electricity from certain renewable resources.

Sec. 813. Extension of expensing of environmental remediation costs.

Sec. 814. Temporary suspension of maximum amount of amortizable reforestation expenditures.

Subtitle C—Transportation Provisions

Sec. 821. Repeal of certain motor fuel excise taxes on fuel used by railroads and on inland waterway transportation.

Title IX—Charitable Giving Incentives

Sec. 901. Tax-free distributions from individual retirement accounts for charitable purposes.

Sec. 902. Increase in limit on charitable contributions as percentage of AGI.

Title X—Extension of Expired and Expiring Provisions: National Tax Relief

Sec. 1001. Permanent extension and modification of research credit.

Sec. 1002. Work opportunity credit and welfare-to-work credit.

Sec. 1003. Subpart F exemption for active financing income.

Sec. 1004. Taxable income limit on percentage deduction for marginal production.

Sec. 1005. Repeal of foreign tax credit limitation under alternative minimum tax.

Title XI—Revenue Offsets

Sec. 1101. Modification of foreign tax credit provision.

Sec. 1102. Work opportunity credit and welfare-to-work credit.

For the purposes of paragraph (2)(B) in the case of any taxable year beginning in a calendar year after 2001, the dollar amounts determined as follows:

(a) In General.—Section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1997’.

(b) Calculation.—For purposes of determining the applicable dollar amount for any calendar year after 2004, the dollar amounts determined under subparagraph (A) shall be increased by the applicable dollar amount for such calendar year.”.

Subtitle A—General Provisions

Sec. 1111. Limitation on use of non-accrual experience method of accounting.

Sec. 1112. Limitations on welfare benefits for 10 or more employer employees.

Sec. 1113. Modification of installment method and repeal of installment method for accrual method taxpayers.

Sec. 1114. Treatment of gain from constructive ownership transactions.

Sec. 1115. Charitable split-dollar life insurance, annuity, and endowment contracts.

Sec. 1116. Restriction on use of real estate investment trusts to avoid estimated tax payment requirements.

Sec. 1117. Prohibited allocations of S corporation stock held by an ESOP.

Sec. 1118. Modification of anti-abuse rules related to assumption of liabilities.

Sec. 1119. Allocation of basis on transfers of intangibles in certain non-recognition transactions.

Sec. 1120. Controlled entities ineligible for REIT status.

Sec. 1121. Distributions to a corporate partner of stock in another corporation.

Subtitle B—Compliance with Congressional Budget Act

Subtitle A—Long-Term Capital Gains

SEC. 301. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) General Rule.—Part I of subchapter E of chapter 1 (relating to treatment of capital gains) is amended by redesignating section 1202 as section 1203 and by inserting after section 1201 the following new section:

"SEC. 1202. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

"(a) In General.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

"(1) the net capital gain of the taxpayer for the taxable year, or

"(2) the applicable dollar amount.

"(b) Applicable Dollar Amount.—The applicable dollar amount for any calendar year shall be determined as follows:

"(1) Calendar year: dollar amount:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

"(2) Other taxpayers.—In the case of a taxpayer not described in paragraph (1)—

"(A) IN GENERAL.—The matter preceding paragraph (1) shall be amended by striking "1,000" and inserting "$1,500."
amount of the net capital gain shall be reduced (but not below zero) by the sum of—

(A) the amount of the net capital gain taken into account under section 1202(a) for the taxable year;

(B) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(i) or (ii) treated as a short-term capital gain or loss.

(3) Paragraph (1) of section 1202 is amended by striking “1203” and inserting “1202”.

(4) Subsection (a) of section 1222 (defining adjusted gross income) is amended by inserting after paragraph (17) the following new paragraph:

“(18) Long-term capital gains. The deduction allowed by subsection 1202.”

(d) TREATMENT OF COLLECTIBLES.—

(1) In general.—Section 1222 (relating to treatment of capital gains and losses) is amended by inserting after paragraph (17) the following new paragraph:

“(17) Special rule for collectibles.—

‘‘(A) Any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

‘‘(B) For purposes of subparagraph (A), any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be).’’

(2) Treatment of certain sales of interest in partnership, etc.—For purposes of subparagraph (A), any gain from the sale or exchange of an interest in a partnership, an S corporation, or a closely held business which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as a short-term capital gain or loss.

(3) AMENDS.—The following new paragraph:—

“(C) Collectible. For purposes of this chapter, the term ‘collectible’ means any interest in a partnership, an S corporation, or a closely held business (as defined in section 1244)(3) held by such entity which is attributable to unrealized appreciation in the value of collectibles held by such entity. A portion of any gain or loss from the sale or exchange of an interest in a closely held business or a partnership which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

For purposes of this paragraph, the term ‘collectible’ means any capital asset which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

(2) Charitable deduction not affected.—

(A) Paragraph (1) of section 170(e) is amended by adding at the end the following new sentence:—

“For purposes of this paragraph, section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles).’’

(B) Paragraph (2) of section 170(b) is amended by inserting before the period at the end the following sentence:—

“and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles).’’

(c) Conforming amendments.—

(1) Section 57(a)(7) is amended by striking “2002” and inserting “2003”.

(2) Clause (ii) of section 163(d)(4)(B)(iv) is amended to read as follows:

“(ii) the portion of the net capital gain referred to in clause (i) or (ii), or, if lesser, the net capital gain referred to in clause (ii), taken into account under section 1202, reduced by the amount of the deduction described in the preceding sentence with respect to such gain under section 1202, plus

(ii) so much of the gain described in subclause (I) as is not taken into account under section 1202 and the taxpayer elects to take into account under this clause.”

Subparagraph (B) of section 172(b)(2) is amended to read as follows:

“(B) the deduction under section 1202 and the exclusion under section 1202 shall not be allowed.”

(4) Section 642(c)(4) is amended by striking “1202” and inserting “1203”.

(5) Section 643(a)(9) is amended by striking “1202” and inserting “1203”.

(6) Paragraph (4) of section 693(c) is amended, inserting “1203,” after “1202.”

(7) The second sentence of section 871(a)(2) is amended by inserting “or 1203” after “1202”.

(8) The last sentence of section 1044(d) is amended by striking “1202” and inserting “1203”.

(9) Paragraph (1) of section 1402(i) is amended by inserting “1202” and the deduction provided by section 1202 shall not apply” before the period at the end.

(10) Section 121 is amended by adding at the end the following new subsection:

“(h) Cross-reference.—For treatment of eligible gain not excluded under subsection (a), see section 1202.”

(11) Section 1203, as redesignated by subsection (a), is amended by adding at the end the following new subsection:

“(i) Cross-reference.—For treatment of eligible gain not excluded under subsection (a), see section 1202.”

Subtitle B—Individual Retirement Arrangements

SEC. 311. MODIFICATION AND DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

“(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking “$2,000” and inserting “the deductible amount”.

“(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

“(5) Deductible amount.—For purposes of paragraph (1)(A),—

“The deductible amount shall be determined in accordance with the following table:

For taxable years

The deductible amount

begun

2001

$1,500

2002

$2,000

2003 and thereafter

$2,500.

“(b) COST-OF-LIVING ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning in calendar year 2003, the $3,500 amount under subparagraph (A) shall be increased by an amount equal to—

“(A) the cost-of-living adjustment determined under section 1(f) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof;

“(B) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100.

Subtitle C—Expanding Coverage

SEC. 321. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subsection 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

“Sec. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

“(a) General rule.—(1) In general.—If an applicable retirement plan includes a qualified plus contribution program—

“(i) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

“(ii) such (and any arrangement which is substantially similar to such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

“(b) Qualified plus contribution program.—For purposes of this section—

“(1) Defined plus contribution program—The term ‘defined plus contribution program’ means a program under which an employee may elect to make a designated plus contribution in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

“(2) Separate accounting required.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

“(A) establishes separate accounts (‘designated plus accounts’) for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

“(B) maintains separate recordkeeping with respect to each account.

“(c) Definitions and rules relating to designated plus contributions—For purposes of this section—

“(1) Defined plus contribution.—The term ‘defined plus contribution’ means any elective deferral which—

“(A) is excludable from gross income of an employee without regard to this section, and

“(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

“(2) Designation limits.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

“(A) the maximum amount of elective deferrals which an employee may designate under paragraph (1) after contribution to a designated plus account (as defined in section 401(h)(11)); and

“(B) the aggregate amount of elective deferrals which an employee may elect to make under paragraph (1) after contribution to a designated plus account.

“(3) Rollover contributions.—

“(A) In general.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only to the contribution to an account under paragraph (1).

“(B) Coordination with limit.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be permitted into an account for purposes of paragraph (1).

“(d) Distribution rules.—For purposes of this title—

“(1) Exclusion.—Any qualified distribution from a designated plus account shall not be includable in gross income.

“(2) Qualified distribution.—For purposes of this section—

“(A) In general.—The term ‘qualified distribution’ has the meaning given such term
by section 402A(d)(2)(A) (without regard to clause (iv) thereof).

“(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5 taxable year period beginning with the earlier of—

(i) the year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable reirement plan;

(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account.

“(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term ‘qualified distribution’ includes any distribution of any excess deferral under section 401(g)(2) and any income on the excess deferral.

“(A) AGRGEGATION RULES.—Section 72 shall be applied with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

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

(1) APPLICABLE RETIREMENT PLAN.—The term ‘applicable retirement plan’ means—

(A) an employees’ trust described in section 401(a) which is exempt from tax under section 501(a), and

(B) a plan under which amounts are contributed by an individual’s employer for an annuity contract described in section 403(b).

(2) ELECTIVE DEFERRAL.—The term ‘elective deferral’ means any elective deferral described in subparagraph (A) or (C) of section 402(a)(3).

(3) EXCESS DEFERRALS.—Section 402(a)(5), as amended by this section, is amended—

(A) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on elective deferrals) is amended to read as follows:

“(1) ELECTIVE DEFERRAL.—The term ‘elective deferral’ means any elective deferral described in subparagraph (A) or (C) of section 402(a)(3).

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

“(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2004, the Secretary shall adjust the applicable dollar amount for the taxable year by the larger of the cost-of-living adjustment which is not a multiple of $500 shall be rounded to the next lower multiple of $500.

“(C) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408A(d)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ‘$6,000’ and inserting ‘the applicable dollar amount’.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of section 408A(d)(2) is amended to read as follows:

“(E) APPLICABLE DOLLAR AMOUNT.—

(1) IN GENERAL.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this paragraph which is not a multiple of $50 shall be rounded to the next lower multiple of $50.

“(D) PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.—

(1) IN GENERAL.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $50 shall be rounded to the next lower multiple of $50.

“(E) CONFORMING AMENDMENTS.—

(A) Subclause (1) of section 401(k)(1)(B)(ii) (relating to qualified salary reduction arrangement) is amended by striking ‘$6,000’ and inserting ‘the amount in effect under section 408(b)(2)(A)(i)(ii)’.

(B) Subparagraph (ii) of section 401(k)(1) is amended by striking subparagraph (F).

(C) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2003.

SEC. 323. PLAN LOAN FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(A) AMENDMENT TO 1966 CODE.—Subparagraph (B) of section 405(f)(6) (relating to exempt transactions not to apply to certain transactions) is amended by adding at the end the following new clause:

“(v) LOAN Exception.—For purposes of subparagraph (A)(ii), the term ‘owner-employee’ shall only include a person described in clause (ii) or (III) of clause (i).”
person described in clause (ii) or (iii) of subparagraph (A),"
(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2000.

SEC. 324. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) In General.—Section 404 (relating to deduction for contributions of an employer to an employees’ trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

“(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—In the case of any qualified plan (as defined in subparagraph (F)) maintained by a small employer plan,”

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

SEC. 325. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.


(1) by striking paragraph (2) in clause (iii), by striking the period at the end of paragraph (2) in clause (iii), and by striking the period at the end of paragraph (2) in clause (iv),

(2) by inserting the following new paragraph (3) after paragraph (2):

“(3) the employer does not maintain (and does not elect to be treated as maintaining) a writtenpong agreement (as defined in section 806(g)(3)) which is not subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions,“

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

SEC. 326. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) In General.—Section 4006(a)(3)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

“(v) in the case of a new defined benefit plan, the amount determined under clause (i) shall be (A) an amount equal to the product of the amount determined under clause (ii) and the applicable percentage, if such plan is a single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the plan and each member of any controlled group including the sponsor (or any predecessor of such sponsor) did not establish or maintain any plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.

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

SEC. 327. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) In General.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 328. SAFE ANNUITIES AND TRUSTS.

(a) In General.—Subpart A of part I of chapter 1 of title 26 (relating to employers may elect to provide a benefit described in subsection (b)(5) for any plan year, such election being effective and ending with the year for which the determinative date is made.

(b) EFFECTIVE DATE.—The provisions of this section shall apply with respect to elections made after December 31, 2000.

SEC. 329. SAFE ANNUITIES AND TRUSTS.

(a) In General.—Subpart A of part I of chapter 1 of title 26 (relating to employers may elect to provide a benefit described in subsection (b)(5) for any plan year, such election being effective and ending with the year for which the determinative date is made.

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

SEC. 330. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) In General.—Section 4009(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C.
from employer contributions for such year, when expressed as a benefit described in paragraph (4)(A), is not less than the applicable percentage of the participant's compensation.

`(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph—

(i) IN GENERAL.—The term 'applicable percentage' means 3 percent.

(ii) ELECTION OF LOWER PERCENTAGE.—An employer may elect to apply an applicable percentage of 1 percent, 2 percent or zero percent for any plan year for all employees eligible to participate in the plan for such year if the employer notifies the employees of such percentage within a reasonable period before the beginning of such year.

(C) COMPENSATION LIMIT.—The compensation taken into account under this paragraph for any year shall not exceed the limitation in effect for such year under section 401(a)(7).

(D) CREDIT FOR SERVICE BEFORE PLAN ADOPTED.—

`(i) IN GENERAL.—An employer may elect to take into account a specified number of years of service (not greater than 10) performed before the adoption of the plan (each hereinafter referred to as a 'prior service year') only if the plan if the number of years specified is available to all employees eligible to participate in the plan for the first plan year.

`(ii) ACCRUAL OF PRIOR SERVICE BENEFIT.—Such an election shall be effective for a prior service year only if the requirements of this paragraph are met for an eligible plan year (with respect to employees entitled to credit for such prior service year) by doubling the applicable percentage (if any) for such plan year.

`(iii) ELECTION TO TAKE INTO ACCOUNT SERVICE.—An eligible plan year is a plan year in the period before the beginning of such year.

(E) SAFE TRUST. —

`(A) IN GENERAL.—A plan meets the requirements of this paragraph only if the trustee distributes a SAFE annuity that satisfies the annual benefit described in subsection (b)(4) where the annual benefit described in subsection (b)(4)(A) is not less than the accrued benefit determined under paragraph (5).

`(B) DIRECT TRANSFERS TO INDIVIDUAL RE- TIREMENT ACCOUNTS.—A plan shall not fail to meet the requirements of this paragraph by reason of permitting, as an optional form of benefit, the distribution of the entire balance to the credit of the employee. If the employee is under age 65, such distribution must be in the form of a direct trustee-to-trustee transfer to a SAFE annuity, another SAFE trust, or a SAFE rollover plan (or, in the case of a plan that does not exceed the dollar limit in effect under section 421(a)(22)(A), any other individual retirement plan).

`(C) SAFE ROLLOVER PLAN.—For purposes of this section the term 'SAFE rollover plan' means an individual retirement plan for the benefit of the employee to which a rollover was made from a SAFE annuity, SAFE trust, or another SAFE rollover plan. (5) BENEFIT FORM.—(A) IN GENERAL.—Except as provided in subparagraph (B), a plan meets the requirements of this paragraph only if the trustee distributes a SAFE annuity that satisfies subsection (b)(4) where the annual benefit described in subsection (b)(4)(A) is not less than the accrued benefit determined under paragraph (5). (6) FUNDING.—

`(A) IN GENERAL.—A plan meets the requirements of this paragraph for any year only if—

(i) the requirements of subsection (b)(6) are met for such year,

(ii) in the case of a plan which has an unfunded annuity amount with respect to the participant's account, and

(iii) in the case of a plan which has an unfunded prior year liability as of the close of such plan year, the plan requires that the employer make an additional contribution to such plan for such year equal to the amount of such unfunded prior year liability no later than 9 1/2 years following the end of the plan year.

`(B) UNFUNDED ANNUITY AMOUNT.—For purposes of this paragraph, the term 'unfunded annuity amount' means the amount of any unfunded annuity amount accumulated with respect to the amount of any unfunded prior year liability accumulated or forfeited by the participant under this section.

`(C) SAFE TRUST MAY NOT HOLD SECURITIES WHICH ARE NOT REASONABLE TRADABLE.—A plan meets the requirements of this paragraph only if the plan prohibits the trust from holding or indirectly securities which are not readily tradable on a national securities market or otherwise. Nothing in this paragraph shall prohibit the trust from holding insurance company products regulated by State law.

`(D) SPECIAL RULES FOR SAFE ANNUITIES AND TRUSTS. —

`(A) Section 401(a)(4) (relating to non-discrimination rules).

`(B) Section 401(a)(26) (relating to minimum participation and coverage requirements).

`(C) Section 410 (relating to minimum participation requirements).
(D) Section 411(b) (relating to accrued benefit requirements).

(E) Section 412 (relating to minimum funding standards).

(F) Section 414 (relating to limitations on benefits and contributions under qualified plans).

(G) Section 416 (relating to special rules for treated corporations).

(2) CONTRIBUTIONS NOT TAKEN INTO ACCOUNT.

(A) DEDUCTION LIMITS.

Contributions to a SAFE annuity or a SAFE trust shall not be taken into account in applying sections 404 to other plans maintained by the employer.

(B) BENEFIT LIMITS.

A SAFE annuity or a SAFE trust shall be treated as a defined benefit plan for purposes of section 415.

(3) USE OF DESIGNATED FINANCIAL INSTITUTIONS.

A rule similar to the rule of section 408(p)(7)(A) shall apply for purposes of this section.

(4) DEFINITIONS.

The definitions in section 408(p)(6) shall apply for purposes of this section.

(b) DEDUCTION LIMITS NOT TO APPLY TO EMPLOYER CONTRIBUTIONS.

(1) GENERAL.

Section 404 (relating to deductions for contributions of an employer to pension, etc., plans), as amended by section 314, is amended by adding at the end the following new subsection:

``(o) SPECIAL RULES FOR SAFE ANNUITIES.

(1) IN GENERAL.

Employer contributions to a SAFE annuity shall be treated as if they are made to a plan subject to the requirements of this section.

(2) DEDUCTIBLE LIMIT.

For purposes of subsections (a)(1) of section 404(b), the amount necessary to satisfy the minimum funding requirement of section 404(b)(6) or (c)(6) shall be treated as the amount necessary to satisfy the minimum funding requirement of section 412.

(2) COORDINATION WITH DEDUCTION UNDER SECTION 229.

(A) Section 229(b) (relating to maximum amount of deduction), as amended by section 303, is amended by adding at the end the following new paragraph:

``(6) SPECIAL RULE FOR SAFE ANNUITIES.

This section shall not apply with respect to any amount contributed to a SAFE annuity established under section 408(b).''

(B) Section 229(g)(5)(A) (defining active participant) is amended by striking "or" at the end thereof and by adding at the end the following new clause:

``(vii) any SAFE annuity (within the meaning of section 408(b)),''

(c) CONTRIBUTIONS AND DISTRIBUTIONS.

(1) GENERAL.

Section 402 (relating to taxability of contributions with respect to a SAFE annuity) is amended by adding at the end the following new subparagraph:

``(J) SAFE ANNUITIES.

This paragraph shall not apply to any amount paid or distributed out of a SAFE annuity as defined in section 408(b) unless it is paid in a trustee-to-trustee transfer into another SAFE annuity.''

(d) INCREASED PENALTY ON EARLY WITHDRAWALS.

Section 72(t) (relating to additional tax on early distributions) is amended by adding at the end the following new paragraph:

``(7) SPECIAL RULES FOR SAFE ANNUITIES AND TRUSTS.

In the case of any amount received from a SAFE annuity or a SAFE trust (within the meaning of section 408(b)), paragraph (1) shall be applied by substituting ‘‘20 percent’’ for ‘‘10 percent’’.

(e) SIMPLIFIED EMPLOYER REPORTS.

(1) SAFE ANNUITIES.

Section 408(i) (relating to simplified employer reports) is amended by adding at the end the following new paragraph:

``(3) SAFE ANNUITIES.

(A) SIMPLIFIED REPORT.

The employer maintaining a SAFE annuity (within the meaning of section 408(b)) shall file a simplified annual return with the Secretary containing only the information described in subparagraph (B).

(B) CONTENTS.

The return required by subparagraph (A) shall set forth—

(i) the name and address of the employer,

(ii) the date the plan was adopted,

(iii) the number of employees of the employer,

(iv) the number of such employees who are eligible to participate in the plan,

(v) the total amount contributed by the employer to each such annuity for such year and the minimum amount required under section 408(b) to be so contributed,

(vi) the percentage elected under section 408(b)(3)(B), and

(vii) the number of employees with respect to whom contributions are required to be made for such year under section 408(b)(3)(D).

(C) REPORTING BY ISSUER OF SAFE ANNUITY.

(i) IN GENERAL.

The issuer of any SAFE annuity shall provide to the owner of the annuity for each year a statement setting forth as of the close of the taxable year—

(I) the benefits guaranteed at age 65 under the annuity,

(II) the cash surrender value of the annuity,

(III) summary description.

The issuer of any SAFE annuity shall provide to the owner maintaining the annuity for each year a description containing the following information:

(A) The name and address of the employer and the issuer.

(B) The requirements for eligibility for participation.

(C) The benefits provided with respect to the annuity.

(D) The procedures for, and effects of, withdrawals (including rollovers) from the annuity.

(E) Time and manner of reporting.

Any return, report, or statement required under this paragraph shall be made by the end of the close of such taxable year.

(F) SAFE TRUSTS.

Section 6019 (relating to return of actuarial reports) is amended by redesignating subsections (c) and (d) as subsections (e) and (f), respectively, and by inserting after subsection (b) the following new subsection:

``(c) SAFE TRUSTS.

In the case of a SAFE trust (within the meaning of section 408(b)), the Secretary shall require a simplified actuarial report which contains information similar to the information required in section 408(b)(3)(B).

(f) CONFORMING AMENDMENTS.

(1) Section 280G(b)(6) is amended by striking "or" at the end of the paragraph and inserting "; or" and by adding after subparagraph (C) the following new subparagraph:

``(E) a SAFE annuity described in section 408(b);''

(2) Clause (ii) of section 408(p)(2)(D) is amended by inserting "; or" before the period "(other than clause (ii) of such subparagraph (A))".

(3) Subsections (b), (c), (m)(4)(B), and (n)(3)(B) of section 414 are each amend by inserting "408(b) " after "408(b)".

(4) Section 4972(d)(1)(A) is amended by striking "(and)" and at the end of clause (i), by striking the period at the end of clause (iv) and inserting ", and", and by adding after clause (iv) the following new clause:

``(v) any SAFE annuity (within the meaning of section 408(b)).''

(5) The table of sections for part A of subpart I of chapter 11 is amended by inserting at the end of section 408A the following new item:

``Sec. 408B. SAFE annuities and trusts.''

(g) MODIFICATIONS OF ERISA.

(1) EXEMPTION FROM INSURANCE COVERAGE.

Subsection (b) of section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended by inserting "or" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting "; or", and by adding at the end the following new paragraph:

``(14) which is established and maintained as part of a SAFE trust (as defined in section 408(b) of the Internal Revenue Code of 1986).''

(2) REPORTING REQUIREMENTS.

(a) Section 1001 of such Act (29 U.S.C. 1021) is amended by redesignating the second subsection (h) as subsection (i), and by inserting after the first subsection (h) the following new subsection:

``(i) SAFE TRUSTS.

Except as provided in this subsection, no plan shall be required under this section by an employer maintaining a SAFE annuity under section 408(b) if the Internal Revenue Code of 1986 provides that the plan is a section 401(k) plan.''

(3) Waiver of Funding Standards.

(a) Section 303(a) of such Act (29 U.S.C. 1081) is amended by striking "or" at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting "; or", and by adding at the end the following new paragraph:

``(11) any plan providing for the purchase of any SAFE annuity or any SAFE trust (as such terms are defined in section 408(b) of such Code).''

(b) EFFECTIVE DATE.

The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 329. MODIFICATION OF TOP-HEAVY RULES.

(a) Matching Contributions Taken Into Account for Minimum Contribution Requirements.

Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following clause:

``(i) in the case of a plan providing for the purchase of any SAFE annuity or any SAFE trust (as such terms are defined in section 408(b) of such Code),''

(b) Elimination of Family Attribution.

(a) Section 414(i)(1) (relating to the distribution of plan assets) is amended by adding at the end the following new clause:
"(iv) FAMILY ATTRACTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the determination of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.

(c) DEFINITION OF TOP-HEAVY PLANS.— Paragraph (2) of section 414(p)(1)(A) (relating to special rules for top-heavy plans) is amended by adding at the end the following:

"(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NON-DISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

(ii) matching contributions with respect to which the requirements of section 401(m)(13) are met.

If, for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy plan, the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).

"(d) ELECTIVE DEFERRALS.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following:

"(I) ELECTIVE DEFERRALS.ÐSection 402 (as so amended) is amended by adding at the end the following new subparagraph:

"(N) Section 402 is amended by adding at the end the following new subparagraph: (2) ELECTIVE DEFERRALS.—Section 402 and the following provisions of this title are amended by adding at the end the following new subparagraph: the applicable dollar amount for such elective deferrals under paragraph (1) of section 415(k) for such taxable year shall be equal to the applicable dollar amount for such taxable year, or

"(E) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

(A) ADOPTED DOLLAR AMOUNT.—The term 'adopted dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 402(p)(2)(E)(i), or 456(e)(13)(A), whichever is applicable to an applicable employer plan for such year.

(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

(i) an employees' trust described in section 501(a),

(ii) any arrangement which is not subject to any otherwise applicable limitation on contributions for any participant which is treated as not exceeding the limitation of section 401(k) for such taxable year, or

(iii) an amendment which is described in section 402(b)(3) and the regulations thereunder.

"(F) DISCRIMINATION REQUIREMENTS.—The term 'eligibility limitation' means, with respect to any plan year, the amount in effect under section 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 401(b), or 416 by reason of the making (or the right to make) such contribution.

"(G) ELECTIVE DEFERRAL.—For purposes of this paragraph, the term 'eligible participant' means, with respect to any plan year, a participant in a plan who has attained the age of 50 before the close of the plan year, and

"(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

"(H) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

(A) ADOPTED DOLLAR AMOUNT.—The term 'adopted dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 402(p)(2)(E)(i), or 456(e)(13)(A), whichever is applicable to an applicable employer plan for such year.

(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

(i) an employees' trust described in section 501(a),

(ii) any arrangement which is not subject to any otherwise applicable limitation on contributions for any participant which is treated as not exceeding the limitation of section 401(k) for such taxable year, or

(iii) an amendment which is described in section 402(b)(3) and the regulations thereunder.

"(J) LIMITATION AMOUNT OF ADDITIONAL DEFERRALS.—

(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

(ii) the excess (if any) of—

(i) the participant's compensation for the year, over

(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>For tax years beginning in:</th>
<th>The applicable percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>10 percent</td>
</tr>
<tr>
<td>2002</td>
<td>20 percent</td>
</tr>
<tr>
<td>2003</td>
<td>25 percent</td>
</tr>
<tr>
<td>2004</td>
<td>30 percent</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>40 percent</td>
</tr>
</tbody>
</table>

"(K) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

(A) such contribution shall not, with respect to any year in which the contribution is made—

(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 402(b), or 456(e)(13) for such year, or

(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

(B) such plan shall not be treated as failing to meet the requirements of section 401(k) unless the plan fails to meet, with respect to such plan for any plan year, the requirements of section 415(k) for such taxable year.

"(L) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan who has attained the age of 50 before the close of the plan year, and

"(M) DISCRIMINATION REQUIREMENTS.—The term 'eligibility limitation' means, with respect to any plan year, the amount in effect under section 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 401(b), or 416 by reason of the making (or the right to make) such contribution.

"(N) ELECTIVE DEFERRAL.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan who has attained the age of 50 before the close of the plan year, and

"(O) WITH RESPECT TO WHICH NO OTHER ELECTIVE DEFERRALS MAY (WITHOUT REGARD TO THIS SUBSECTION) BE MADE TO THE PLAN FOR THE PLAN YEAR BY REASON OF THE APPLICATION OF ANY LIMITATION OR OTHER RESTRICTION DESCRIBED IN PARAGRAPH (3) OR CONTAINED IN THE TERMS OF THE PLAN.

"(P) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

(A) ADOPTED DOLLAR AMOUNT.—The term 'adopted dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 402(p)(2)(E)(i), or 456(e)(13)(A), whichever is applicable to an applicable employer plan for such year.

(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

(i) an employees' trust described in section 501(a),

(ii) any arrangement which is not subject to any otherwise applicable limitation on contributions for any participant which is treated as not exceeding the limitation of section 401(k) for such taxable year, or

(iii) an amendment which is described in section 402(b)(3) and the regulations thereunder.

"(Q) LIMITATION AMOUNT OF ADDITIONAL DEFERRALS.—

(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

(ii) the excess (if any) of—

(i) the participant's compensation for the year, over

(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

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<tr>
<th>For tax years beginning in:</th>
<th>The applicable percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
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<td>30 percent</td>
</tr>
<tr>
<td>2004</td>
<td>40 percent</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>50 percent</td>
</tr>
</tbody>
</table>

"(R) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

(A) such contribution shall not, with respect to any year in which the contribution is made—

(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 402(b), or 456(e)(13) for such year, or

(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

(B) such plan shall not be treated as failing to meet the requirements of section 401(k) unless the plan fails to meet, with respect to such plan for any plan year, the requirements of section 415(k) for such taxable year.
simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

SEC. 334. MODIFICATION OF SAFE HARBOR REQUIREMENTS.

(a) IN GENERAL.—Section 401(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting “or an eligible deferred compensation plan (within the meaning of section 457(d))’’ after “subsection (e)”;

(2) by striking “and church plans” and inserting “certain other plans”;

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

(c) TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 401 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (12) the following new paragraph:

“(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 335. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1996 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking “or plan’’ and inserting “Except as provided in paragraph (12), a plan’’;

(2) by adding at the end the following:

“(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 403(m)(4)(A)), paragraph (2) shall be applied—

’’’(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (B); and

’’’(B) by substituting the following table for the table contained in subparagraph (B):

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Nonforfeitable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>5 or more</td>
<td>100</td>
</tr>
</tbody>
</table>

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking “A plan” and inserting “Except as provided in paragraph (4), a plan’, and

(2) by adding at the end the following:

“(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 402(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

’’’(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (A); and

’’’(B) by substituting the following table for the table contained in subparagraph (B):

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Nonforfeitable Percentage</th>
</tr>
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<tbody>
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<td>40</td>
</tr>
<tr>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>5 or more</td>
<td>100</td>
</tr>
</tbody>
</table>

(c) EFFECTIVE DATE.—In general—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of adoption of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2001, or

(B) January 1, 2001.

(3) SERVICE REQUIRED.—With respect to any year, the amendments made by this section shall not apply to any employee before the date that such employee has had service under such plan in any plan year to which the amendments made by this section apply.

Subtitle E—Increasing Portability for Participants

SEC. 341. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—In general—Section 457(e)(e) (relating to other definitions and regulations) is amended by adding at the end the following:

“(16) ROLLOVER AMOUNTS.—

’’’(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

’’’’’’’(i) any portion of the balance of the credited employee's account is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

’’’’’’’(ii) the employer transfers a portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

’’’’’’’(iii) in the case of a distribution of property other than money, the amount so transferred consists of property distributed, then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

’’’’’’’(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

’’’’’’’(C) REPORTING.—Rollovers under this paragraph shall be reported in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).

’’’(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER.—Section 457(b)(12) (defining eligible deferred compensation plan) is amended by inserting “other than rollover amounts’’ after “taxable year’’

’’’(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “or”, and by inserting after subparagraph (B) the following:

“(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31). Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.

”(D) WITHHOLDING.—(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

“(E) under or to an eligible deferred compensation plan which, at the time of such transfer, is a plan maintained by an employer described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

“(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this section, the term ‘eligible rollover distribution’ has the meaning given such term by section 402(f)(2)(A).”

”(E) under or to an eligible deferred compensation plan which, at the time of such transfer, is a plan maintained by an employer described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or

(i) January 1, 2001, or

(ii) January 1, 2001.”

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plans) is amended by inserting “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “or”, and by inserting after clause (iv) the following new clause:

“(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).”

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

“(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.”

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10 percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

“TAXABLE YEAR.’’
"(9) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 403(b)(8)) (except rollover described in section 457(e)(1)(A)) shall be treated as a distribution from a qualified retirement plan described in section 401(a)(31) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 407(c)).

(10) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(11) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(12) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(13) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(14) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(15) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(16) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(17) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(18) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(19) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(20) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(21) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(22) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(23) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(24) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(25) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(26) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(27) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(28) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(29) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(30) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(31) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(32) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".

(33) **SPECIAL RULE FOR ROLLOVERS TO SECTION 403 PLANS.**—Paragraph (9) of section 415(b) is amended by inserting "and 401(k)(3), and 457(e)(16)".
"(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the `transferor plan') to the extent that—

"(i) the forms of distribution previously available under the transferor plan applied to the participant or beneficiary whose account was transferred to the transferee plan; and

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

"(d) A defined contribution plan (in this subparagraph referred to as the `transferor plan') shall not be treated as failing to meet the requirements imposed by section 411(d)(6) of the Employee Retirement Income Security Act of 1974 merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the `transferor plan') to the extent that—

"(i) the forms of distribution previously available under the transferor plan applied to the participant or beneficiary whose account was transferred to the transferee plan; and

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(D) PLAN TRANSFERS.—

"(i) A defined contribution plan (in this subparagraph referred to as the `transferor plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the `transferor plan') to the extent that—

"(I) the forms of distribution previously available under the transferor plan applied to the participant or beneficiary whose account was transferred to the transferee plan; and

"(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(iii) The transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan; and

"(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election.

"(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

"(A) the single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

"(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

"(F) AMDENDMENT TO CODE.—Section 401(k)(2)(B) of the Internal Revenue Code of 1986 (26 U.S.C. 1054(g)(2)) is amended by adding at the end the following:

"(D) PLAN TRANSFERS.—

"(i) A defined contribution plan (in this subparagraph referred to as the `transferor plan') shall not be treated as failing to meet the requirements imposed by section 411(d)(6) of the Employee Retirement Income Security Act of 1974 merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the `transferor plan') to the extent that—

"(I) the forms of distribution previously available under the transferor plan applied to the participant or beneficiary whose account was transferred to the transferee plan; and

"(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(iii) The transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan; and

"(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election.

"(F) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements imposed by section 411(d)(6) of the Employee Retirement Income Security Act of 1974 merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

"(A) the single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

"(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

"(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: "The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner."

"(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

"(b) REGULATIONS.—

"(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of section 401(k)(6)(B) of the Internal Revenue Code of 1986 (26 U.S.C. 401(k)(6)(B)) is amended by adding at the end the following:

"(D) PLAN TRANSFERS.—

"(i) A defined contribution plan (in this subparagraph referred to as the `transferor plan') shall not be treated as failing to meet the requirements imposed by section 411(d)(6) of the Employee Retirement Income Security Act of 1974 merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the `transferor plan') to the extent that—

"(I) the forms of distribution previously available under the transferor plan applied to the participant or beneficiary whose account was transferred to the transferee plan; and

"(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i)."

"(iii) The transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan; and

"(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election.

"(G) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements imposed by section 411(d)(6) of the Employee Retirement Income Security Act of 1974 merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

"(A) the single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

"(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

"(H) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

"(a) PLANS.—Subsection (b) of section 403(b) is amended by adding at the end the following new paragraph:

"(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includable in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

"(A) for the purpose of purchase service credit (as defined in section 415(n)(3)(A) under such plan, or

"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.

"(b) PLAN FORMS.—Subsection (e) of section 457(d) is amended by adding after the last sentence of such paragraph the following new paragraph:

"(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includable in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental
conforming amendment.—so much of paragraph (9) of section 457(e) as precedes subparagraph (a) is amended to read as follows:

"(9) benefits of tax exempt organization plans not treated as made available by reason of certain elections, etc.—in the case of an eligible deferred compensation plan maintained by an employer described in paragraph (1)(b)—"

(c) effective date.—the amendments made by this section shall apply to contributions made after july 29, 1999.
"(2) Tax not to apply to failures corrected within 30 days.—No tax shall be imposed by subsection (a) on any failure if—

"(A) such failure was due to reasonable cause and not to willful neglect, and

"(B) such failure is corrected during the 30-day period beginning on the first date any of the persons referred to in subsection (d) knew, or reasonably should have known, that such failure existed.

"(3) Overall limitation for unintentional failures.—

"(A) In general.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

"(B) Taxable years in the case of certain controlled groups.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the tax imposed by this paragraph shall be determined under principles similar to the principles of section 1561.

"(4) Waiver by Secretary.—In the case of a failure to reasonably correct a failure due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

"(d) Liability for Tax.—The following shall be liable for the tax imposed by subsection (a):

"(1) In the case of a plan other than a multiemployer plan, the employer.

"(2) In the case of a multiemployer plan, the plan.

"(e) Notice Requirements for Plans Significantly Reducing Benefit Accruals.—

"(1) In general.—If a defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants (including any reduction or elimination of an early retirement benefit or retirement-type subsidy), the plan administrator shall, not later than the 30th day before the effective date of the plan amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

"(A) requires the plan amendment and its effective date, and

"(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow such participants and beneficiaries to understand how the amendment generally affects different classes of employees.

"(2) Exception.—If either—

"(i) such plan amendment and its effective date, or

"(ii) such notice, was provided to a person designated, in writing, by the person to whom it would otherwise be provided,

"(f) Applicable Individual.—For purposes of this section—

"(1) in general.—The term 'applicable individual' means, with respect to any plan amendment—

"(A) any participant in the plan, and

"(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)).

"(2) Exception for Participants with less than 1 year of participation.—Such term shall not include a participant who has less than 1 year of participation (within the meaning of section 414(b)(4)) under the plan as of the effective date of the plan amendment.

"(3) Participants getting higher of benefits.—Such term shall not include a participant or beneficiary who, under the terms of the plan as of the effective date of the plan amendment, is entitled to the greater of the accrued benefit under such terms or the accrued benefit as of the effective date of the plan amendment.

"(g) Applicable Pension Plan.—For purposes of this section, the term 'applicable pension plan' means—

"(1) a defined benefit plan, or

"(2) an individual account plan which is subject to the funding standards of section 430.

"(2) Conforming Amendment.—The table of sections for chapter 43 of subtitle D of the Internal Revenue Code of 1986 is amended by adding after the last section in that chapter the following section:

"Sec. 4080F. Failure of defined benefit plans reducing benefit accruals to satisfy notice requirements.

"(b) Amendment to ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended to read as follows:

"(1) An applicable pension plan may not adopt an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants (including any elimination or reduction of an early retirement benefit or retirement subsidy) unless the plan administrator provides, not later than the 30th day before the effective date of the amendment, written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

"(A) sets forth the plan amendment and its effective date, and

"(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand how the amendment generally affects different classes of employees.

"(2) If a plan amendment to which paragraph (1) applies—

"(i) either—

"(I) provides for a significant change in the manner in which the accrued benefit is determined under the plan, or

"(II) requires an applicable individual to choose between 2 or more benefit formulas, and

"(III) may reasonably be expected to affect such applicable individual, the plan shall, not later than the date which is 6 months after the effective date of the plan amendment, provide written notice to such applicable individual which includes the information described in subparagraph (B)."
the assumptions used by the plan in determining such benefit and such assumptions must be reasonable in the aggregate.

(2) For purposes of this paragraph, an applicable individual means an individual who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(I) or a multiemployer plan (as defined in section 414(f)),'' after "or" subsection (a)(1) of section 415 (relating to combining of plans) is amended—

(a) by striking the period at the end of paragraph (1), by striking "or" at the end of subsection (a)(1) and by inserting after subsection (a)(1) the following:

"(2) Notwithstanding paragraph (1), the administering plan in effecting the material modification of the plan amendment occurring before the amendment is adopted.

(3) Any notice under paragraph (1) or (2) may be provided at a time other than the time required under either such paragraph.

(4) A plan shall not be treated as failing to meet the requirements of paragraphs (1) or (2) merely because notice is provided before the amendment and the notice is before the amendment occurring before the amendment is adopted.

(5) Any notice provided under paragraph (1) or (2) may be provided at a time other than the time required under either such paragraph.

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

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

"(c) EFFECTIVE DATE.—(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) SPECIAL RULE FOR COLLECTIVELY BARGAINED PLANS.—In the case of a plan maintained pursuant to an agreement between employees and their employers, for purposes of applying the amendments made by this section, the amendments made by this section shall not apply to plan amendments taking effect on or after the date of the enactment of this Act.

(3) E XCEPTION FOR DROP OUTPLANS.—Paragraph (1) of section 415 (relating to plan amendments which are not material modifications) is amended—

(a) by inserting before paragraph (1)(A) the following:

"(1) The amendments made by this section shall apply to plan amendments which are not material modifications if—

(b) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(c) PROTECTION OF INVESTMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.—

(1) IN GENERAL.—Subsection (a) of section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking "or" at the end of section 105(b) and by inserting after section 105(b) the following:

"(B) require either of such notices to be provided at a time other than the time required under either such paragraph.

(2) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 356. TREATMENT OF MULTIEmployer PLANS UNDER SECTION 415.

(a) COMPLIANCE REQUIREMENTS.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

"(B) defined benefit plans) is amended to read as follows:

"(A) require the exclusion of amounts from gross income which have accrued, or the earliest date on which benefits will become nonforfeitable

"(ii) the total benefits accrued, and

"(iiii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable.

"(B) shall be written in a manner calculated to be understood by the average plan participant, and

"(C) may be provided in written, electronic, telephonic, or other appropriate form.

"(4) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(ii) shall be satisfied as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the rates in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

(b) CONFORMING AMENDMENTS.—

(1) Section 105(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d) and by inserting after subsection (c) the following:

"(d) E FFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 362. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking "or" at the end of paragraph (5), by striking the period at the end of paragraph (5) and inserting ", or", and by adding at the end the following paragraph:

"(9) qualified retirement planning services.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (i) the following:

"(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

"(1) IN GENERAL.—For purposes of this section, the term ‘qualified retirement planning services’ means any retirement planning advice provided to an employee and his spouse by an employer maintaining a qualified employer plan.
SEC. 371. FLEXIBILITY IN NONDISCRIMINATION AND COVERAGE RULES.

(a) NONDISCRIMINATION.—

(I) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the election test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(II) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by subparagraph (I) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary adding at the end the following:

(i) limits the availability of this subparagraph.

(ii) satisfies subparagraph (B), as in effect immediately before the enactment of the Internal Revenue Code of 1986.

(iii) satisfies subparagraph (B), as in effect immediately before the enactment of the Internal Revenue Code of 1986.

(iv) subjects the Secretary to determine, pursuant to such regulations, whether the plan satisfies such test.

(III) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

(iII) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

(IV) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

(V) ELECTION.—An election under this subparagraph shall be irrevocable without the consent of the Secretary.

(b) AMENDMENTS TO ERISA.—

(1) IN GENERAL.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1343(c)(7)) is amended by striking "section 4022(b)(5)" and inserting "section 4022(b)(6),".

(2) Section 4044(b) of such Act (29 U.S.C. 1342(c)(7)) is amended by—

(A) striking "section 4022(b)(5)" and inserting "section 4022(b)(6),".

(B) by redesigning paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to individuals who are participants or former participants in the plan described in that subparagraph, and to the extent that more frequent valuations are required by the regulations prescribed in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking "as defined in section 4022(b)(6)(b),".

(B) by adding at the end the following:

(4) For purposes of subsection (b)(9), the term ‘substantial owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

(i) owns the entire interest in an unincorporated trade or business.

(ii) in the case of a partnership, is a partner who, at any time during the 60-month period ending on the date the determination is being made—

(1) the term ‘majority owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

(2) the following:

(II) the assets of the plan are not less than 125 percent of the plan’s current liabilities determined as of the valuation date for the preceding plan year, then this section shall be applied using the information available as of such valuation date.

(III) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

(IV) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

(V) ELECTION.—An election under this subparagraph shall be irrevocable without the consent of the Secretary.

(b) AMENDMENTS TO ERISA.—

(1) IN GENERAL.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1343(a)(4)(B)) is amended by striking "section 4022(b)(5)" and inserting "section 4022(b)(6)."

(2) Section 4044(b) of such Act (29 U.S.C. 1342(c)(7)) is amended by—

(A) striking "section 4022(b)(5)" and inserting "section 4022(b)(6),".

(B) by redesigning paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of such paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of such paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in such subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in such subparagraph.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking "as defined in section 4022(b)(6)(b),".

(B) by adding at the end the following:

(4) For purposes of subsection (b)(9), the term ‘substantial owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

(i) owns the entire interest in an unincorporated trade or business.

(ii) in the case of a partnership, is a partner who, at any time during the 60-month period ending on the date the determination is being made—

(1) the term ‘majority owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

(2) the following:

(II) the assets of the plan are not less than 125 percent of the plan’s current liabilities determined as of the valuation date for the preceding plan year, then this section shall be applied using the information available as of such valuation date.

(III) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

(IV) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

(V) ELECTION.—An election under this subparagraph shall be irrevocable without the consent of the Secretary.
of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2000, and (b) under section 4042 of such Act (29 U.S.C. 1342), any proceeding for which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of enactment of this Act.

SEC. 374. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDESCRIPTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking “or” at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

“(iii) is, at the election of such participants or their beneficiaries—

“(I) payable as provided in clause (i) or (ii), or

“(II) paid to the plan and reinvested in qualifying employer securities,”.

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

SEC. 375. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—The Secretary of theTreasury shall modify the regulations under sections 402(f), 411(a)(11), and 410(k) of the Code of 1986 to provide that employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section beginning on or after January 1, 2002.

(b) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 410(k) of the Code of 1986 to substitute “1-year” for “90-day” and inserting “1-year”.

(b) AMENDMENT TO ERISA.—Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1005(c)(7)) is amended by striking “90-day” and inserting “1-year”.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 421(f), 411(a)(11), and 410(k) of the Code of 1986 to substitute “1-year” for “90 days” each place it appears in Treasury Regulations sections 1.421(f)-1, 1.411(a)-11(c), and 1.417(e)-1(b).

(c) EFFECTIVE DATE.—The amendments made by this paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 2000.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The amendments made by this subsection shall apply only to plan years beginning after December 31, 1998.

(2) EFFECTIVE DATE.—The modification required by paragraph (1) shall apply to years beginning after December 31, 2000.

SEC. 376. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 377. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)-6g to provide that employees of an organization described in section 403(b)(3)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 403(k) (or (m) of such Code) that is provided under the same general arrangement as a plan under such section 403(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 403(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section beginning on or after January 1, 2002.

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1420(b) of the Small Business Job Protection Act of 1996.

SEC. 378. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NON-DISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting “or by an international organization which is described in section 414(d)” after “or instrumentality thereof”.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting “and international organization which is described in section 414(d)” after “or instrumentality thereof”.

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

SEC. 379. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(b)(3)) is amended by striking “1-year”.

(b) CONFORMING AMENDMENTS.—(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(k)(3) are each amended by inserting “and international organization” after “governmental”.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting “and local governmental and international organization plans” after “(G)”.

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

SEC. 380. MODIFICATION OF EXCLUSION FOR EMPLOYER-PROVIDED TRANSIT PASSENGERS.

(a) IN GENERAL.—Section 132(f)(3) relating to cash reimbursement is amended by striking the last sentence.

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

SEC. 381. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b) and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—(1) I N GENERAL .—The last sentence of section 411(d)(6) of the Internal Revenue Code of 1986 is hereby repealed.

(b) CONFORMING AMENDMENT.—(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended by striking “$60,000 amounts” and inserting “$50,000 amounts”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 1999.

(b) INCREASE IN INCOME LIMITATION FOR STUDENT LOAN INTEREST DEDUCTION.

(a) ELIMINATION OF 60-MONTH LIMIT.

(1) IN GENERAL.—Section 221 (relating to interest on education loans) is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(b) CONFORMING AMENDMENT.—(1) IN GENERAL.—Section 221(b)(2)(B) (relating to amount of reduction) is amended by striking clauses (i) and (ii) and inserting the following:

“(i) the excess of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) $50,000 (twice such dollar amount in the case of a joint return), bears to

“(III) $15,000,”.

(b) INCREASE IN INCOME LIMITATION FOR STUDENT LOAN INTEREST DEDUCTION.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended by inserting “or 1 or more eligible educational institutions” after “State” and “State program” after “qualified tuition program,”.

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

SEC. 403. MODIFICATIONS TO QUALIFIED TUTITION PROGRAMS.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended by inserting “or by 1 or more eligible educational institutions (as defined in section 529(a)(1))” after “by a State or agency or instrumentality thereof.”.
(2) Private Qualified Tuition Programs Limited to Benefit Plans.—(Clause (ii) of section 529(b)(3)(A) is amended by inserting "in the case of a program established and maintained by a state or agency or instrumentality thereof," before "may make".

(3) Conforming Amendments.—
(A) Sections 72(e)(9), 135(c)(2)(C), and 530(d)(2)(A), and 663(a)(2)(C) are each amended by striking "qualified State tuition" each place it appears and inserting "qualified tuition".

(B) Sections 221(e)(2)(A) and 663(a)(2)(C) are each amended by striking "QUALIFIED STATE TUITION" and inserting "QUALIFIED TUITION".

(C) The heading for sections 529(b) and 530(b)(2)(B) are each amended by striking "QUALIFIED TUITION" and inserting "QUALIFIED TUITION PROGRAMS."

(D) The heading for section 529 is amended by striking "STATE".

(E) The item relating to section 529 in the table of sections for part VII of chapter 1 of chapter 1 is amended by striking "State".

(2) Exclusion From Gross Income of Education Distribution From Qualified Tuition Programs.—
(I) In General.—Section 529(c)(3)(B) (relating to distributions) is amended to read as follows:

"(B) Distributions for Qualified Higher Education Expenses.—For purposes of this subparagraph:

(i) In-kind Distributions.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

(ii) Cash Distributions.—In the case of distributions not described in clause (i), if—

(I) the amount other than such portion is such expenses bear to such distributions.

(ii) Exception for Institutional Programs.—In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

(iv) Treatment as Distributions.—Any benefit furnished to a designated beneficiary under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

(v) Coordination With Hope and Lifetime Learning Credits and Qualified Tuition Programs.—

(A) Coordination With Hope and Lifetime Learning Credits.—Section 529(c)(3)(C) (relating to courses of instruction of such beneficiary) is amended by striking "as provided in section 25A(g)(2)," and 

(iii) Limitation on Certain Rollovers.—Clause (i)(ii) shall not apply to any amount transferred with respect to a designated beneficiary if, at any time during the 1-year period ending on the day of such transfer, any other amount was transferred with respect to such beneficiary which was not includible in gross income by reason of clause (ii)(i).

(v) Coordination with Education Individual Retirement Accounts.—If, with respect to an individual for any taxable year—

(I) the total amount of qualified higher education expenses otherwise taken into account under section 25A and (ii) (after the application of clause (v)) for such year, the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).

(2) Conforming Amendments.—
(A) Section 135(d)(2)(B) is amended by striking "the exclusion under section 530(d)(2)," and inserting "the exclusions under section 530(d)(2)," and 

(B) Section 221(e)(2)(A) is amended by inserting "529," after "135,"

(C) Coordination With Hope and Lifetime Learning Credits and Qualified Tuition Programs.—

(I) In General.—Section 530(d)(2)(C) is amended to read as follows:

"(C) Coordination With Hope and Lifetime Learning Credits and Qualified Tuition Programs.—For purposes of paragraph (A)—

"(i) Credit Coordination.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

"(I) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A, and

(ii) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (v)) for such year.

(ii) Coordination With Qualified Tuition Programs.—(If, with respect to an individual for any taxable year—

(I) the aggregate distributions during such year to which subparagraph (A) and section 529(c)(3)(B) apply, exceed

(ii) the total amount of qualified higher education expenses otherwise taken into account under subparagraph (A) (after the application of clause (i)) for such year, the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under subparagraph (A) and section 529(c)(3)(B).

(2) Conforming Amendments.—
(A) Subsection (e) of section 529 is amended to read as follows:

"(e) Election To Have Section Apply.—No credit shall be allowed under subsection (a) for a taxable year with respect to the qualified tuition and related expenses of an individual with respect to any qualified tuition program (other than the Education Savings Account Program) for the benefit of the designated beneficiary, unless—

(1) the amount of qualified higher education expenses with respect to the qualified tuition program (other than the Education Savings Account Program) for the benefit of the designated beneficiary, which was otherwise taken into account in determining the credit allowed to the taxpayer or any other person under section 25A, and

(ii) by striking "or credit",

(2) by adding at the end the following new clause:

"(ii) by striking "or credit or" in the heading.

(D) Rollover to Different Program For Same Designated Beneficiary.—Section 221(c)(3)(C) (relating to changes in beneficiaries) is amended—

(1) by striking "transferred" and inserting "transferred to the credit", and

(2) by adding the following sentence:

"and (B) the total amount of qualified higher education expenses otherwise taken into account under clause (i) (after the application of subsection (b), by striking the period at the end of subparagraph (B) and by inserting ";", and, by adding at the end the following new subparagraph:

"(D) any first cousin of such beneficiary.

(f) Definition of Qualified Higher Education Expenses.—
(I) In General.—Subparagraph (A) of section 529(e)(3) (relating to definition of qualified higher education expenses) is amended to read as follows:

"(A) In general.—The term ‘qualified higher education expenses’ means—

"(i) tuition and fees required for the enrollment or attendance of a designated beneficiary at an eligible educational institution for courses of instruction of such beneficiary at such institution, and

(ii) expenses for books, supplies, and equipment which are incurred in connection with such enrollment or attendance, but not to exceed the allowance for books and supplies included in the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll)), as in effect on the date of enactment of the Taxpayer Relief Act of 1997 as determined by the eligible educational institution.

(2) Exception for Education Involving Sports, etc.—Paragraph (3) of section 529(e) (relating to qualified higher education expenses) is amended by striking at the end the following new subparagraph:

"(C) Exception For Education Involving Sports, Etc.—The term ‘qualified higher education expenses’ shall not include expenses with respect to any course or other education involving sports, games, or hobbies unless such course or other education is part of the proprietary curriculum or is taken to acquire or improve job skills of the beneficiary.

(g) Effective Dates—
(I) In General.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(II) Qualified Higher Education Expenses.—The amendments made by subsection (f) shall apply to amounts paid for courses beginning after December 31, 1999.

SEC. 404. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) In General.—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school structures) is amended by striking "$5,000,000" the second place it appears and inserting "$10,000,000".

(b) Effective Date.—The amendments made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 1999.

SEC. 405. EXCLUSION OF CERTAIN AMOUNTS RECEIVED UNDER THE NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM AND THE F. EDWARD HEBERT ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM.

(a) In General.—Section 117(c) (relating to the exclusion from gross income amounts received under a scholarship) is amended—

(1) by striking "Subsections (a)" and inserting the following:

"(a) Except as provided in paragraph (2), subsections (a)", and

(2) by adding at the end the following new paragraph:

Exclusions.—(Paragraph (1) shall not apply to any amount received by an individual under—

(A) the National Health Service Corps Scholarship Program under section 338a(g)(3)(A) of the Public Health Service Act, or
SECT. 501. DEDUCTION FOR HEALTH AND LONG-TERM CARE INSURANCE COSTS OF INDIVIDUALS NOT PARTICIPATING IN EMPLOYER-SUBSIDIZED HEALTH PLANS.

(a) In General.—Part VII of subchapter B of chapter 1 of subchapter A of subtitle A of title 26 of the Internal Revenue Code, as in effect on the date of enactment of this section, is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

"SEC. 222. HEALTH AND LONG-TERM CARE INSURANCE COSTS.

"(a) In General.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the applicable percentage of the amount paid during the taxable year for insurance which constitutes medical care or long-term care for the taxpayer and the taxpayer’s spouse and dependents.

"(b) Applicable Percentage.—For purposes of subsection (a):

"(1) Health insurance.—In the case of insurance not described in paragraph (2), the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2003</td>
<td>125</td>
</tr>
<tr>
<td>2004-2005</td>
<td>25</td>
</tr>
<tr>
<td>2006 and thereon</td>
<td>100</td>
</tr>
</tbody>
</table>

"(2) Long-term care insurance.—In the case of a qualified long-term care insurance contract, the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2003</td>
<td>125</td>
</tr>
<tr>
<td>2004-2005</td>
<td>25</td>
</tr>
<tr>
<td>2006 and thereon</td>
<td>100</td>
</tr>
</tbody>
</table>

"(c) Limitation Based on Other Coverage.—

"(1) Coverage under certain subsidized employer plans.—

"(A) In General.—Subsection (a) shall not apply to a taxpayer for any calendar month for which the taxpayer participates in any health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer (more of the cost of coverage under such plan determined under section 4980B and without regard to payments made with respect to any coverage described in subsection (e)) is paid or incurred by the employer.

"(B) Employer contributions to cafeteria plans, flexible spending arrangements, and medical savings accounts.—Employer contributions to a cafeteria plan, a flexible spending or similar arrangement, or a medical savings account which are excluded from gross income under section 106 shall be treated for purposes of subparagraph (A) as paid by the employer.

"(C) Aggregation of plans of employer.—A health plan which is not otherwise described in subparagraph (A) shall be treated as described in such subparagraph if such plan was so described if all health plans of persons treated as a single employer under subsections (b), (c), (m), or (o) of section 414 were treated as one health plan.

"(D) Separate application to health insurance.—In the case of a qualified long-term care insurance contract, subparagraphs (A) and (C) shall be applied separately with respect to—

"(i) plans which include primarily medical care, long-term care, or both kinds of care services or are qualified long-term care insurance contracts, and

"(ii) plans which do not include such coverage and are not such contracts.

"(2) Coverage under certain federal programs.—

"(A) In General.—Subsection (a) shall not apply to any amount paid for any coverage for an individual for any calendar month if, as of the first day of such month, the individual is covered under any medical care program described in—

"(i) title XVIII, XIX, or XXI of the Social Security Act,

"(ii) chapter 55 of title 10, United States Code,

"(iii) chapter 17 of title 38, United States Code,

"(iv) chapter 89 of title 5, United States Code, or

"(v) the Indian Health Care Improvement Act.

"(B) Exception.—

"(i) Qualified long-term care.—Subparagraph (A) shall not apply to amounts paid for coverage under a qualified long-term care insurance contract.

"(ii) Continuation coverage of FEHBP.—Subparagraph (A)(iv) shall not apply to coverage which is comparable to continuation coverage under section 4980B.

"(iii) Long-term care deduction limited to qualified long-term care insurance contracts.—In the case of a qualified long-term care plan, only eligible long-term care premiums (as defined in section 213(d)(10)) may be taken into account under subsection (a).

"(iv) DEDUCTION NOT AVAILABLE FOR PAYMENT OF ANNUITY COVERAGE.—Any amount paid as a premium for insurance which provides—

"(1) coverage for accidents, disabilities, dental care, vision care, or a specified illness, or

"(2) making payments of a fixed amount per day (or other period) by reason of being hospitalized, shall not be taken into account under subsection (a).

"(f) Special Rules.—

"(1) Coordination with deduction for health insurance costs of self-employed individuals.—The amount taken into account by the taxpayer in computing the deduction under section 162(l) shall not be taken into account under this section.

"(g) Regulations.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations requiring employers to report to their employees and the Secretary such information as the Secretary determines to be appropriate.

"(h) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62, as amended by section 301, is amended by inserting after paragraph (12) the following new paragraph:

"(i) HEALTH AND LONG-TERM CARE INSURANCE COSTS.—The deduction allowed by section 222.

"(j) Clerical Amendment.—The table of contents for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following new item:

"Sec. 222. Health and long-term care insurance costs.

"Sec. 223. Cross reference.

"(k) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SECT. 502. LONG-TERM CARE INSURANCE PERMITTED TO BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE SPENDING ARRANGEMENTS.

(a) Cafeteria Plans.—

"(1) In General.—Subsection (f) of section 125 (defining qualified benefits) is amended by striking the last sentence of that section and inserting in lieu thereof—

"(i) such term shall include the payment of premiums for any qualified long-term care insurance contract (as defined in section 7702C) to the extent the amount of such payment does not exceed the eligible long-term care premiums (as defined in section 213(d)(10)) for such contract.

"(2) E xception For Certain Noncitizens.—The term "qualified child" shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were
applied without regard to all that follows 'resident of the United States'.

"(2) APPLICABLE INDIVIDUAL.—

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

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

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

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 3½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

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

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

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

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

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

"(iii) The individual is under 2 years of age and—

"(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

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

"(B) ISSUANCE OF DEDUCTION.—If the requirements of subparagraph (A) are met, the Secretary may prescribe that such individual shall be treated as the eligible caregiver.

"(E) APPLICABLE INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband and wife are each eligible caregivers shall be made under the rules of clause (ii) (whether or not one of them has a written declaration under clause (i)).

"(F) IDENTIFICATION REQUIREMENTS.—

"(1) IN GENERAL.—Section 7214(a) is amended by striking "correct TIN'', and

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

"(A) by inserting "or physician identification'' after "correct TIN'', and

"(B) by striking "and inserting "family care''.

"(G) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the provisions of the Tax and Trade Relief Extension Act of 1998 to which they relate.

"(H) NOTIFICATION.—Not later than 90 days after the date of the enactment of this Act, the Commissioner General of the United States shall prepare and submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the operation the Vaccine Injury Compensation Trust Fund and on the adequacy of such Fund to meet future claims made under the Vaccine Injury Compensation Program.

TITLE VI—ESTATE TAX RELIEF

SEC. 601. INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDITS.

(a) IN GENERAL.—The section in title section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying after December 31, 1999, and gifts made, during—

2000 ........................... $1,225,000
2001 ........................... $1,225,000
2002 ........................... $700,000
2003 ........................... $700,000
2004 ........................... $700,000
2005 ........................... $700,000
2006 ........................... $1,000,000
2007 ........................... $1,225,000
2008 ........................... $1,225,000
2009 ........................... $1,300,000.

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

TITLE VII—SMALL BUSINESS AND AGRICULTURAL RELIEF

SEC. 701. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

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

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

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

SEC. 702. REPEAL OF FEDERAL UNEMPLOYMENT TAX.

Section 3301 (relating to rate of Federal unemployment tax) is amended—
(1) by striking "2007" and inserting "2004", and
(2) by striking "2008" and inserting "2005".

SEC. 703. INCOME AVERAGING FOR FARMERS.

(a) DEDUCTION ALLOWED. — In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction from gross farm income the amount of any nonqualified income of the trust (as defined in section 408(d)(4)) which is not less than 10 percent of the amount of such nonqualified income of the trust.

(b) LIMITATION. — The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of the aggregate nonqualified income (as defined in section 408(d)(3)) attributable to amounts deposited in such Account during such taxable year.

(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS. — (A) DEDUCTION ALLOWED. — In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction from gross farm income the amount of any nonqualified income of the trust (as defined in section 408(d)(4)) which is not less than 10 percent of the amount of such nonqualified income of the trust.

(b) LIMITATION. — The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of the aggregate nonqualified income (as defined in section 408(d)(3)) attributable to amounts deposited in such Account during such taxable year.

(c) TAX ON PROHIBITED TRANSACTIONS. — A taxpayer shall be subject to tax thereon in accordance with subsection (2) of such chapter on any tax paid by a taxpayer on any part of a payment described in subparagraph (A) of subsection (1) of such section in respect of amounts distributed from such Account to the taxpayer during any taxable year.
improvement for which the expenditure is attributable to—
(i) the enlargement of the building,
(ii) any elevator or escalator,
(iii) any structural component benefiting a common area, and
(iv) the internal structural framework of the building.
(2) SEC. 47(c)(2)(C).—Definitions and special rules.—For purposes of this paragraph—
(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively, if the lease is in effect at the time the property is placed in service.
(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term `related person' means—
(I) members of an affiliated group (as defined in section 1504), and
(II) persons having a relationship described in subsection (b) of section 267(b) or 707(b)(1); except that, for purposes of this clause, the phrase `80 percent or more' shall be substituted for the phrase `more than 50 percent' each place it appears in such subsections.
(3) SEC. 47(c)(3)(B).—Applicable amount of State ceiling.—(A) IN GENERAL.—The term `qualified rehabilitation expenditure' means any amount allocable to the rehabilitation of a building unless at least 5 percent of the total expenditures made in the rehabilitation process are allocable to the rehabilitation of the exterior of such building.
(B) APPLICABLE AMOUNT.—(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only the rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.
(C) CERTIFIED REHABILITATION.—(1) IN GENERAL.—Except as otherwise provided in this subsection, the term `certified rehabilitation' has the meaning given such term by section 47(c)(2)(C).
(2) FACTORS TO BE CONSIDERED IN THE CASE OF TARGETED AREA RESIDENCES, ETC.—(A) IN GENERAL.—For purposes of applying section 47(c)(2)(C) with respect to the rehabilitation of a building to which this paragraph applies, consideration shall be given to—
(I) the feasibility of preserving existing architectural and design elements of the interior of such building,
(II) the risk of further deterioration or demolition of such building in the event that certification is denied because of the failure to preserve such interior elements,
(iii) the effects of such deterioration or demolition on neighboring historic properties.

(B) BUILDINGS TO WHICH THIS PARAGRAPH APPLIES.—This paragraph shall apply with respect to any building—

(i) any part of which is a targeted area residence within the meaning of section 435(c)(3)(B)(i) or (ii) thereof; or

(ii) which is located within an enterprise community or empowerment zone as designated under section 1391.

but shall not apply with respect to any building which is listed in the National Register.

(3) APPROVED STATE PROGRAM.—The term ‘certified rehabilitation‘ includes a certification made by—

(A) a State Historic Preservation Officer who administers a State Historic Preservation Program approved by the Secretary of the Interior pursuant to section 101(b)(1) of the National Historic Preservation Act, as in effect on July 21, 1999; or

(B) a local government, certified pursuant to section 101(c)(1) of the National Historic Preservation Act, as in effect on July 21, 1999, and authorized by a State Historic Preservation Program approved by the Secretary of the Interior where there is no approved State program,

subject to such terms and conditions as may be specified by the Secretary of the Interior for the rehabilitation of buildings within the jurisdiction of such officer (or local government) for purposes of this section.

(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section,

(I) QUALIFIED HISTORIC HOME.—The term ‘qualified historic home’ means a certified historic structure (ii),

(A) which has been substantially rehabilitated, and

(B) which (or any portion of which)—

(i) is owned by the taxpayer, and

(ii) is used (or, where a reasonable period, be used) by such taxpayer as their principal residence.

(ii) substantially rehabilitated.—The term ‘substantially rehabilitated‘ has the meaning given such term by section 47(c)(2)(C); except that, in the case of any building which (or any portion thereof) is (ii) therein shall not apply.

(3) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning in section 47(c)(2)(C) as when used in such section.

(4) CERTIFIED HISTORIC STRUCTURE.—

(A) In general.—The term ‘certified historic structure‘ means any building (and any structural component thereof) which—

(i) is listed in the National Register, or

(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)(ii) within which only qualified census tracts (or portions thereof) are located, and is certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.

(5) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance under a statute of a State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

(C) QUALIFIED CENSUS TRACTS.—For purposes of subparagraph (A)(i)—

(i) in general.—The term ‘qualified census tract‘ means a census tract in which the median family income is less than twice the state median income.

(ii) data used.—The determination under clause (i) shall be made on the basis of the most recent decennial census for which data are available.

(5) REHABILITATION NOT COMPLETE BEFORE CERTIFICATION.—A rehabilitation shall not be treated for purposes of this section as made by the Secretary referred to in subsection (d).

(B) LESSEES.—A taxpayer who leases his principal residence shall, for purposes of this section, be treated as the owner thereof if the remaining term of the lease (as of the date determined under regulations prescribed by the Secretary) is not less than three such minimum periods as the regulations require.

(7) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING.—If the tenant holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), the tenant is entitled to occupy as such stockholder the house or apartment which the taxpayer is entitled to occupy as such stockholder.

(8) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR OF BUILDING CONTAINING OPERATIVE OR CONDOMINIUM UNITS.—The percentage of the total expenditures made in the rehabilitation of a building containing cooperative or condominium residential units allocated to the rehabilitation of the exterior of the building shall be attributed proportionately to each cooperative or condominium unit residing in such building for which a certificate under this section is claimed.

(9) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—In the case of a building other than a building to which subsection (g) applies, qualified rehabilitation expenditures shall be treated for purposes of this section as made by the date on which the rehabilitation is completed.

(10) ALLOWANCE OF CREDIT FOR PURCHASE OF REHABILITATED HISTORIC HOME.—

(A) In general.—The taxpayer may elect, when used in section 121.

(i) principal residence.—The term ‘principal residence’ has the same meaning as when used in section 121.

(ii) principal residence of the taxpayer, stockholder shall be treated for purposes of this section as made by the date on which the rehabilitation is completed.

(iii) any part of which is a targeted area residence within the meaning of section 435(c)(3)(B)(i) or (ii) thereof; or

(iv) which is located within an enterprise community or empowerment zone as designated under section 1391.

(11) ELECTION NOT TO ENTER INTO MORTGAGE.—The taxpayer shall, for purposes of this section, be treated as the owner thereof if the taxpayer, in accordance with the provisions prescribed by the Secretary, with respect to a certified rehabilitation,

(B) the face amount of which shall be equal to the credit which would (but for this subsection) be allowable under subsection (a) to the taxpayer with respect to such rehabilitation,

(C) which may only be transferred by the taxpayer to a lending institution (including a non-depository institution) in connection with a loan—

(i) that is secured by the building with respect to which the credit is allowable under subsection (a), or

(ii) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of such building, and

(D) in exchange for which such lending institution provides the taxpayer—

(i) a reduction in the rate of interest on the loan which results in interest payment reductions which are substantially equivalent on a present value basis to the face amount of such certificate, or

(ii) if the taxpayer so elects with respect to such face amount, the amount of the mortgage or portion of such certificate relating to a building—

(i) which is a targeted area residence within the meaning of section 435(c)(3)(B)(i), or

(ii) which is located in an enterprise community or empowerment zone as designated under section 1391.

(12) MORTGAGE CREDIT CERTIFICATE.—For purposes of this section, be treated for purposes of this section as made by the date on which the rehabilitation is completed.

(13) METHOD OF DISCOUNTING.—The present value of any percentage of the total expenditures made in the rehabilitation of a cooperative or condominium residential unit shall be treated for purposes of this section as made by the date on which the rehabilitation is completed.

(C) which is located in an enterprise community or empowerment zone as designated under section 1391.

(14) CREDIT CERTIFICATE.—The amount of the credit specified in the certificate shall be allowed to the lender only to offset the regular tax (as defined in section 1391, as in effect on the date the taxpayer makes an election under paragraph (1) and computed annually, and

(D) by assuming that the credit allowable under this section for any year is received on the last day of such taxable year.

(15) CREDIT CERTIFICATE BY LENDER.—The amount of the credit specified in the certificate shall be allowed to the lender only to offset the regular tax (as defined in section 1391, as in effect on the date the taxpayer makes an election under paragraph (1) and computed annually, and

(D) by assuming that the credit allowable under this section for any year is received on the last day of such taxable year.

(16) HISTORIC REHABILITATION MORTGAGE CERTIFICATE.—The amount of such certificate, or

(A) which is listed in the National Register, or

(B) which (or any portion of which) is (ii) therein shall not apply.

(17) RECAPTURE.—If, before the end of the 5-year period beginning on the date on which the rehabilitation of the building is completed or, if subsection (g) applies, the date on which the rehabilitation was completed, the taxpayer disposes of such tax-
the taxpayer’s tax imposed by this chapter for the taxable year in which such disposition or cessation occurs shall be increased by the recapture percentage of the credit allowed under this section for any expenditure with respect to such rehabilitation.

(2) RECAPTURE PERCENTAGE.—For purposes of this section for any expenditure with respect to such rehabilitation, the recapture percentage of the credit allowed under this section for any expenditure with respect to such rehabilitation which is originally placed in service after December 31, 1999, and before January 1, 2000, is 80 percent. For any expenditure with respect to such rehabilitation which is originally placed in service after January 1, 2000, and before July 1, 2004, the recapture percentage of the credit allowed under this section for any expenditure with respect to such rehabilitation which is originally placed in service after December 31, 1999, and before January 1, 2000, is 60 percent.

(3) SPECIAL RULE.—In the case of a facility described in subparagraph (C), the 10-year period referred to in subsection (a)(2)(C) shall be treated as beginning no earlier than January 1, 2000.

(4) LANDFILL GAS.—The term ‘landfill gas’ means gas from the decomposition of any material which is segregated from other waste materials and which is derived from —

(a) unsegregated municipal solid waste (garbage),

(b) yard trimmings, brush, and other food processing by-products,

(c) industrial solid waste,

(d) sewage sludge,

(e) municipal solid waste disposed of in a municipal solid waste landfill unit (as defined in regulations prescribed by the Environmental Protection Agency),

(f) agricultural and aquacultural waste (garbage) or paper that is commonly recycled, or

(g) waste used as a fuel or in the production of fuel.

(5) CREDIT ELIGIBILITY IN THE CASE OF GOVERNMENTAL UNITS.—In the case of a facility using a governmental unit, the person eligible to receive a credit under this section shall be any governmental unit that owns, or is constructing, a qualified facility described in subparagraph (C), including equipment and housing (not including equipment that is required to be used for electric generation) required to generate electricity which are owned by the taxpayer and so placed in service.

(6) CREDIT ELIGIBILITY IN THE CASE OF INDEPENDENT SYSTEM OPERATOR OR TRANSMISSION FACILITY.—In the case of a facility using a qualified energy resource, the person eligible to receive a credit under this section shall be any governmental unit, or any independent system operator or transmission facility (including equipment and housing (not including equipment that is required to be used for electric generation) required to generate electricity which are owned by the taxpayer and so placed in service).

(7) LIMITATION ON CREDIT.—In the case of a facility using a governmental unit or an independent system operator or transmission facility, the amount of the credit determined under subsection (a) for the taxable year shall be reduced by the percentage coal comprises (on a Btu basis) of the average fuel input of the facility for the taxable year.

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

SEC. 813. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) EXTENSION OF TERMINATION DATE.—Subsection (b) of section 48(c) is amended by striking “December 31, 2000” and inserting “July 1, 2004”.

(b) EXPANSION OF QUALIFIED CONTAMINATED SITE.—Section 48(e) is amended to read as follows:

(1) IN GENERAL.—In the case of a facility using landfills or other contaminated sites, equipment or structures paid or incurred after December 31, 1999, and before July 1, 2004, the amount of the credit determined under subsection (a) for any taxable year shall be reduced by the amount of the credit allowed under this section for any expenditure with respect to such rehabilitation.

(2) BASIS ADJUSTMENTS.—For purposes of this subsection, if a credit is allowed under this section for any expenditure with respect to any property (including any purchase under subsection (g) and any transfer under subsection (h)(2)), the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(3) APPROPRIATE STATE AGENCY.—For purposes of paragraph (2), the chief executive officer of each State may, in consultation with the Administrator of the Environmental Protection Agency, designate the appropriate State environmental agency within 60 days of the date of the enactment of this section as the appropriate State environmental agency for such State.

(4) APPROPRIATE STATE AGENCY.—For purposes of paragraph (2), the chief executive officer of each State may, in consultation with the Administrator of the Environmental Protection Agency, designate the appropriate State environmental agency within 60 days of the date of the enactment of this section as the appropriate State environmental agency for such State.

(5) SUSPENSION OF DOLLAR LIMITATION.—Subsection (b) of section 48(c)(1) is amended by striking “$25,000 ($12,500”.

(b) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 198(c) (relating to amortization of rehabilitation expenditures) is amended by striking “$25,000 ($12,500”.

(c) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 198(c)(1) is amended by striking “$25,000 ($12,500”.

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


(a) In General.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph:—

(8) Distributions for charitable purposes.—

(A) In general.—In the case of a qualified charitable distribution from an individual retirement account to an organization described in section 170(c), no amount shall be includible in the gross income of the distributee.

(B) Special rules relating to charitable remainder trusts, pooled income funds, and charitable gift annuities.—

(i) In general.—In the case of a qualified charitable distribution from an individual retirement account—

(I) to a charitable remainder unitrust or a charitable remainder annuity trust (as such terms are defined in section 664C(i)),

(II) to a pooled income fund (as defined in section 664D),

(III) for the issuance of a charitable gift annuity (as defined in section 503(m)(5)),

no amount shall be includible in gross income of the distributee. The preceding sentence shall apply only if no person holds any interest in the amounts in the trust, fund, or annuity attributable to such distribution other than one or more of the following: the individual who is the annuitant or any organization described in section 170(c).

(ii) Determination of inclusion of amounts attributable to charitable distribution.—In determining the amount includible in the gross income of the distributee of a distribution from a trust described in clause (i)(I) or an annuity (as described in clause (i)(III)), the portion of any qualified charitable distribution to such trust or for such annuity which would (but for this subparagraph) have been includible in gross income—

(I) in the case of any such trust, shall be treated as income described in section 664C(i), or

(II) in the case of any such annuity, shall not be treated as an investment in the contract—

(I) No inclusion for distribution to POOLED income fund.—No amount shall be includible in the gross income of a pooled income fund (as so defined) by reason of a qualified charitable distribution to such fund.

(2) Qualified charitable distribution.—For purposes of this paragraph, the term “qualified charitable distribution” means any distribution from an individual retirement account—

(I) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 70½,

(ii) which is a charitable contribution (as defined in section 170(c)) made directly from the account to—

(I) an organization described in section 170(c), or

(ii) a trust, fund, or annuity described in subparagraph (B).

(3) Denial of deduction.—The amount allowable as a deduction to the taxpayer for such year shall be treated as income described in section 664(b)(1), or

(b) Applicable Percentage.—Section 170(b)(2) is amended by striking “50 percent” and inserting “100 percent”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.
(c) **EFFECTIVE DATE.—**The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

**TITLe XI—REVENUE OFFSETS**

**Subtitle A—General Provisions**

**SEC. 1101. AMENDMENT TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.**

(a) In General.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking “in the second preceding taxable year,” and

(2) by striking “fifth, sixth, or seventh.”

(b) **EFFECTIVE DATE.—**The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.

**SEC. 1102. RETURNS RELATING TO CANCELLATION OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.**

(a) In General.—Section 6050P(c) (relating to definitions and special rules) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (C) and inserting “,” and”, and by inserting after subparagraph (C) the following new subparagraph:

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

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

**SEC. 1103. INCREASE IN ELECTIVE WITHHOLDING RATE FOR INDEBTEDNESS DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.**

(a) In General.—Section 402(b)(1) (relating to withholding for the payment of taxes on distributions from deferred compensation plans) is amended by striking “10 percent” and inserting “15 percent.”

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

**SEC. 1104. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) In General.—Chapter 77 (relating to miscellaneous provisions) is amended by adding after the end of the following:

“SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

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

“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

“(2) other similar requests.

“(b) **PROGRAM CRITERIA.—**

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

“(A) shall vary according to categories (or subcategories) established by the Secretary,

“(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

“(C) shall be payable in advance.

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

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

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<th>Category</th>
<th>Average Fee</th>
</tr>
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<tr>
<td>Employee plan ruling and opinion</td>
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<tr>
<td>Exempt organization ruling</td>
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<tr>
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<tr>
<td>tion</td>
<td></td>
</tr>
<tr>
<td>Client counseling</td>
<td>$400</td>
</tr>
</tbody>
</table>

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

(b) **CONFORMING AMENDMENTS.—**

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

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

(2) Section 1031(e)(1) of the Revenue Act of 1969 is amended by striking “September 30, 2004” and inserting “September 30, 2009.”

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

**SEC. 1105. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.**

(a) **EXEMPTIONS AND REDUCED FEES.**


(2) **CONFORMING AMENDMENTS.**

(A) Section 3121(e)(3) of such Act (29 U.S.C. 1081(e)(3)) is amended by striking “1995’’ and inserting “2001’’.

(B) Section 403(c)(1) of such Act (29 U.S.C. 1103(c)(1)) is amended by striking “1995’’ and inserting “2001’’.

(C) **APPLICATION OF MINIMUM COST REQUIREMENTS.**

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

“(3) **MINIMUM COSTS**.—

“(A) **IN GENERAL.**—The requirements of this paragraph are met if each group health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the cost maintenance period shall not be less than the higher of the applicable employer cost required to be provided under paragraph (A) before the close of the taxable year by—

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

“(I) without regard to any reduction under subsection (e); and

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

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

“(C) **EFFECTIVE DATE.—**The amendments made by subsection (b) shall apply to transfers on or before December 31, 2004, or transfers occurring after the date of the enactment of this Act.

**SEC. 1106. TRANSFER OF INCOME AND LOSS ON DERIVATIVES.**

(a) **IN GENERAL.—**Section 1221 (relating to capital gains and losses) is amended—

(1) by striking “For purposes” and inserting the following:

“(a) **IN GENERAL.—**For purposes of paragraphs (5) and (6) of section 1221, and subparagraphs (C) and (D) of section 1221(b), the Secretary may by regulations prescribe:

“(A) the period over which the cost of any commodity or other property is determined;

“(B) the percentage applicable to any commodity or other property in any taxable year, and

“(C) any other matter the Secretary determines to be appropriate.

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

(b) **APPLICATION OF MINIMUM COST REQUIREMENTS.**

(1) **IN GENERAL.—**Section 420(c) is amended to read as follows:

“(c) **TERMINATION.**—No fee shall be imposed for—

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

“(I) without regard to any reduction under subsection (e); and

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

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

“(D) **LOSS ON DERIVATIVES.**

(1) **IN GENERAL.—**The term ‘loss on derivatives’ means any loss (whether deductible or not) on any derivative financial instrument held by a person for the purposes of—

“(A) hedging; or

“(B) any other purpose.

(2) **EFFECTIVE DATE.**—The amendment made by subsection (b) shall apply to transfers after the date of the enactment of this Act.
HEDGING TRANSACTION.

(a) IN GENERAL.—For purposes of this section, the term ‘hedging transaction’ means any transaction entered into by the taxpayer in the normal course of the taxpayer’s trade or business purpose—

(i) to manage risk of price changes or currency fluctuations with respect to ordinary property which is held or to be held by the taxpayer;

(ii) to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by the taxpayer; or

(iii) to manage such other risks as the Secretary prescribes in regulations.

(b) TREATMENT OF NONIDENTIFICATION OR IMPROPER IDENTIFICATION OF HEDGING TRANSACTIONS.—Notwithstanding subsection (a)(7), the Secretary shall prescribe regulations to properly characterize any income, gain, expense, or loss arising from a transaction—

(i) which is a hedging transaction but which was not identified as such in accordance with subsection (a)(7), or

(ii) which was so identified but is not a hedging transaction.

(3) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (6) and (7) of subsection (a) in the case of transactions involving related parties.

(c) MANAGEMENT OF RISK.—

(1) MANAGEMENT.—Section 475(c)(3) is amended by striking ‘‘reduces’’ and inserting ‘‘manages’’.

(2) Section 871(h)(4)(C)(iv) is amended by striking ‘‘to reduce’’ and inserting ‘‘to manage’’.

(3) Clauses (i) and (ii) of section 988(d)(2)(A) are each amended by striking ‘‘to reduce’’ and inserting ‘‘to manage’’.

(4) Paragraph (2) of section 1256(e) is amended to read as follows:

‘‘(2) TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.—

SEC. 1113. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

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

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

‘‘(a) USE OF INSTALLMENT METHOD.—

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

(2) ACCRUAL METHOD TAXPAYER.—The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without regard to this section.

The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (l)(2).

(b) CONFORMING AMENDMENTS.—Sections 453(d)(3), 453(f)(1), and 453(j) are each amended by striking ‘‘(a)’’ each place it appears and inserting ‘‘(a)(i)’’.

(c) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453(a)(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following:

‘‘(4) For purposes of paragraph (3)(D) of section 453(a), in determining capital gains and losses, the following new section:

‘‘SEC. 1114. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

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

‘‘SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

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

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

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

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

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

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

(ii) to the extent such gain is treated as long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applies to such gain under section 1(h) shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain.
"(A) a regulated investment company,
(B) a real estate investment trust, (C) an S corporation,
(D) a partnership,
(E) a trust,
(F) a common trust fund,
(G) a passive foreign investment company (as defined in section 1297 without regard to subsection (e) thereof),
(H) a foreign personal holding company, (I) a foreign investment company (as defined in section 1246(b)), and
(J) a REMIC.

"(I) NONCONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

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

"(a) holds a long position under a notional principal contract with respect to any financial asset if the taxpayer—

"(b) enters into a forward or futures contract to acquire the financial asset.

"(c) is the holder of a call option, and

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

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

"(2) EXCEPT FOR TRANSACTIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transactions (or accounts acquired in such transactions) are marked to market under any provision of this title or the regulations thereunder.

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

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

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

"(4) FORWARD CONTRACT.—For purposes of this section, the term 'forward contract' means a contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

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

"(i) if the taxpayer had acquired the financial asset for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and

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

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

"(6) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of the taxpayer taking delivery of the financial asset that is the subject of such transaction, the amount of any gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a).

"(7) FAIR MARKET VALUE.—The term 'fair market value' as used in this section shall be determined in the same manner as the term 'fair market value' as used in section 3111(b), as in effect on the date the transaction was closed.

"(8) TRANSFERS TO OR FOR THE USE OF ANOTHER PERSON.—In the case of any constructive ownership transaction entered into after December 31, 1987, any transfer to or for the use of a person other than the transferor, any life insurance, annuity, or endowment contract to which a charity is a beneficiary, or any other person (other than an organization described in subsection (c)) designated by the transferor.

"(9) APPLICATION TO CHARITABLE REMAINDER TRUSTS.—In the case of any transfer to or for the use of an organization described in subsection (c), such organization incurs an obligation to pay a charitable gift annuity (as defined in section 503(m)) and such organization purchases any annuity contract to provide such obligation. Any payments under the charitable gift annuity shall not be treated for purposes of subparagraph (B) as indirect beneficiaries under such contract if—

"(i) such organization possesses all of the incidents of ownership under such contract,

"(ii) such organization is entitled to all the payments under such contract,

"(iii) the timing and amount of payments under such contract are substantially the same as the timing and amount of payments to each such person under such obligation (as such obligation is in effect at the time of such transfer),

"(iv) after December 31, 1987, any transfer to or for the use of a person other than the transferor, any life insurance, annuity, or endowment contract to which a charity is a beneficiary, or any other person (other than an organization described in subsection (c)) designated by the transferor.

"(10) EXCEPTION FOR CERTAIN ANNUITY CONTRACTS.—In the case of a transfer to or for the use of an organization described in subsection (c), such organization incurs an obligation to pay a charitable gift annuity (as defined in section 503(m)) and such organization purchases any annuity contract to provide such obligation. Any payments under the charitable gift annuity shall not be treated for purposes of subparagraph (B) as indirect beneficiaries under such contract if—

"(i) such organization possesses all of the incidents of ownership under such contract,

"(ii) such organization is entitled to all the payments under such contract,

"(iii) the timing and amount of payments under such contract are substantially the same as the timing and amount of payments to each such person under such obligation (as such obligation is in effect at the time of such transfer),

"(iv) after December 31, 1987, any transfer to or for the use of a person other than the transferor, any life insurance, annuity, or endowment contract to which a charity is a beneficiary, or any other person (other than an organization described in subsection (c)) designated by the transferor.
PENSION OR ANNUITY CONTRIBUTIONS AND Distributions TO PREVENT THE AVOIDANCE OF SUCH PURCHASES OR LIABILITIES THROUGH THE USE OF LIVING TRUSTS OR OTHER INSTRUMENTS FOR THE PURPOSE OF CLAWING BACK ANNUITY PAYMENTS OR LIABILITIES. THE SECRETARY MAY REQUIRE THE TAXPAYER TO FURNISH SUCH ADDITIONAL INFORMATION AS IS NEEDED TO DETERMINE WHETHER SUCH PROVISIONS OR LIABILITIES HAVE BEEN AVOIDED THROUGH THE USE OF LIVING TRUSTS OR OTHER INSTRUMENTS.

(ii) PAYMENTS BY OTHER PERSONS. FOR PURPOSES OF THE PRECEDING PARAGRAPH, ANY PAYMENT MADE BY ANY OTHER PERSON (OTHER THAN THE EMPLOYER) TO THE CONTRACTUEE FOR THE PURPOSE OF PREVENTING THE AVOIDANCE OF SUCH PURCHASES OR LIABILITIES IS CONSIDERED TO BE A PAYMENT BY THE EMPLOYER FOR PURPOSES OF THE immediately preceding paragraph. THE SECRETARY MAY REQUIRE THE PAYMENT TO BE MADE UPON CERTAIN CONDITIONS.

(iii) REPORTING. ANY REPORTING REQUIREMENT UNDER THIS SUBSECTION IS TO BE CARRIED OUT IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(iv) CERTAIN RULES TO APPLY. THE TAX IMPOSITIONS WHICH ARE TO BE APPLIED TO THE TAX DUE UNDER THIS SUBSECTION ARE TO BE APPLIED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDING THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(v) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(vi) RULES TO APPLY. THE RULES TO APPLY IN THE DETERMINATION OF THE EFFECT OF THE NONALLOCATION ARE TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(vii) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(viii) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(ix) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(x) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(xi) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.

(xii) DETERMINATION OF THE EFFECT OF THE NONALLOCATION. THE EFFECT OF THE NONALLOCATION OF THE TAX DUE UNDER THIS SUBSECTION IS TO BE DETERMINED IN CONFORMANCE WITH THE REQUIREMENTS OF SUBSECTION (e) OF SECTION 6655 (RELATING TO ESTIMATED TAX BY CORPORATIONS) PROVIDED THAT SUCH REQUIREMENTS ARE ADAPTED TO THE NEEDS OF THE CASE.
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stock unit, performance unit, or similar instrument granted by an S corporation as stock or not stock.”

(b) EXCISE TAX.—(1) In general.—Section 4979A(b) (defining prohibited allocation) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “,” and by deleting at the end the following new paragraph:

“(3) any allocation of employer securities which violates the provisions of section 404(p).”

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended by adding at the end the following new sentence: “In the case of a plan described in subparagraph (a)(3), such tax shall be paid by the S corporation the stock in which was allocated in violation of section 404(p).”

SEC. 1120. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.

SEC. 1119. ALLOCATION OF BASIS ON TRANSFERS OF INTANGIBLES IN CERTAIN NON-RECOGNITION TRANSACTIONS.

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by adding after subsection (b) the following new paragraph:

“(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read

“(d) TRANSFERS OF INTANGIBLE PROPERTY.—

“(1) IN GENERAL.—Rules similar to the rules of section 351(h) shall apply for purposes of this section.

“(2) TRANSFERS TO FOREIGN PARTNER SHIPS.—For purposes of section 351, any tax imposed by striking “and” at the end of paragraph (6), by redesignating paragraphs (7) through (9) as paragraphs (8) and (9), and by inserting after paragraph (9) the following new paragraph:

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

(b) EXCEPTION TO CERTAIN PLANS.—(1) (A) In general.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of—

(A) employee stock ownership plan established before January 1, 1990; or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election was in effect under subsection 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date, the amendments made by this section shall apply to plan years ending after July 14, 1999.

SEC. 1188. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 357(b)(1) (relating to tax avoidance purpose) is amended—

(1) by striking “the principal purpose” and inserting “and a principal purpose”;

(2) by striking “on the exchange” in subparagraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years ending after July 14, 1999.

SEC. 1119. ALLOCATION OF BASIS ON TRANSFERS OF INTANGIBLES IN CERTAIN NON-RECOGNITION TRANSACTIONS.

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by adding after subsection (b) the following new paragraph:

“(b) ALLOCATION OF BASIS.—In the case of—

(A) a transfer of an interest in intangible property (as defined in section 386) made by an S corporation as stock or not stock; and

(B) in the case of a trust, own intangible property (as defined in section 386) made by an S corporation as stock or not stock.

“(c) EFFECTIVE DATES.—The amendments made by this section shall apply to transfers on or after the date of the enactment of this Act.

SEC. 1120. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.

SEC. 1118. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 351 (relating to transfer to corporation controlled by transferor) is amended—

(1) by striking “the principal purpose” and inserting “and a principal purpose”;

(2) by striking “on the exchange” in subparagraph (A).

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

(2) T RANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read

“(d) T RANSFERS OF INTANGIBLE PROPERTY.—

“(1) IN GENERAL.—Rules similar to the rules of section 351(h) shall apply for purposes of this section.

“(2) TRANSFERS TO FOREIGN PARTNERSHIPS.—For purposes of section 351, any tax imposed by striking “and” at the end of paragraph (6), by redesignating paragraphs (7) through (9) as paragraphs (8) and (9), and by inserting after paragraph (9) the following new paragraph:

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

(b) CONTROLLED ENTITY.—Section 356 is amended by adding at the end the following new subparagraph:

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

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

“(v) The corporation annually increases its total income from continuing operations by at least 50 percent over the corporation’s total income from continuing operations for the 2 taxable years immediately preceding the last half of the second taxable year, at which point the corporation’s directors may still be liable for corporate income tax imposed under clause (i) unless it enters into an agreement with the Secretary that if it does not maintain its status as a REIT for the 2 taxable years immediately preceding the last half of the second taxable year, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had made an election under subsection (a) of this Act and had ceased to qualify as a REIT for those 2 taxable years.

(3) RETURNS, INTEREST, AND NOTICE.—

(1) RETURNS.—In the event the corporation ceases to be treated as a REIT by operation of clause (ii), the corporation shall file any appropriate amended returns reflecting the change in status within 3 months of the close of the extended eligibility period.

(2) INTEREST.—Interest shall be payable on any tax imposed by reason of clause (ii) if there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed.

(3) NOTICE.—The corporation shall, in the same time it files its returns under clause (i), notify its shareholders and any other persons whose tax position is, or may reasonably be expected to be, affected by the change in status so they also may file any appropriate amended returns to conform their tax treatment consistent with the corporation’s loss of REIT status.

(4) REGULATIONS.—The Secretary shall provide appropriate regulations setting forth transferee liability and other provisions to ensure collection of tax and the proper administration of this provision.

(5) CLAUSES.—(i) and (ii) shall not apply if the corporation allows its incubator REIT status to lapse at the end of the initial 2-year eligibility period without engaging in a going public transaction if the corporation is treated as a controlled entity at the beginning of its fourth taxable year. In such a case, the corporation’s directors may still be liable for corporate income tax imposed under clause (i) unless it enters into an agreement with the Secretary that if it does not maintain its status as a controlled entity at the beginning of its fourth taxable year, it shall pay Federal income taxes for the 2 years of the extended eligibility period.

(6) SPECIAL PENALTIES.—If the Secretary determines that an incubator REIT election was not made for a principal purpose other than as part of a reasonable plan to undertake a going public transaction, an excise tax of $20,000 shall be imposed on each of the corporation’s directors for each taxable year for which an election was in effect.

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

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

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

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

For the purposes of this subparagraph, the rules of paragraph (3) shall apply in determining the ownership of stock.
"(F) Definitions.—The term ‘established incidental expenses of an eligible teacher or school official’ is amended by adding the following: ‘‘(18) ‘‘ECONOMIC INTEREST’’—For purposes of subsection (c), a beneficial interest in property is an economic interest if such interest is—
(A) an interest in property which (i) is a holding period of not less than 1 year, or (ii) is a property which is held for use in a trade or business; and
(B) an interest in property which is a right to receive income from such property that has a present fair market value of not less than $1,000.

"(G) Definitions.—For purposes of this paragraph, the term ‘eligible teacher or school official’ means—
(A) an employee of an elementary or secondary school or an official of an educational organization, if the employee or official is—
(i) a teacher, or
(ii) a school official,
(B) an individual who satisfies the requirements of paragraph (F); and
(C) an individual who is an individual described in subsection (A) or (B) whose income from the teaching position is less than $30,000.

"(H) Special rule.—For purposes of paragraph (F), an eligible teacher or school official shall be treated as an individual with respect to any trade or business if the teacher or school official is an individual described in paragraph (F).

"(I) Special rule.—For purposes of paragraph (F), an eligible teacher or school official shall be treated as an individual with respect to any trade or business if the teacher or school official is an individual described in paragraph (F).

"(J) Special rule.—For purposes of paragraph (F), an eligible teacher or school official shall be treated as an individual with respect to any trade or business if the teacher or school official is an individual described in paragraph (F)."
"(g) QUALIFIED INCIDENTAL EXPENSES OF ELIGIBLE TEACHERS.—For purposes of subsection (b)(13)—

(1) QUALIFIED INCIDENTAL EXPENSES—

(A) IN GENERAL.—The term ‘qualified incidental expenses’ means expenses paid or incurred by an eligible teacher in an amount not to exceed $250 for any taxable year—

(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and

(ii) with respect to which a deduction is allowable under section 162 (determined without regard to this section).

(B) QUALIFIED COURSE OF INSTRUCTION.—The term ‘qualified course of instruction’ means a course of instruction which—

(i) is at an institution of higher education (as defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this subchapter), or

(ii) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the individual’s teaching skills.

(C) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as so in effect.

(2) ELIGIBLE TEACHER.—

(A) IN GENERAL.—The term ‘eligible teacher’ means an individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school.

(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms ‘elementary school’ and ‘secondary school’ have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subchapter.

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

On page 37, strike lines 3 through 12 and insert the following:

(a) PHASEOUT OF AGI LIMIT ON CONTRIBUTIONS.--

(1) IN GENERAL.--Section 402A(c)(3)(A) (relating to dollar limit) is amended to read as follows:

``(A) DOLLAR LIMIT.—The amount determined under paragraph (2) for any taxable year with respect to a taxpayer shall be zero for any taxable year to which the contribution relates if the taxpayer's adjusted gross income exceeds $500,000.''

(2) REAL-STATE-OWNED ELECTRIC UTILITY DIVESTITURES.--Section 402A(c)(3)(B) (relating to dollar limits based on modified adjusted gross income) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), (D), and (E) as subparagraphs (A), (B), and (C), respectively.

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.--Section 401A(c)(3)(B) (relating to rollover from IRA) is amended to read as follows:

``(B) ROLLOVER FROM IRA.—A taxpayer...

On page 38, after line 24, add the following:

(4) REALIZATION LIMITATION.--The amendment made by subsection (a)(2) shall apply to taxable years beginning after December 31, 2003.

COLLINS AMENDMENTS NOS. 1448-1449

(Ordered to lie on the table.)

Ms. COLLINS submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1448

On page 371, between lines 16 and 17, insert: SEC. 1205A. ELECTRIC UTILITY DIVESTITURES.

Section 1205A of title 10, relating to involuntary conversions, is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following:

``(K) STATE-REQUIRED ELECTRIC UTILITY DIVESTITURES TO CARRY OUT COMPETITIVE RESTRUCTURING POLICIES.—

``(1) GENERAL RULE FOR INVESTMENT IN INVESTOR OWNED UTILITIES.—For purposes of this subtitle, if a taxpayer elects the application of this subsection to all or part of a qualified sale, such sale or part thereof shall be treated as an involuntary conversion to which this section applies.

``(2) QUALIFIED SALE.—For purposes of paragraph (1), the term 'qualified sale' means a sale by an electric utility of non-nuclear electric generation property, or a sale of stock in a corporation owning non-nuclear electric generation property, if the following occur:

``(A) STATE DIVESTITURE REQUIREMENT.—The State, by legislative enactment, specifically requires such sale, of all non-nuclear electric generation capacity in such utility's service area not later than March 1, 2000, and prohibits such utility or related party from acquiring similar or related generating capacity within such service area at anytime after March 1, 2000, in order to effectuate the competitive restructuring of the electric industry in such area.

``(B) CONSUMER BENEFIT.—The State provides that the benefit from a deferral of tax under this subsection shall inure solely to utility customers; and

``(C) COVERED SALES.—Such sale is consummated after April 1, 1999, and before March 2, 2000.

``(3) NOT A QUALIFIED SALE OR RELATED PROPERTY.—For purposes of subsection (a), property is similar or related in service or use to electric generation property so converted if it is:

``(A) a transmission property not required by a State to be divested, or electric transmission or distribution property,

``(B) other electric industry property,

``(C) natural gas utility property, or

``(D) steam industry property.

``(4) ONE ITEM OF PROPERTY.—Any sale of electric utility property under paragraph (2) shall be treated as a sale of a single item of property, and any property described in paragraph (3) shall be treated as property similar to such single item of property.

``(5) TEN-YEAR REPLACEMENT PERIOD.—In the case of an involuntary conversion described in paragraph (1), subsection (a)(2)(B)(i) shall be applied by substituting '10 years' for '2 years'.

``(6) GAIN RECOGNIZED IN YEAR CONVERSION IS REALIZED.—In the case of an involuntary conversion under paragraph (1)—

``(A) the gain shall be recognized in the year the conversion is realized, except to the extent that the property is replaced under subsection (a),

``(B) during the replacement period under paragraph (5), the taxpayer may use a one-year life for all assets described in paragraph (3) that are placed in service subject to the limitation in subparagraph (C), and

``(C) the total amount of similar or related property that is placed in service during such one-year period shall not exceed the total gain recognized under subparagraph (A).

``(7) NORMALIZATION RULES.—With respect to public utility property described in 168(k)(10), the Secretary shall prescribe the requirements of a normalization method of accounting for this subsection. Beginning on page 285, strike line 21 and all that follows through page 286, line 6.

AMENDMENT NO. 1449

On page 378, between lines 14 and 15, insert:

SEC. 1205A. TECHNICAL AMENDMENT.

(a) IN GENERAL.—Section 402A(c)(3)(C), as amended by section 1205A of this Act, is amended by inserting "or leased" after "owned".

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the effective dates of the phase-in of the applicable dollar amounts in section 2503(b)(2), as amended by section 722(a)(2) of this Act, as necessary to offset the decrease in revenues to the Treasury resulting from the amendment made by subsection (a).

SANTORUM AMENDMENTS NOS. 1450-1451

(Ordered to lie on the table.)

Mr. SANTORUM submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1450

On page 140, between lines 15 and 16, insert the following:

SEC. 420A. TRANSFER OF EXCESS PENSION ASSETS TO STOCK BONUS PLANS.

(a) IN GENERAL.—Section 420A of part I of chapter 1 (relating to treatment of transfers to retiree health accounts) is amended by adding at the end the following new subsection:

``(4) SEC. 420A. TRANSFER OF EXCESS PENSION ASSETS TO STOCK BONUS PLAN.

``(a) GENERAL RULE.—If there is a qualified stock bonus plan maintained by such employer, all or part of any excess pension assets of a defined benefit plan (other than a multiemployer plan)—

``(1) a trust which is part of such plan shall not be treated as failing to meet the requirements of section 420(a) solely by reason of such transfer (or any action authorized under this section),

``(2) no action by the employer shall be includable in the gross income of the employer maintaining the plan solely by reason of such transfer,

``(3) no deduction shall be allowed to the employer by reason of such transfer, and

``(4) such transfer shall not be treated—

``(A) as an employer reversion for purposes of section 4975, or

``(B) as a prohibited transaction for purposes of section 4975.

``(b) QUALIFIED STOCK BONUS TRANSFER.—For purposes of subparagraph (4)(A)

``(1) IN GENERAL.—The term 'qualified stock bonus transfer' means a transfer after the date of the enactment of this section and before January 1, 2003,

``(2) which does not contravene any other provision of law, and

``(C) with respect to which the requirements of subsections (c) and (d) are met.

``(2) ONLY 1 TRANSFER.—No more than 1 transfer with respect to any plan may be treated as a qualified stock bonus transfer for purposes of this section.

``(c) REQUIREMENTS RELATING TO STOCK BONUS PLAN.—For purposes of subparagraph (4)(B), the requirements of this subsection shall be met if the stock bonus plan to which the excess pension assets are transferred—

``(1) covers at least 95 percent of the active participants in the defined benefit plan immediately before the date of the transfer,

``(2) uses the entire amount transferred (and any income allocable to such amount) to purchase employer securities (as defined in section 401(m)) of the employer maintaining the stock bonus plan, and

``(3) allocates such securities in a uniform manner to the accounts of participants in the stock bonus plan who were active participants in the defined benefit plan immediately before the date of the transfer, but only if such allocation is made if the plan had terminated immediately before the qualified stock bonus transfer, and

``(b) on the basis of the ratio which the nonforfeitable accrued benefit of each such participant bears to the sum of such benefits for all such participants.

``(d) REQUIREMENTS FOR DEFINED BENEFIT PLAN.—For purposes of subparagraph (4)(C), the requirements of this subsection are met if the defined benefit plan from which the excess pension assets are transferred—

``(1) provides that the accrued pension benefits of any participant or beneficiary under the plan become nonforfeitable in the same manner which would apply if the plan had terminated immediately before the qualified stock bonus transfer, and

``(2) provides that it may not be terminated before the close of the 5th plan year following the plan year in which the transfer occurred.

``(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section:

``(1) EXCESS PENSION ASSETS.—The term 'excess pension assets' has the meaning given such term by section 420(e)(2).

``(2) COORDINATION WITH SECTION 412.—A rule similar to the rule of section 420(e)(4) shall apply.

``(b) CONFIRMING AMENDMENTS.—

``(1) the heading for subpart E of part I of chapter 1 is amended by striking 'to Retiree Health Accounts' and inserting 'of Excess Pension Assets'.
At the end, add the following:

DIVISION B—EMPLOYEE WELFARE BENEFIT EQUITY

SECTION 1. SHORT TITLE; TABLE OF CONTENTS; AMENDMENT TO 1986 CODE

(a) SHORT TITLE.—This division may be cited as the “Employee Welfare Benefit Equity Act of 1999.”

(b) TABLE OF CONTENTS.—
Sec. 1. Short title; table of contents; amendment to 1986 Code.
Sec. 2. Additional requirements.
Sec. 3. Clarification of definitions for section 419A(f)(1).
Sec. 4. Application of excise tax to noncontributory benefit plans.
Sec. 5. Clarification of standards for section 501(c)(9) approval.
Sec. 6. Effective date.

TITLE I—CERTAIN WELFARE BENEFIT PLANS

SEC. 101. MODIFICATION OF DEFINITION OF TEN-OR-MORE EMPLOYER PLAN

(a) ADDITIONAL REQUIREMENTS.—
Paragraph (6)(B) of section 419A(f) (relating to the exception for 10 or more employer plans) is hereby amended by substituting “employers,” and “employers” for “employers,” and “employer” at the end of clause (ii), and adding the following clauses:

(iii) which complies with the requirements of section 505(b)(1) with respect to all benefits provided by the plan, and
(iv) which has obtained a favorable determination from the Internal Revenue Service that such plan (or a predecessor plan) is an organization described in section 501(c)(9), and
(v) which does not permit any severance pay benefit.

(b) CLARIFICATION OF EXPERIENCE RATING.—Paragraph (6)(A) of section 4976 (relating to the exception for 10 or more employer plans) is hereby amended by striking the subsectors thereof, and inserting the following:

“The preceding sentence shall not apply to any plan which is an experience-rated plan. A guarantee plan shall not be considered an experience-rated plan.

(i) For purposes of this subparagraph, the term “experience-rated plan” is a plan which determines contributions by individual employers on the basis of experience-rating.

(ii) For purposes of this subparagraph, the term “experience-rating” means calculating contributions on the basis of actual gain or loss experience.

(iii) For purposes of this subparagraph, the term “guaranteed benefit plan” means a plan whose benefits are funded with insurance contracts or are otherwise determinable and payable to a participant without reference to, or limitation by, the amount of contributions to the plan attributable to any contributing employer; provided, however, that a plan shall not be a guaranteed benefit plan if benefits may be limited or denied in the event a contributing employer fails to pay premiums or assessments demanded by the plan as a condition of participation.

SEC. 102. CLARIFICATION OF DEDUCTION LIMITS FOR CERTAIN COLLECTIVELY BARGAINED PLANS

(a) ADDITIONAL REQUIREMENTS.—
Paragraphs (5)(B) of section 419A(f) (relating to the deductions limits for certain collectively bargained plans) is hereby amended by adding thereto the following clauses:

(iii) Paragraph (5)(B) shall not apply to any plan which contains any agreement or arrangement between employee representatives and 1 or more employers unless and until the taxpayer applies for and the Secretary issues a determination that such agreement or arrangement is bona fide collective bargaining agreement and that the welfare benefits provided thereunder were the subject of good faith bargaining between employee representatives and such employer or employers. The Secretary is authorized to promulgate regulations designed to carry out the intention of this provision.

(b) CLARIFICATION OF STANDARDS FOR SECTION 501(c)(9) APPROVAL.

(A) Any section 501(c)(9) plan is hereby amended by substituting the following subsection for the subsection as aforesaid:

(3) Normal retirement age. The term “normal retirement age” shall have the same meaning as defined in section 3(24) of the Employee Retirement Income Security Act of 1974, but in no event shall such date be later than the earliest normal retirement age defined in any qualified retirement plan which benefits such individual.

(c) Premature termination—For purposes of subsection (a) the term “premature termination” means—

(1) The termination of a welfare benefit fund,
(2) The withdrawal of an employer from a welfare benefit fund to which more than one employer contributes, or
(3) Any other action which is designed to cause, directly or indirectly, a distribution of any asset from a welfare benefit fund to a highly compensated employee.

(d) Exception for non deductibility contributions—Paragraph (1)(C) shall not apply to any amount attributable to a contribution to a welfare benefit fund made after June 9, 1999.

(e) Exception for post-retirement benefits—The term “post-retirement benefit” includes any amount attributable to a contribution made to a welfare benefit fund in excess of the cumulative incurrence of subsector (a) and (b) of paragraph (2) for any period prior to normal retirement age.

(f) Exception for post-retirement medical plans—In the case of a welfare benefit fund which otherwise complies with subsections (a), (b), and (c) of this section, the term “post-retirement benefit” means any benefit or distribution which is reasonably determined to be provided, paid, or made available to a participant on or after normal retirement age.

TITLE II—ENFORCEMENT PROVISIONS

SEC. 201. CLARIFICATION OF SECTION 4976

(a) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment to or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLES"
(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

II.—REVUNUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

APPENDIX

Mr. DODD (for himself and Mr. JEFFORDS) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

III.—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

TITLE III—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. DODD (for himself and Mr. JEFFORDS) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

TITLE III—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

IV.—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

V.—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

VI.—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

VII.—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the following Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

Mr. BURNS submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 202. EFFECTIVE DATE.

(a) CLARIFICATION.—The amendments to Section 4976 made by this Act are clarifications of the statute and shall be applied and enforced as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.
last day of the plan year preceding the plan year in which the plan amendment becomes effective.

(C) For purposes of this paragraph, an accrued benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

(c) Effective Date.—The amendments made by this section shall apply to plan amendments adopted after June 29, 1999.

ABRAHAM (AND WYDEN) AMENDMENT NO. 1455

Mr. ABRAHAM (for himself and Mr. WYDEN) proposed an amendment to the bill, S. 1429, supra; as follows:

On page 9832, line 1, strike all after (b) and insert:

SEC. 17. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS.

(a) Extension of Age of Eligible Computers.—Section 170(e)(6)(B)(i) (defining qualified elementary or secondary educational contribution) is amended—

(1) by striking "2 years" and inserting "3 years";

(2) by inserting "for the taxpayer's own use" after "constructed by the taxpayer";

(b) Reacquired Computers Eligible for Donation.—In general.—Section 170(e)(6)(B)(ii) is amended by inserting "or reacquired after "acquired under the donor's";

(c) Effective Date.—The amendments made by this section shall apply to contributions made in taxable years ending after the date of the enactment of this Act.

SEC. 18. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

(a) In General.—Subpart D of part IV of chapter 1 (relating to business credits) is amended by this Act, is amended by adding at the end the following:

"SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

"(a) General Rule.—For purposes of this section, the term 'qualified computer donation' has the meaning given in section 170(e)(6)(B), except that—

"(1) such term shall include the contribution of a computer (as defined in section 170(e)(6)(B)(iii) only if computer software (as defined in section 170(e)(3)(B)(i)) that serves as a computer operating system has been lawfully installed in such computer, and

"(2) for purposes of clauses (i) and (iv) of section 170(e)(6)(B)(iii) such term shall include the contribution of computer technology or equipment to multipurpose senior centers (as defined in section 10233) of the Older Americans Act of 1965, as added by individuals who have attained age of 60 years of age to improve job skills in computers.

(b) Qualified Computer Contribution.—For purposes of this section, "qualified computer contribution" has the meaning given the term "qualified elementary or secondary educational contribution" by section 170(e)(6)(B)(ii) except that—

"(1) such term shall include the contribution of a computer (as defined in section 170(e)(6)(B)(ii) if computer software (as defined in section 170(e)(3)(B)(i)) that serves as a computer operating system has been lawfully installed in such computer, and

"(2) for purposes of clauses (i) and (iv) of section 170(e)(6)(B)(ii) such term shall include the contribution of computer technology or equipment to multipurpose senior centers (as defined in section 10233) of the Older Americans Act of 1965, as added by individuals who have attained age of 60 years of age to improve job skills in computers.

(c) Increased Percentage for Contributions To Empowerment Zones, Enterprise Communities, and Indian Reservations.—In the case of a qualified computer contribution to an entity located in an empowerment zone or enterprise community designated under section 1393 or an Indian reservation (as defined in section 1885), contributions made by this section shall be allowed by substituting '50 percent' for '30 percent'.

(d) Certain Rules Made Applicable.—For purposes of this section, rules similar to the rules of paragraphs (4)(f) and (5) of section 41(f) and of section 170(e)(6)(A) shall apply.

(e) Termination.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of the New Millennium Classrooms Act.

(f) Current Year Business Credit Calculation.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking "plus" at the end of paragraph (1), by striking the period at the end of paragraph (13) and inserting ", plus", and by adding at the end the following:

"(14) the computer donation credit determined under section 45E(a)."

(c) Disallowance of Deduction by Amount of Credit.—Section 280C (relating to disallowance by amount of credits for certain expenses for which credits are allowable) is amended by adding at the end the following:

"(d) Credit for Computer Donations.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45E(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45E(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under the rules similar to the rules applicable under subsection (a) and (b) of section 52.

(d) Limitation on Carryback.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

"(9) No Carryback of Computer Donation Credit Before Effective Date.—No amount of unused business credit available under section 45E may be carried back to a taxable year beginning after the date of the enactment of this paragraph."

(e) Clerical Amendment.—The table of sections for part IV of subchapter C of chapter 1 (relating to business credits) is amended by this Act, is amended by inserting the item relating to section 45D the following:

"Sec. 45E. Credit for computer donations to schools and senior centers."

(f) Effective Dates.—

(1) In General.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after the date of the enactment of this Act.

(2) Certain Contributions.—The amendments made by this section shall apply to contributions made after the date of enactment of this Act.

ASHCROFT AMENDMENT NO. 1456

Ordered in lie on the table.

Mr. ASHCROFT submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the appropriate place, insert:

SEC. 1 SHORT TITLE.

This Act may be cited as the "Senior Citizens Computer Act of 1999."
SEC. 2. FINDINGS AND PURPOSE.
(a) FINDINGS.—The Congress finds that—
(1) the Congress and the President joined together to enact the Balanced Budget Act of 1997;
(2) strong economic growth and fiscal discipline have resulted in strong revenue growth into the Treasury;
(3) the combination of these factors is expected to enable the Government to balance its budget without the Social Security surplus;
(4) the Congress has chosen to allocate in this Act all Social Security surpluses toward saving Social Security and Medicare;
(5) amounts so allocated are even greater than the amounts provided for Social Security and Medicare in the President's budget, will not require an increase in the statutory debt limit, and will reduce debt held by the public until Social Security and Medicare reform is enacted; and
(b) this strict enforcement is needed to lock away the amounts necessary for legislation to save Social Security and Medicare.
(b) PURPOSE.—It is the purpose of this Act to prohibit the use of Social Security surpluses for any purpose other than reforming Social Security and Medicare.

SEC. 3. PROTECTION OF SOCIAL SECURITY SURPLUSES.
(a) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES.—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:
"(g) POINTS OF ORDER TO PROTECT SOCIAL SECURITY SURPLUSES.—"(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year.
"(2) SUBSEQUENT LEGISLATION.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—
(A) the enactment of that bill or resolution would cause or increase an on-budget deficit for any fiscal year,
(B) the enactment of that bill or resolution would not comply with the recommendations in that conference report, or
(c) the enactment of that bill or resolution in the form recommended in that conference report, would cause or increase an on-budget deficit for any fiscal year.
"(3) EXCEPTION.—The point of order set forth in paragraphs (2) shall not apply to Social Security reform legislation or Medicare reform legislation as defined by section 5(c) of the Social Security and Medicare Safe Deposit Box Act of 1997.
"(4) DEFINITION.—For purposes of this section, the term 'on-budget deficit', when applied to a fiscal year, means the deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund as reported if—
(A) the enactment of that bill or resolution would cause or increase an on-budget deficit for any fiscal year, or
(B) the enactment of that bill or resolution would not comply with the recommendations in that conference report, or
(c) the enactment of that bill or resolution in the form recommended in that conference report, would cause or increase an on-budget deficit for any fiscal year.
(b) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:
"(g) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, combined, established by title II of the Social Security Act.
(c) SUPER MAJORITY REQUIREMENT.—(1) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting "312(g)," and "312(d)(2),".
(2) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting "312(d)(2),".
(3) The heading of section 45 of such Code is amended by striking `"fish oil' and inserting `"energy".

(4) The table of contents for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 45 and inserting the following: "Sec. 45. energy produced for certain renewable resources."
SEC. 702. TERMINATION OF STEP UP IN BASIS AT DEATH.

(a) TERMINATION OF APPLICATION OF SECTION 1014.—Section 1014 (relating to basis of property acquired from a decedent) is amended by striking paragraph (27) and inserting ``;

(b) CONFORMING AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking ``and'' at the end of paragraph (27) and inserting `;''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any decedent dying after December 31, 2007.
The property taken into account under subparagraph (A) shall be determined under section 1022(b) without regard to subparagraph (A) of the last sentence of paragraph (9) thereof.

"(2) CERTAIN PROPERTY NOT CARRYOVER BASIS PROPERTY.—The term 'carryover basis property' does not include—

(A) any interest in income in respect of a decedent described in section 691.

(B) property which was acquired from the decedent by the surviving spouse of the decedent, the value of which would have been deductible from the value of the taxable estate of the decedent under section 2056, as in effect on the day before the date of enactment of the Taxpayer Refund Act of 1999.

(C) any includible property of the decedent if the aggregate adjusted fair market value of such property does not exceed $2,000,000.

For purposes of this paragraph and paragraph (3), the term 'adjusted fair market value' means, with respect to any property, fair market value reduced by any indebtedness secured by such property.

(3) PHASE-IN OF CARRYOVER BASIS IF INCLUDIBLE PROPERTY EXCEEDS $1,300,000.—

(A) If the adjusted fair market value of the includible property of the decedent exceeds $1,300,000, but does not exceed $2,000,000, the amount of the increase in the basis of such property which would (but for this paragraph) result under section 1014 shall be reduced by the amount which bears the same ratio to such increase as such excess bears to $700,000.

(B) ALLOCATION OF REDUCTION.—The reduction under subparagraph (A) shall be allocated among the includible property having such reduction and shall be allocated in proportion to the respective amounts of such net appreciation. For purposes of the preceding sentence, the term 'net appreciation' means the excess of the adjusted fair market value over the decedent's adjusted basis immediately before such decedent's death.

(4) INCLUDIBLE PROPERTY.—

(A) IN GENERAL.—For purposes of this subsection, the term 'includible property' means property which would be included by section 1014 if the property is a capital asset and (in the case of a decedent described in section 691, or, if there is no executor or administrator appointed, qualified, and acting with respect to the property which would (but for this paragraph) result under section 1014) shall be included among only the includible property.

(B) PROPERTY ACQUIRED BY INHERITANCE.—Subsection (A) of section 1014(c) of section 170(e) (relating to certain gifts made by the decedent after December 31, 2000) is amended by striking the 2 highest brackets and inserting the following:

Over $2,500,000 ............... $1,025,000, plus 50% of the excess over $2,500,000.

(5) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(6) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2007.

Subtitle B—Reductions of Estate, Gift, and Generation-Skipping Transfer Taxes

Sec. 711. Reductions of Estate, Gift, and Generation-Skipping Transfer Taxes.

(a) Maximum Rate of Tax Reduced to 50 Percent.—The tax imposed by section 2001(c)(1) is amended by striking the 2 highest brackets and inserting the following:

Over $2,500,000 ............... $1,025,000, plus 50% of the excess over $2,500,000.

(b) Repeal of Phaseout of Graduated Rates.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) Effectiveness of Amendments.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

Sec. 712. Unified Credit Against Estate and Gift Taxes Replaced with Unified Exemption Amount.

(a) In General.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an amount equal to the excess of—

(1) the exemption amount determined under section 2052 for such calendar year, over

(2) the sum of—

(A) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2004, and

(B) the aggregate amount of gifts for which credit was allowed by section 2505 as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999.

(b) Repeal of Unified Credits.—

(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) Conforming Amendments.—

(1) Subparagraph (A) of section 2003(b)(1) is amended by inserting before the comma 'reduced by the amount described in section 2052(a)(2)'.

(2) Subsection (b) of section 2001 is amended by adding at the end the following new sentence: 'For purposes of paragraph (2), the amount of the tax payable under chapter 12 shall be determined without regard to the credit provided by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999).'

(3) Subsection (a) of section 2012 is amended by adding after subparagraph (C) 'and the unified credit provided by section 2010'.

(4) Subsection (b) of section 2013 is amended by inserting before the period at the end of the first sentence 'and increased by the exemption allowed under section 2502 or 2106(a)(4) (or the corresponding provisions of applicable law in determining the taxable estate of the transferor for purposes of the estate tax)

(5) Subparagraph (A) of section 2013(c)(1) is amended by striking '10%'.

(6) Paragraph (2) of section 2014(b) is amended by striking '2010'.

(7) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows: '(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999) or the exemption allowable under section 2502 with respect to the decedent as such a credit (as the case may be) and the aggregate amount of the exemption allowable under section 2521 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year.'.

(8) Section 2012 is amended by striking subsection (c).

(9) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

(4) Exemption.—

(A) In General.—An exemption of $60,000.

(B) Residents of Possessions of the United States.—In the case of a decedent considered to be a nonresident not a citizen of the United States under section 2209, the exemption under this paragraph shall be the greater of—

(i) $9,000, or

(ii) that proportion of $175,000 which is in value of such part of the decedent's gross estate which at the time of his death is situated outside the United States, and bears to the value of his entire gross estate wherever situated.

(C) Special Rules.—

(i) Coordination with Treaties.—Except as otherwise provided, the provisions of any applicable income tax convention entered into by the United States, the exemption allowed under this paragraph shall be equal to the
The document contains legislative text related to tax provisions and amendments. It includes sections on estate and gift taxes, tax credits, and other financial provisions. The text is technical and detailed, discussing specific amendments to existing laws and their implications on taxable estates, gift exclusions, and contributions to retirement accounts. The document also references the Congressional Record, indicating it is a part of the legislative process in the United States Senate, with amendments proposed by various senators. The content is focused on financial regulations and their application, aimed at tax reform and economic policy updates.
TorriceLLi Amendments Nos. 1473-1474

(Ordered to lie on the table.)

Mr. TorriceLLi submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1473

At the end of subtitle B of title III, insert:

SEC. ___ NO excIse tax on simple pension ContributIons on behalF of do- mestic workers.

(a) In General.—Section 4972(c) (defining nondeductible contributions) is amended by adding at the end the following new paragraph:

"(7) simple contributions on behalf of domestic workers.—The term 'nondeductible contribution' shall not include a contribution to any simplified employee pension or any simple retirement account with respect to which a deduction is not allowed under section 404 solely because such contribution is under one or more domestic services (within the meaning of section 3510) in a private home of the employer for which a deduction is not allowed under section 162.

(b) Effective Date.—The amendment made by subsection (a) shall apply to contributions in taxable years beginning after December 31, 1999.

AMENDMENT NO. 1474

On page 371, between lines 16 and 17, insert the following:

SEC. ___ exclusion from income of severance payment amounts.

(a) In General.—Part III of subchapter B of chapter 1 (relating to definitions and special rules) is amended by adding the following new section:

"SEC. 139. SEVERANCE PAYMENTS.

"(a) In general.—In the case of an individual's separation from employment that is related to such payment.

"(b) Limitation.—The amount to which this section applies shall not exceed $2,000 with respect to any separation from employment.

"(c) Qualified Severance Payment.—For purposes of this section:

"(1) in general.—The term 'qualified severance payment' means any payment received in lieu of wages in connection with a reduction in the work force of the employer, and

"(2) limitation.—Such term shall not include any payment received by an individual if the aggregate payments received with respect to the separation from employment exceed $75,000.

(b) Conforming Amendment.—The table of sections for chapter 1 is amended by striking May 31, 2000, and inserting December 31, 2001.

AMENDMENT NO. 1475

Ordered to lie on the table.

Mr. TorriceLLi (for himself, Mr. Lieberman, Mr. Lautenberg, and Mr. Dodd) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

SEC. ___ prohibition on imposition of discriminarIy commuter taxeS by political subdivisionS of states.

(a) In General.—Chapter 1 of title 4, United States Code, is amended by adding at the end the following:

"§116. Prohibition on imposition of discriminatory commuter taxes by political subdivisions of States.

Except to the extent otherwise provided in any voluntary compact between or among States, a political subdivision of a State may not impose a tax on income earned within such political subdivision by nonresidents of the political subdivision unless the effective rate of such tax imposed on such nonresidents who are residents of such State is not less than such rate imposed on such nonresidents who are not residents of such State.

(b) Conforming Amendment.—The table of sections for chapter 1 of United States Code, is amended by adding at the end the following:
“116. Prohibition on imposition of discriminatory commuter taxes by political subdivisions of States.”.

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of enactment of this Act.

SANTORUM (AND OTHERS).—AMENDMENTS NOS. 1476-1478
(Ordered to lie on the table.)
Mr. SANTORUM (for himself, Mr. ABRAHAM, and Mr. DEWINE) submitted three amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1476
On page 371, between lines 16 and 17, insert the following:

TITLE —DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES, PROVIDING ASSISTANCE TO STATES IN PROVIDING CHARITY TAX CREDITS, AND REVENUE OFFSET

Subtitle A—Designation of and Tax Incentives for Renewal Communities

SEC. 1400. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

“Subchapter X—Renewal Communities

“Part I. Designation.

“(a) Designation.—

“(1) DEFINITIONS.—For purposes of this title, the term ‘renewal community’ means any area—

“(A) which is nominated by one or more local governments and the State or States in which, after nomination, is designated as a renewal community (hereinafter in this section referred to as a ‘nominated area’); and

“(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

“(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

“(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

“(2) NUMBER OF DESIGNATIONS.—

“(A) the area is one of pervasive poverty, unemployability, and general distress;

“(B) the boundary of the area is contiguous; and

“(C) the area—

“(i) has a population, of at least

“(A) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 14A(k)(1)(B)) which has a population of 50,000 or greater; or

“(B) 1,000 in any other case; or

“(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

“(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

“(A) the area is one of pervasive poverty, unemployability, and general distress;

“(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate;

“(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

“(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the area median income for households within the jurisdiction of the local government (determined in the same manner as under section 139(h)(2) of the Housing and Community Development Act of 1974),

“(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall not designate any area as a renewal community.

“(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall not designate any area as a renewal community.

“(6) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this subsection of an area if such Secretary determines that the local government or the State in which the area is located—

“(1) has modified the boundaries of the area, or

“(B) is not complying substantially with, or fails to make progress in achieving, the State and local commitments, respectively, described in subsection (d).

“(c) AREA AND ELIGIBILITY REQUIREMENTS.—

“(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

“(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

“(A) the area is within the jurisdiction of one or more local governments;

“(B) the boundary of the area is contiguous; and

“(C) the area—

“(i) has a population, of at least

“(A) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 14A(k)(1)(B)) which has a population of 50,000 or greater; or

“(B) 1,000 in any other case; or

“(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

“(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the area median income for households within the jurisdiction of the local government (determined in the same manner as under section 139(h)(2) of the Housing and Community Development Act of 1974),

“(E) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate;

“(F) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

“(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the area median income for households within the jurisdiction of the local government (determined in the same manner as under section 139(h)(2) of the Housing and Community Development Act of 1974).
ment corporations, or private companies.

borhood organizations, community develop-

homes, and commercial or industrial struc-

performed by a governmental entity.

governmental entity which were formerly

entities to provide jobs and job training for,

organizations, and community groups, par-

applying within the renewal community.

course of action shall in-

Specific and measurable goals, actions, and

and which commits each signatory to spe-

ment and community-based organizations

neighborhood organizations, which evidences

course of action is a written document,

the requirements of this paragraph if such

areas involved.

and well-tailored to the protection of health

except to the extent that such regulation of

ation, such corporation was in a renewal com-

property.

interest; and

Government Accounting Office regarding the

businesses which do not create a public nui-

and Urban Development may designate

and Urban Development; and

(1) Application of rules relating to
census tracts and census data.—The rules of sections 1390(b)(4) and 1393(a)(9) shall apply.

PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSI-

"Sec. 1400F. Renewal community capital gain.

"Sec. 1400G. Renewal community business defined.

"(a) General rule.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

"(b) Qualified community asset.—For purposes of this section—

"(i) In general.—The term ‘qualified community asset’ means any property which would be a qualified community business property if—

"(ii) as of the time such property is

services, including but not limited to taxi-

local government, the Secretary of Housing

business (or, in the case of a new corpora-

and Urban Development from the corpora-

1, 2008, at its original issue (directly or

(1) In general.—The term ‘local government’ means—

(2) State.—The term ‘State’ includes Puerto Rico, the Trust Territory of the United States, Guam, American Samoa, the North-

Mariana Islands, and any other possessions of the United States.

(3) Local government.—The term ‘local government’ means—

(1) any county, city, town, township, par-

ish, village, or other general purpose political

(1) during substantially all of the tax-

(2) during substantially all of the tax-

(3) Qualified community partnership gain.

"(a) General rule.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

"(b) Qualified partnership asset.—For purposes of this section—

"(i) In general.—The term ‘qualified

"(ii) as of the time such stock was issued,

"(iii) during substantially all of the tax-

and (1) of subparagraph (A) shall be treat-

(i) property which is substantially im-

(ii) property which is substantially im-

(ii) as of the time such stock was issued,

"PART III—FAMILY DEVELOPMENT ACCOUNTS

"Sec. 1400H. Family development accounts for renewal community EITC recipients.

"Sec. 1400J. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

"Sec. 1400K. Designation of earned income tax credit payments for deposit to family development account.
"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction—

"(1) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed $2,000, or

"(ii) an amount equal to the compensation includable in the individual’s gross income for such taxable year;

"(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

"(2) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to the provisions of section 152(a) shall apply to the limitation in paragraph (2)(A)."
"(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration programs to provide matching amounts in renewal communities); and

"(B) 10 percent of the portion of such amount which is includible in gross income and is attributable to contributions made under paragraph (1).

For purposes of this subsection, distributions which are includible in gross income shall be treated as attributable to amounts contributed under paragraph (1) to the extent therefor.

For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

"(2) EXCLUSION OF DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are

"(A) made on or after the date on which the account holder attains age 59½;

"(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder;

"(C) attributable to the account holder’s being disabled within the meaning of section 72(m)(7).

"(i) TERMINATION.—No deduction shall be allowed under this section for any amount paid to a family development account for any taxable year beginning after December 31, 2007.

"SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

"(a) DESIGNATION.—Of the areas designated under subsection (a) are prescribed.

"(A) DESIGNATION BASED ON DEGREE OF POVERTY. (1) The Secretary shall apply for purposes of designations of FDA matching demonstration areas under this section.

"(B) PAYMENTS FOR WHICH DESIGNATION IS IN EFFECT. Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

"(C) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS. (1) IN GENERAL.—Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))—

"(a) who is a resident throughout the taxable year of an FDA matching demonstration area; and

"(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year.

"(d) Notice of Program. The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

"(e) Termination. No amount may be deposited under this section for any taxable year beginning after December 31, 2007.

"SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPLOYMENT TO FAMILY DEVELOPMENT ACCOUNTS.

"(a) In General. With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year the tax imposed by this chapter, such individual may designate that a specified portion (not less than 1%) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual.

"(b) Manner and Time of Designation. A designation under subsection (a) may be made with respect to any taxable year—

"(1) at or before the time of filing the return of the tax imposed by this chapter for such taxable year; or

"(2) at any other time (after the time of filing the return imposed by the chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

"(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT. For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit due for such taxable year as determined by the taxpayer under section 32 for such taxable year.

"(d) OVERPAYMENTS TREATED AS REFUNDED. For purposes of this title, any portion of an overpayment (as defined in section 6212) which is attributable to the earned income tax credit shall be treated as reduced or refunded as if such overpayment had been claimed as an refund under section 6212.

"(e) Terminating. This section shall not apply to any taxable year beginning after December 31, 2007.

"PART IV—ADDITIONAL INCENTIVES

"Sec. 1400K. Commercial revitalization credit.

"Sec. 1400L. Increase in expensing under section 179.

"SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

"(a) General Rule. For purposes of sections 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year shall be equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

"(b) Applicable percentage. For purposes of this section—

"(1) In General. The term ‘applicable percentage’ means—

"(A) 10 percent for the taxable year in which a qualified revitalization building is placed in service, or

"(B) at the election of the taxpayer, 5 percent for each taxable year in the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

"(2) Elective basis. (A) IN GENERAL.—The term ‘credit period’ means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

"(B) APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

"(C) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

"(1) Qualified revitalization building. The term ‘qualified revitalization building’ means any building (and its structural components) if such building is located in a renewal community and is placed in service after December 31, 2000.

"(2) Qualified revitalization expenditure. (A) IN GENERAL.—The term ‘qualified revitalization expenditure’ means any amount which is allocable to the building under subsection (e); and

"(B) Attributable to a renewal community. (i) Property for which depreciation is allowable under section 168 and which is a qualified revitalization building which was not previously placed in service in or in connection with the substantial rehabilitation (within the meaning of section 42(f)) of a building which was placed in service before the beginning of such rehabilitation.
"(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

"(i) $10,000,000, reduced by

"(ii) any such expenditures with respect to the building taken into account by the taxpayer in the taxable year in which the building is placed in service in such calendar year.

"(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term ‘qualified revitalization expenditure’ does not include—

"(i) STRAIGHT LINE DEPRECIATION MUST BE USED.—Any expenditure (other than with respect to acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168.

"(ii) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent such costs exceed 50 percent of the aggregate amount of the qualified revitalization expenditures determined without regard to this clause.

"(iii) OTHER EXPENDITURES.—Any expenditure which is not taken into account in computing any other credit allowable under this title unless the taxpayer elects to take into account only for purposes of this section—

"(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—

"(1) In general.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service if such allocation under this section, a substantial rehabilitation of a building shall be treated as a separate building.

"(2) Progress expenditure payments.—Rules similar to the rules of subsections (a)(2) and (d) of section 437 shall apply for purposes of this section.

"(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

"(1) In general.—The amount of the credit determined under this section for any taxable year to any employer shall not exceed the aggregate amount of the commercial revitalization credit which the employer has elected to allocate under this section.

"(2) Allocation.—

"(A) In general.—Any expenditure which the taxpayer allocates for any calendar year is the amount which may be treated as qualified revitalization expenditures for purposes of this section.

"(B) Certain expenditures.—(1) In general.—Expenditures with respect to any qualified renewal property placed in service after December 31, 1979, or a building placed in service after the date contained in paragraph (4)(B) shall apply to any building placed in service after December 31, 1979.

"SEC. 1400L. INCREASE IN EXPENDING UNDER SECTION 179.

"(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

"(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

"(A) $35,000; or

"(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

"(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

"(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property placed in service after the date contained in paragraph (4)(B).

"SEC. 1400M. QUALIFIED RENEWAL PROPERTY.

"For purposes of this section—

"(1) In general.—The term ‘qualified renewal property’ means, with respect to any individual, any property which is attributable to service rendered during the 1-year period beginning on the first day of the 1-year period beginning on the first day after the last day of the 1-year period with respect to such individual determined under clause (ii) of section 1400E(c)(4).

"(2) CERTAIN PROPERTY TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.”.
enterprise community" and inserting "empowerment zone, enterprise community, or renewal community."

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (ii) of section 51(d)(7)(A) is amended by striking "empowerment zone or enterprise community" and inserting "empowerment zone, enterprise community, or renewal community.""?

(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting "or community" in the heading after "ZONE."

SEC. 4. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS.—Allowable Whether or Not Taxpayer Itemizes.—Subsection (a) of section 62(c) is amended by striking "or" at the end of paragraph (1)(D) and inserting ", or" after "or" at the end of paragraph (1), and by inserting after paragraph (4) the following new paragraph:

"(5) a family development account (within the meaning of section 1400H(e))".

(b) TAX ON EXCESS CONTRIBUTIONS.—(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking "or" at the end of paragraph (1)(B) and inserting "and" after "and" at the end of the paragraph, and by inserting after paragraph (2) the following new paragraph:

"(4) the amount allowable as a deduction under section 1400H(e) for such contributions; and"

"(5) the amount contributed to the account by reason of the application of section 1400H(d)(2) to such account:"?

(2) Section 408(d)(4) apply by reason of section 6204(a)(3) to amounts contributed to a family development account in a distribution to an individual that is distributed from the family development account described in section 1400H(e), after "section 408(a)."?

(c) PHASE-IN OF DESIGNATIONS OF RENEWAL COMMUNITIES.—(1) Section 6047 is amended by striking "or" at the end of paragraph (4) and inserting "and" after "and" at the end of the paragraph, and by adding at the end the following new paragraph:

"(3) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 6047 are each amended by striking "or" at the end of paragraph (5)(B) and inserting "and" after "and" at the end of the paragraph, and by inserting after paragraph (7)(C) the following new paragraph:

"(3) a renewal community designated under section 51(d)(7)(A)".

(d) INSTRUCTION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6693 is amended—

(1) by inserting "or section 1400H" after "section 219;" and

(2) by inserting "of section 1400H" after "of section 408(a)."?

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6044A(b)(3) is amended by inserting "a family development account described in section 1400H(e)" after "section 408(a)."?

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—(1) Section 6693(a) is amended by striking "and" at the end of paragraph (1), by striking "and" after "and" at the end of paragraph (2), by striking the period at the end of paragraph (3), and by striking "including any" after "including any" at the end of paragraph (4), and by inserting after paragraph (4) the following new paragraph:

"(5) a family development account (within the meaning of section 1400H(e))".

(2) Section 6693(b)(3) is amended by striking "for purposes of section 1400H" after "section 1400H(e)," after "section 408(a)."?

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—(1) Section 1400H(d)(2) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

"(4) the commercial revitalization credit provided under section 1400K."?

(2) Section 1400H(d)(3) is amended by adding at the end of the section the following new paragraph:

"(5) a family development account (within the meaning of section 1400H(e))".

(h) CERIAL AMENDMENTS.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

"Subchapter X. Renewal Communities."?

SEC. 5. EVALUATION AND REPORTING REQUIREMENTS.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall prepare and submit to Congress, along with the Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act:

SEC. 6. EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

SEC. 7. REVENUE OFFSET.

(a) IN GENERAL.—Notwithstanding any provision of, or the amendments made by sections 1102 through 1114 and section 1116 of this Act, each such section shall only take effect for taxable years beginning after December 31, 2006.

SEC. 8. ADDITIONAL OFFSET. (A) The Secretary of the Treasury shall adjust the effective dates of the phase-in of the applicable dollar amounts in section 2503(b)(2), as amended by this title, to ensure that the decrease in revenues to the Treasury resulting from the enactment of this Act, taking into account the revenue effects of this title, is offset by the decrease in revenues to the Treasury resulting from the enactment of this Act:

SEC. 9. AUTHORITY TO USE CERTAIN FEDERAL CHARITY AND CONTRIBUTION TAX CREDITS.

(a) GENERAL.—Notwithstanding any provision of law, if there is in effect under State law a charity tax credit, then the State may use for any purpose not more than 50 percent of each total amount paid to the State during the fiscal year under each of the provisions of law specified in subchapter B.
(b) LIMITATION.—The aggregate amount a State may use under subsection (a) during a fiscal year shall not exceed an amount equal to 100 percent of the revenue loss of the State during the fiscal year that is attributable to the charity tax credit, as determined by the Secretary of the Treasury without regard to any such revenue loss occurring before January 1, 2000.

(c) CERTAIN CREDIT AMOUNTS TREATED AS STATE PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDED FAMILIES.—For purposes of subsection (a) of section 6033 of such Code, which elects to treat the information described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code—

(1) which solicits and collects gifts and grants which, by agreement, are distributed to qualified charities described in paragraph (1); and

(2) which distributes to qualified charities described in paragraph (1) at least 90 percent of the gifts and grants that are designated for such qualified charities; and

(3) which meets the requirements of paragraph (4).

(3) CHARITY MUST PRIMARILY ASSIST POOR INDIVIDUALS.—

(A) IN GENERAL.—An organization meets the requirements of this paragraph only if the appropriate State authority reasonably expects that the predominant activity of such organization will be the provision of direct services within the United States to individuals and families with incomes generally do not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget) in order to prevent or alleviate poverty among such individuals and families.

(B) NO RECORDKEEPING IN CERTAIN CASES.—

An organization shall not be required to establish or maintain records with respect to the incomes of individuals and families for purposes of subparagraph (A) if such individuals and families are generally recognized as including substantially only individuals and families described in subparagraph (A).

(C) FOOD AID AND HOMELESS SHELTERS.—Except as otherwise provided by the appropriate State authority, for purposes of subparagraph (A), services to individuals in the form of—

(i) donations of food or meals; or

(ii) temporary shelter to homeless individuals, shall be treated as provided to individuals described in subparagraph (A) if the location and operation of such services are such that the service provider may reasonably conclude that the beneficiaries of such services are predominantly individuals described in subparagraph (A).

(4) MINIMUM EXPENSE REQUIREMENT.—

(A) IN GENERAL.—An organization meets the requirements of this paragraph only if the appropriate State authority reasonably expects that the annual poverty program expenses of such organization will not be less than 75 percent of the annual aggregate expenses of such organization.

(B) POVERTY PROGRAM EXPENSE.—For purposes of subparagraph (A)—

(i) I N GENERAL.—The term "poverty program expense" means any expense paid or incurred in providing program services described in paragraph (3).

(ii) EXCEPTIONS.—Such term shall not include—

(A) any management or general expense; or

(B) any expense for the purpose of influencing legislation (as defined in section 4911(a) of the Internal Revenue Code of 1986); and

(C) any expense for the purpose of fundraising;

(iv) any expense for a legal service provided on behalf of any individual described in subparagraph (A) or (B) of paragraph (4)(A) of such Code;

(v) any expense which consists of a payment to an affiliate of the organization.

(5) REPORTING REQUIREMENT.—The information required to be furnished under this paragraph is—

(A) each category of services (including counseling, education, assistance abuse, job training, or otherwise) which constitutes the predominant activities of the organization; and

(B) the percentages determined by dividing the categories of the organization’s expenses for the year by the total expenses of the organization for the year, including—

(i) program services;

(ii) management expenses;

(iii) general expenses;

(iv) fundraising expenses; and

(v) payments to affiliates.

(6) ADDITIONAL REQUIREMENTS FOR SOLICITATION ORGANIZATIONS.—The requirements of this paragraph are met if the organization—

(A) maintains separate accounting for revenues and expenses; and

(B) makes available to the public administrative and fundraising costs and information regarding any organization receiving funds from the organization and the amount of such funds.

(7) RECOMMENDATIONS.—It is recommended, but not required, that—

(A) the definition of “qualified charity” be further limited under State law to an organization which has been operating for at least 1 year or is controlled by, or operated under the auspices of, an organization which has been operating for at least 1 year; and

(B) with expenses for the purpose of influencing legislation, litigation, or enforcement of any individual described in paragraph (3), voter registration, political organizing, public policy advocacy, or public policy research in an amount not in excess of 5 percent of the total expenses of the organization;

(C) which meets the requirements of subparagraph (A) if such individuals and families are generally recognized as including substantially only individuals and families described in subparagraph (A).

(7) SPECIAL RULE FOR STATES REQUIRING TAX UNIFORMITY.—In the case of a State—

(A) which has a constitutional requirement of tax uniformity; and

(B) which, as of December 31, 1997, imposed a single flat rate applicable to all earned and unearned income (except for any amount is not taxed pursuant to tax forgiveness provisions); and

(i) a single flat rate applicable to all earned and unearned income (except as noted above), except for any amount is not taxed pursuant to tax forgiveness provisions; and

(ii) generally do not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget) in order to prevent or alleviate poverty among such individuals and families.

(D) which has a constitutional requirement of tax uniformity; and

(E) which, as of December 31, 1997, imposed a single flat rate applicable to all earned and unearned income (except for any amount is not taxed pursuant to tax forgiveness provisions); and

(8) COORDINATION WITH FEDERAL CHARITABLE CONTRIBUTION DEDUCTION.—The amount of the deduction allowed under the Internal Revenue Code of 1986 for contributions which are taken into account in determining any charity tax credit shall be reduced by the amount of such credit which is allowed.

(C) STATE.—For purposes of this subtitle, the term "State's" means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Northern Mariana Islands, any other territory or possession of the United States.
SEC. 13. STUDY AND REPORT.
(a) STUDY.—The Comptroller General of the United States shall conduct a study of the effects of the charity tax credit under this subtitle, including—
(1) the types of organizations which receive contributions during the first year to which the credit applies; and
(2) the types of services provided to the poor by such organizations.
(b) REPORT.—The Comptroller General shall report to Congress the results of this study, including—
(1) the geographical distribution of funding from charity tax credit contributions, and an analysis of information provided on the annual returns required under section 6033 of the Internal Revenue Code of 1986 with respect to qualified charities to determine if the broad categories of services provided to the poor (including food, shelter, education, substance abuse, job training, or otherwise) match the services that would otherwise be provided by Federal welfare program funds without the enactment of the reductions in the programs permitted by this legislation; and
(2) any recommendations for legislative changes.

SEC. 14. EFFECTIVE DATE.
This subtitle shall take effect on January 1, 2000.

Subtitle C—Revenue Offset

SEC. 21. REDUCTION OF EARNED INCOME CREDIT FOR INDIVIDUALS WITHOUT CHILDREN.
(a) In General.—The table in subparagraph (A) of section 32(b)(1) (relating to percentages) is amended by striking the item relating to no qualifying children and inserting in its place—
(No qualifying children .... 3,825 7.65.)
(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

AMENDMENT No. 1477
On page 371, between lines 16 and 17, insert the following:

TITLE I—ASSISTANCE TO STATES IN PROVIDING CHARITY TAX CREDITS AND REVISING OFFSET

Subtitle A—Assistance to States in Providing Charity Tax Credits

SEC. 1. AUTHORITY TO USE CERTAIN FEDERAL PROGRAMS TOWARDS CREDIT TO CHARITY TAX CREDIT.
(a) In General.—Notwithstanding any other provision of law, if there is in effect under State law a charity tax credit, then the State may use for any purpose not more than 50 percent of each total amount paid to the State during the fiscal year under each of the provisions of law specified in subsection (d).
(b) LIMITATION.—The aggregate amount a State may use under subsection (a) during a fiscal year shall not exceed an amount equal to 100 percent of the revenue loss of the State during the fiscal year which is attributable to the charity tax credit, as determined by the Secretary of the Treasury without regard to any such revenue loss occurring before January 1, 2000.
(c) CERTAIN CREDIT AMOUNTS TREATED AS STATE PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES.—For purposes of title IV of the Social Security Act, an amount equal to the excess of—
(1) the allowable revenue loss of a State (not to exceed 100 percent) during a fiscal year that is attributable to the charity tax credit, as determined under subsection (b); or
(2) the aggregate amount used by the State under subsection (a) during the fiscal year,
makes available to the public administrative and fundraising costs and information regarding any organization receiving funds from the organization and the amount of such funds.

(7) RECOMMENDATIONS.—It is recommended, but not required, that—

(A) the definition of "qualified charity" be further limited under State law to an organization—

(i) which has been operating for at least 1 year or is controlled by, or operated under the auspices of, an organization which has been operating for at least 1 year; and

(ii) with expenses for the purpose of influencing legislation, litigation on behalf of any individual, and (not including extensions thereof) be treated as made (at the taxpayer's election) on the last day of such year.

(B) except as provided in subsection (a)(2), the amount of the charity tax credit be equal to at least 50 percent and not more than 90 percent of the amount of the individual's cash contribution to a qualified charity; and

(C) contributions made not later than the time prescribed by law for filing the return of the individual's tax for a taxable year (not including extensions thereof) be treated as made (at the taxpayer's election) on the last day of such year.

Sec. 11. REDUCTION OF EARNED INCOME CREDIT FOR INDIVIDUALS WITHOUT TAXABLE INCOME.

(a) IN GENERAL.—The table in subpara- graph (A) of section 32(b)(1) (related to the earned income credit) is amended by striking the item relating to no qualifying child and inserting the following:

| No qualifying children | 3,825 |

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

Amendment No. 1478

On page 371, between lines 16 and 17, insert the following:

TITLE—DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES

Sec. 03. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

chapter X—Renewal Communities

"Part I. Designation.

Part II. Renewal community capital gain; renewal community business.

Part III. Family development accounts.

Part IV. Additional incentives.

Sec. 1400E. Designation of renewal communities.

"(a) Designation.—

"(1) Definitions.—For purposes of this title, the term 'new community' means any area—

"(A) which is located for designation as a renewal community under paragraph (2); and

"(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

"(i) the Administrators of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration;

"(ii) the Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

"(II) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

"(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development shall make decisions on any nomination for renewal community status on a first-come, first-served basis and shall not be required to receive any specific number of nominations.

"(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development may make any decision on any nomination for renewal community status on a first-come, first-served basis and shall not be required to receive any specific number of nominations.

"(D) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

"(E) EXCEPTION WHERE INADEQUATE COURSE OF ACTION.—An area shall not be designated under paragraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d) with respect to such area is inadequate.

Sec. 04. EFFECTIVE DATE.

This subtitle shall take effect on January 1, 2000.
(b) Period for Which Designation Is in Effect.—

(1) In General.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

(A) December 31, 2007;

(B) the termination date designated by the State and local governments in their nomination; or

(C) the date the Secretary of Housing and Urban Development revokes such designation.

(2) Revocation of Designation.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located certify in writing that such government—

(A) has modified the boundaries of the area, or

(B) is not complying substantially with, or fails to make progress in achieving, the requirements of this subsection.

(3) Area and Eligibility Requirements.—

(1) In General.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the area is one of pervasive poverty, as determined by the most recent available statistics issued by the Secretary of the Census; and

(B) the boundary of the area is contiguous; and

(C) the area—

(i) has a population of at least—

(II) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 14(c)(1)(B) which has a population of 50,000 or greater; or

(ii) entirely within an Indian reservation (as determined by the Secretary of the Interior);

(2) Eligibility Requirements.—A nominated area meets the requirements of this paragraph if—

(A) the area is within the jurisdiction of one or more local governments;

(B) the boundary of the area is contiguous; and

(C) the area—

(i) has a population of at least—

(II) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 14(c)(1)(B) which has a population of 50,000 or greater; or

(ii) entirely within an Indian reservation (as determined by the Secretary of the Interior);

(3) Local Government.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify that the requirements of this section are met.

(4) Consideration of High Incidence of Crime.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

(5) Consideration of Communities Identified in GAO Study.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

(6) Required State and Local Commitments.—

(1) In General.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the area is one of pervasive poverty, as determined by the most recent available statistics issued by the Secretary of the Census, or

(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development;

(2) Requirements.—A nominated area meets the requirements of this paragraph if such area—

(A) has modified the boundaries of the area, or

(B) is not complying substantially with, or fails to make progress in achieving, the requirements of this subsection.

(3) Area and Eligibility Requirements.—

(1) In General.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the area is one of pervasive poverty, as determined by the most recent available statistics issued by the Secretary of the Census, or

(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development;

(2) Requirements.—A nominated area meets the requirements of this paragraph if such area—

(A) has modified the boundaries of the area, or

(B) is not complying substantially with, or fails to make progress in achieving, the requirements of this subsection.

(4) Consideration of High Incidence of Crime.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

(5) Consideration of Communities Identified in GAO Study.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.
1. 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash; "(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and "(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business. "(B) REDEMPTIONS.—A rule similar to the rule of section 1224(c)(3) shall apply for purposes of this paragraph. "(C) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any interest in a partnership if— "(A) such interest is acquired by the taxpayer before December 31, 2000, and before January 1, 2008; "(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and "(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business. A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph. "(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.— "(A) IN GENERAL.—The term 'qualified community business property' means tangible property if— "(i) substantial all of the use of such property in the renewal community commences with the taxpayer; and "(ii) substantially all of the use of such property was in a renewal community business of the taxpayer. "(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to— "(i) property (other than property described in subparagraph (C)) which is substantially improved (within the meaning of section 1250(b)(4)(B)(iii)) by the taxpayer before January 1, 2008; and "(ii) any land on which such property is located. "(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g) of section 1400B shall apply for purposes of this section. "SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED. "For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if— "(1) references to renewal communities were substituted for references to empowerment zones in such section; and "(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

"PART III—FAMILY DEVELOPMENT ACCOUNTS "Sec. 1400H. Family development accounts for renewal community EITC recipients. "Sec. 1400J. Demonstration program to provide matching contributions to family development accounts in certain renewal communities. "Sec. 1400K. Designation of earned income tax credit payments for deposit to family development account. "SEC. 1400M. FAMILY DEVELOPMENT ACCOUNTS FOR QUALIFIED COMMUNITY EITC RECIPIENTS. 

"(a) ALLOWANCE OF DEDUCTION.— "(1) IN GENERAL.—There shall be allowed as a deduction— "(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such family development account for such individual's benefit; and "(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual. No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

"(2) LIMITATION.— "(A) IN GENERAL.—The amount allowable as a deduction for any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of— "(i) $2,000, or "(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year. "(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000. "(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 212(c) shall apply to the limitation in paragraph (2)(A).

"(4) COORDINATION WITH IRA'S.—No deduction shall be allowed under this section to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

"(5) ROLL-OVERS.—No deduction shall be allowed under this section with respect to any rollover contribution. "(6) TAX TREATMENT OF DISTRIBUTIONS.— "(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

"(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—For purposes of this section— "(A) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses described in section 129(e), (as defined in section 152). "(B) QUALIFIED EXPENDITURES.— For purposes of this section— "(i) property which is substantially improved during substantially all of the taxable year of such individual shall not exceed $1,000.

"(6) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of— "(A) such taxpayer, or "(B) any qualified individual who— "(i) is the spouse of such taxpayer, or "(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph. "(7) TAX TREATMENT OF ACCOUNTS.— "(1) IN GENERAL.—Any family development account which is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the provisions of this subsection, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding anything to the contrary in this title (including chapters 11 and 12), the basis of any person in such an account is zero.
"(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

"(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

"(e) FAMILIY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust or other entity organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

"(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

"(A) no contribution will be accepted unless it is made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

"(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

"(2) The requirements of paragraphs (2) through (5) of section 408(a) are met.

"(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

"(1) who is a bona fide resident of a renewal community throughout the taxable year; and

"(2) to whom a credit was allowed under section 32 for the preceding taxable year.

"(g) OTHER DEFINITIONS AND SPECIAL RULES.—

"(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

"(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

"(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 403(f)(5) and 408(h) shall apply for purposes of this section.

"(5) RETIREMENT.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and earnings or income) attributable to such contributions, and such other matters as the Secretary may require under regulations. The reports for any taxable year shall be made by the Secretary not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

"(ii) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

"(iii) in such form as the Secretary prescribes in such regulations.

"(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

"(h) PENALTY FOR DISTRIBUTIONS NOT USED.—

"(1) I N GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by chapter 1 for the taxable year of such distribution shall be increased by the sum of—

"(i) 10 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I to the extent thereof; and

"(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

"(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the taxable year following the month in which the regulations described in subparagraph (A) are prescribed.

"(4) DESIGNATION BASED ON DEGREE OF POVERTY.—The Secretary shall apply for purposes of designations of FDA matching demonstration areas under this section.

"(5) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

"(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS.—

"(1) IN GENERAL.—Not less than once each taxable year, the Secretary shall deposit (to be known as the 'new community tax' deduction) into a family development account of each qualified individual (including procedures for coordinating such deposits). The deposit shall be deposited into all of the family development accounts of the individual.

"(A) who is a resident throughout the taxable year of an FDA matching demonstration area; and

"(B) who requests in such form and manner as the Secretary prescribes such deposit for the taxable year, an amount equal to the sum of the amounts deposited into all of the family development accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

"(2) LIMITATIONS.—

"(A) ANNUAL LIMIT.—The Secretary shall not deposit more than $1,000 under paragraph (1) with respect to any individual for any taxable year.

"(B) AGGREGATE LIMIT.—The Secretary shall not deposit more than $2,000 under paragraph (1) with respect to any individual for all taxable years.

"(3) EXCLUSION FROM INCOME.—Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

"(d) NOTICE OF PROGRAM.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

"(e) TERMINATION.—No amount may be deposited under this section for any taxable year beginning after December 31, 2007.

"(f) NOMINATIONS.—

"(1) GENERAL.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas.

"(2) Minimum designation in rural areas.—If the Secretary designates any renewal community as an FDA matching demonstration area, the Secretary shall publish such designation in the Federal Register.

"(3) LIMITATIONS ON DESIGNATIONS.—

"(A) PUBLICATION OF REGULATIONS.—The Secretary shall prescribe regulations concerning the designation of renewal communities as FDA matching demonstration areas.

"(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under subsection (A), at least 2 must be rural areas.

"(C) IN THE CASE OF A COMMUNITY ON AN INDIAN RESERVATION.—The Secretary may designate an Indian reservation as a renewal community.

"(2) NUMBER OF DESIGNATIONS.—

"(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas.

"(B) MINIMUM DESIGNATION IN RURAL AREAS.—If the Secretary designates any renewal community as an FDA matching demonstration area, the Secretary shall publish such designation in the Federal Register.

"(C) IN THE CASE OF A COMMUNITY ON AN INDIAN RESERVATION.—The Secretary may designate an Indian reservation as a renewal community.

"(3) LIMITATIONS ON DESIGNATIONS.—

"(A) PUBLICATION OF REGULATIONS.—The Secretary shall prescribe regulations concerning the designation of renewal communities as FDA matching demonstration areas.

"(B) MINIMUM DESIGNATION IN RURAL AREAS.—If the Secretary designates any renewal community as an FDA matching demonstration area, the Secretary shall publish such designation in the Federal Register.

"(C) IN THE CASE OF A COMMUNITY ON AN INDIAN RESERVATION.—The Secretary may designate an Indian reservation as a renewal community.

"(4) DESIGNATIONS.—

"(A) IN GENERAL.—With respect to the renewal community, any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion of the tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account (as described in section 1400H) of such individual. The Secretary shall so deposit such portion designated under this subsection.

"(B) MANNER AND TIME OF DESIGNATION.—A designation under such paragraph (A) may be made with respect to any taxable year—

"(i) at the time of filing the return of the tax imposed by this chapter for such taxable year.

"(ii) at any other time (after the time of filing the return of the tax imposed by this chapter) for such taxable year.

"(C) EFFECT.—The designation described in paragraph (A) of this subsection shall, beginning on January 1, 2008, be treated as a new community tax contribution for purposes of section 1400L.
chapter for such taxable year) specified in regulations prescribed by the Secretary. Such designation shall be made in such manner as the Secretary prescribes by regulations.

"(c) Portion Attributable to Earned Income Tax Credit.—For purposes of section 46, as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

(a) General Rule.—For purposes of section 179, as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

(a) General Rule.—For purposes of section 46, as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

"(i) for property which deferred depreciation is allowable under section 168 and which is—

"(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation of any building (as defined in section 47(c)(1)(C) of a building which was placed in service before the beginning of such rehabilitation."

"(B) Dollar Limitation.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

"(i) $10,000,000, reduced by

"(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

"(C) Certain Expenditures Not Included.—The term 'qualified revitalization expenditure' does not include—

"(i) Straight line depreciation must be used.—Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under section 263(a) (or if subparagraph (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure under subparagraph (B) of section 168(g)(1).

"(ii) Acquisition Costs.—The costs of acquiring the building and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause

"(iii) Other Credits.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title shall be treated as an expenditure entered into account only for purposes of this section.

"(d) When Expenditures Taken into Account.—

"(I) In General.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

"(2) Progress Expenditure Payments.—Rules similar to the rules under paragraphs (2) and (4) of section 46 shall apply for purposes of this section.

"(e) Limitation on Aggregate Credits Allowable with Respect to Buildings Located in a State.—

"(I) In General.—The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount) as determined under section 47(c)(2)(C) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

"(2) Commercial Revitalization Credit Amount for Agencies.—

"(A) In General.—The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount which may be treated as the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

"(B) State Commercial Revitalization Credit Ceiling.—The commercial revitalization credit ceiling applicable to any State—

"(I) for each calendar year after 2000 and before 2008 is $2,000,000 for each renewal community in the State; and

"(II) zero for each calendar year thereafter.

"(F) Responsibilities of Commercial Revitalization Credit Agencies.—

"(1) Plans for Allocation.—Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless—

"(A) such amount was allocated pursuant to the qualified allocation plan for the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B) thereof)) by the governmental unit of which such agency is a part; and

"(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

"(2) Qualified Allocation Plan.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

"(I) which sets forth criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions;

"(II) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process; and

"(III) the amount of any increase in permanent, full-time employment by reason of any project; and

"(IV) the active involvement of residents and nonprofit groups within the renewal community; and

"(V) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

"(g) Termination.—This section shall not apply to any building placed in service after December 31, 2007.

SEC. 1400L. Increase in expensing under section 179.

"(a) General Rule.—In the case of a renewable community business (as defined in section 1400G), for purposes of section 179—

"(I) the limitation under section 179(b)(1) shall be increased by the lesser of—

"(A) $35,000, or

"(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

"(II) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property which ceases to be used in a renewable community by a renewable community business.

"(B) Recapture.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewable community by a renewable community business.

"(C) Qualified Renewal Property.—For purposes of this section—

"(I) In General.—The term 'qualified renewal property' means property to which section 168 applies (or would apply but for section 179) if—

"(A) such property was acquired by the taxpayer for use in a renewable community (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and
"(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones otherwise before this section; and

"(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.''.

SEC. 03. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

"(5) any amount allowable as a deduction under section 1400H(a)(3)(A), by adding at the end the following new paragraph:

"(B) the amount allowable as a deduction under section 1400H for such taxable year was in excess of the amount of the work opportunity credit determined for such taxable year under section 1400H(e) for such taxable year attributable to such account.''; and

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii)(B) and (B) of section 3(d)(5) are each amended by striking "empowerment zone or enterprise community" and inserting "empowerment zone, enterprise community, or renewal community".

(2) QUALIFIED SUMMER YOUTH EMPLOYEE.—

Clause (iv) of section 5(d)(7)(A) is amended by striking "empowerment zone or enterprise community" and inserting "empowerment zone, enterprise community, or renewal community".

(3) HEADINGS.—Subparagraphs (5)(B) and (7)(C) of section 5(d) are each amended by inserting "OR COMMUNITY" in the heading after "ZONE.".

SEC. 04. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (27) the following new paragraph:

"(28) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(3)(A), by adding at the end the following new paragraph:

"(B) the amount allowable as a deduction under section 1400H for such taxable year was in excess of the amount of the work opportunity credit determined for such taxable year under section 1400H(e) for such taxable year attributable to such account.''; and

(b) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking "or" at the end of paragraph (3), adding "or" at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

"(5) a family development account (within the meaning of section 1400H(e)).".

(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

"(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7)), or a contribution under section 1400H(g)(6) (relating to family development accounts)."

(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

"(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7)), or a contribution under section 1400H(g)(6) (relating to family development accounts)."

For purposes of this subsection, any contribution to a family development account described in section 1400H(e) may be carried back to a taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year which is attributable to any commercial revitalization credit determined under section 1400K.

SEC. 05. INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 664 is amended—

(a) by inserting "or section 1400H" after "section 1400I", and (b) by inserting ", of any family development account described in section 1400H(e)," after "section 408(a)."

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 504(a)(11)(B) is amended by inserting "a family development account described in section 1400H(e)," after "section 408(a)."

"(5) Paragraph (2) of section 48(a)(2) is amended by adding at the end the following new clause:

"(B) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);"

(b) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of a family development account, the term "excess contributions" means the sum of—

"(i) the excess (if any) of—

"(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7)), or a contribution under section 1400H(g)(6) (relating to family development accounts)."

(2) by inserting ", of any family development account described in section 1400H(e)," after "section 408(a)."

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—

(a) by inserting "or section 1400H" after "section 219", and

(b) by inserting ", of any family development account described in section 1400H(e)," after "section 408(a)."

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—

"(5) a family development account (within the meaning of section 1400H(e)),".

"(B) the amount allowable as a deduction under section 1400H for such contributions; and

"(C) the excess of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400H) for purposes of this subsection, any contribution to a family development account described in section 1400H(e) may be carried back to a taxable year which is attributable to any commercial revitalization credit determined under section 1400K must be added to the end of the following new paragraph:

"(5) Paragraph (2) of section 50(a) is amended by inserting "or 1400K(d)(2)" after "section 48(d)(2)" each place it appears in the text and heading.

(4) Subparagraph (C) of section 48(a)(1) is amended by striking "and" at the end of clause (ii), by striking the last sentence of subclause (ii) and inserting "and", and by adding at the end the following new clause:

"(iv) the portion of the basis of any qualified rehabilitation building for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K must be added to the end of the following new paragraph:

"(5) Paragraph (2) of section 50(a) is amended by inserting "or section 1400K(d)(2)" after "section 48(d)(2)" each place it appears in the text and heading.

(5) Paragraph (2) of section 50(a) is amended by inserting "or section 1400K(d)(2)" after "section 48(d)(2)" each place it appears in the text and heading.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting "or qualified revitalization building (respectively)" after "qualified rehabilitation building, and by adding at the end the following new sentence: "A similar rule shall apply for purposes of section 48(d)(2) each place it appears in the text and heading."
At the appropriate place, add the following:

SECTION 1. CERTAIN NATIVE AMERICAN HOUSING CREDIT.--The phase-in of the low-income housing credit.

(a) IN GENERAL.--Subparagraph (E) of section 42(l)(2) of the Internal Revenue Code of 1986 (relating to the determination of whether building is federally subsidized for purposes of the low-income housing credit).

(b) EFFECTIVE DATES.--The amendments made by this section shall apply to periods after the date of the enactment of this Act.

SHELBY AMENDMENTS NOS. 1480-14811

(Ordained to lie on the table.)

Mr. SHELBY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra, as follows:

AMENDMENT NO. 1480

Section 1002(c) of the Internal Revenue Code of 1986 is amended to add the following immediately after the first sentence thereof:

``(1) the business activities of a common parent of an affiliated group does not include any significant activities other than those generally recognized in the business community as related to the operations of a holding company, and

(2) such affiliated group includes members not having under section 801 and members taxed under section 801 and no members to which sections 831 through 835 applies, and

(3) if the consolidated taxable income of the common parent results in a net operating loss for the taxable year the limitation contained in the preceding sentence of this subsection shall not apply to the portion of the consolidated net operating loss that equals the common parent's loss for the taxable year multiplied by the ratio of the taxable income of the members of the group taxed under section 801 to the taxable income of the affiliated group does not include

AMENDMENT NO. 1481

The provision amends section (b) of section 1321 of S. 1429 to read as follows:

(b) EFFECTIVE DATES.--

``(1) IN GENERAL.--The amendment made by this section shall apply to distributions made after July 14, 1999.

(2) TRANSITION RULE.--The amendment made by this section shall not apply to any distribution after July 14, 1999, if such distribution is--

(A) made pursuant to a written binding contract in effect on such date and at all times thereafter.

(B) made pursuant to a loan commitment made on or before such date, provided that the distribution occurs not more than two weeks after the date of enactment of this Act, or

(C) described in a public announcement on or before such date, provided that the distribution occurs not more than two weeks after the date of enactment of this Act.

CRAIG AMENDMENT NO. 1482

(Ordained to lie on the table.)

Mr. CRAIG submitted an amendment intended to be proposed by him to the bill, S. 1429, supra.

On page 371, between lines 16 and 17, insert the following:

SEC. 1116. CLARIFICATION OF NONRECOGNITION OF GAIN FOR CERTAIN SALES OF STOCK TO ELIGIBLE FARM CO-OPERATIVES.

Section 1042(g) (relative to application of section to sales of stock in agricultural refiners and processors to eligible farm cooperatives) is amended by adding at the end the following new paragraph:

``(5) TREATMENT OF PREDECESSOR.—Any reference in this subsection to stock in a qualified refiner or processor shall be treated as including a reference to any controlling interest in any predecessor or successor (including a controlled partnership) of such refiner or processor.

LOTT AMENDMENT NO. 1483

(Ordained to lie on the table.)

Mr. LOTT submitted an amendment intended to be proposed by him to the bill, S. 1429, supra, as follows:

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

SEC. 1. SENSE OF THE SENATE.

It is the sense of the Senate that—

(1) in 1975, the Federal Government promised a nearly 40 percent increase in funding for the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.), which guarantees each special education child the right to a free and appropriate public education;

(2) the Administration's fiscal year 2000 budget request provides a .07 percent increase in funding for part B of the Individuals with Disabilities Education Act, which is less than an adjustment for inflation, and the Administration's budget request represents a decrease in real funding for educating children with disabilities;

(3) in the 3 years preceding 1999, Congress has increased funding for the Individuals with Disabilities Education Act by nearly 80 percent, however, the increase is still far short of the nearly $15,000,000,000 needed to live up to the originally promised level for such part;

(4) fulfilling the Federal obligation to fund part B of Individuals with Disabilities Education Act at the originally promised level will allow State and local governments, some of whom spend up to 19 percent of their dollars on special education costs, to have more flexibility to allocate local resources to meet the unique educational needs of all of their students;

(5) the recent United States Supreme Court decision Cedar Rapids Community School District v. Garret F., 119 S. Ct. 992: (1999) will increase the amount of funding that school districts need to dedicate to educating, and providing related services to, their special needs children; and

(6) because the need for the Federal Government to fulfill such obligation is so great, part B of the Individuals with Disabilities Education Act should be fully funded at the originally promised level of 40 percent before further federal funds are appropriated for any new federal education programs.

BAYH AMENDMENT NO. 1484

(Ordained to lie on the table.)
Mr. BAYH submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the appropriate place, add the following:

SEC. 1. CERTAIN EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME AS A SCHOLARSHIP.

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

``(e) EMPLOYER-PROVIDED EDUCATIONAL BENEFITS PROVIDED TO CHILDREN OF EMPLOYEES.—

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

``(A) such amount is provided by the employer to a child (as defined in section 162(c)(3)) of an employee of such employer,

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

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

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

``(2) DOLLAR LIMITATIONS.—

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

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

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

``(D) PERMUTATION NOT TO APPLY.—In the case of an amount which is treated as a qualified scholarship by reason of this subsection, subsection (a) shall be applied without regard to the requirement that the recipient be a candidate for a degree.

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

``(f) BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.—

``(1) IN GENERAL.—If—

``(A) the proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unrelated party, and

``(B) the land is subject to a conservation restriction—

``(i) which is granted in perpetuity to an unaffiliated person that is—

``(I) a 501(c)(3) organization, or

``(II) a Federal, State, or local government conservation organization,

``(ii) which meets the requirements of clauses (i) and (iii) of section 170(h)(4)(A),

``(iii) which excludes the requirements of relevant environmental and land use statutes and regulations, and

``(iv) which obligates the owner of the land to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction,

``(C) a management plan which meets the requirements of the statutes and regulations referred to in subparagraph (B)(iii) is developed for the conservation of the renewable resources, and

``(D) such bond would be a qualified 501(c)(3) bond (after the application of paragraph (2) but for the failure to use revenues derived by the 501(c)(3) organization from the sale, lease, or other use of such resource as otherwise required by this part, such bond could be treated to be a qualified 501(c)(3) bond by reason of the failure to so use such revenues if the revenues which are not used as otherwise required by this part are used in a manner consistent with the stated charitable purposes of the 501(c)(3) organization.

``(2) TREATMENT OF TIMBER, ETC.—

``(A) IN GENERAL.—For purposes of subsection (a), the cost of any renewable resource acquired with proceeds of any bond described in paragraph (1) shall be treated as a cost of acquiring the land associated with the renewable resource and such land shall not be treated as used for a private business use because of the sale or leasing of the renewable resource or use of the renewable resource by an unaffiliated person to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

``(B) APPLICATION OF BOND MATURITY LIMITATION.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life commensurate with the economic and ecological feasibility of the financing of such land or renewable resource.

``(C) UNAFFILIATED PERSON.—For purposes of this subsection, the term `unaffiliated person' means any person who controls not more than 20 percent of the governing body of another person.

``(D) EFFECTIVE DATE.—The amendment made by this subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 2. AMENDMENTS OF MERCHANT MARINE REVITALIZATION ACT OF 1986.

(a) CHANGES IN VESSELS TO WHICH CAPITAL CONSTRUCTION FUNDS APPLY.

(1) The second sentence of section 607 of the Merchant Marine Act, 1936, is amended by striking "for operation in the United States foreign, Great Lakes, or non-contiguous domestic trade or in the fisheries of the United States' and inserting "for operation in the fisheries of the United States, or in the United States foreign, Great Lakes, non-contiguous domestic trade, or other operations in the United States as defined in paragraph (1) of section 607(k) of such Act".

(2) Paragraph (1) of section 607(k) of such Act (defining eligible vessel) is amended to read as follows:

``(1) The term `eligible vessel' means any vessel—

``(A) documented under the laws of the United States, and

``(B) operated in the foreign or domestic commerce of the United States or in the fisheries of the United States.''.

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

SEC. 3. MODIFICATION OF ALTERNATIVE MINIMUM TAX FOR INDIVIDUALS.

(a) NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY.

(1) IN GENERAL.—Subsection (a) of section 56(b) of the Internal Revenue Code of 1986 is amended by striking 'limited' and inserting 'of Tax' before 'regular tax liability for the taxable year'.
will be operated in the fisheries of the United States, or in the United States foreign, Great Lakes, noncontiguous domestic trade, or other oceangoing domestic trade between two or more carrying vessels used to support operations conducted on the Outer Continental Shelf.'

(4) Section 607(k) of such Act is amended by striking paragraphs (8) and redesignating paragraph (9) as paragraph (8).

(5) The last sentence of paragraph (1) of section 7518 of such Act is amended by striking 'and containers' each place it appears.

(6) Paragraph (7) of section 607(h) of such Act is amended by inserting 'containers or trailers intended for use as part of the complement of one or more eligible vessels and before 'cargo handling'.

(7) Subsection (k) of section 607 of such Act (as amended by paragraph (4)) is amended by adding at the end the following new subparagraph:

"(D) The payments of amounts which reduce the principal amount (as determined under regulations promulgated by the Secretary) of a qualified lease of a qualified vessel or container which is part of the complement of an eligible vessel.

(2) Paragraph (4) of section 607(g) of such Act is amended by inserting 'or to reduce the principal amount of any qualified lease' after 'indebtedness'.

(3) Subsection (k) of section 607 of such Act is amended by adding after paragraph (10) the following new paragraph:

"(13) The term 'qualified lease' means any lease with a term of at least 5 years.'

(c) AUTHORITY TO MAKE DEPOSITS UNDER THE TARIFF ACT OF 1930.—

(1) Paragraph (1) of section 607(b)(1) of such Act is amended by striking 'or at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ',' or', and by adding at the end the following new subparagraph:

"(E) The amount elected for deposit under subsection (i) of section 607 of the Tariff Act of 1930 (19 U.S.C. 1466)."

(2) Subparagraph (A) of section 607(e)(2) of such Act is amended to read as follows:

"(A) Amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets held in the fund, reduced by

"(B) Amounts representing long-term capital losses (as defined in such section) on assets held in the fund.'

(3) Subparagraph (B) of section 607(h)(3) of such Act is amended by striking 'gain' and all that follows and inserting 'long-term capital gains (as defined in section 1222 of such Code), and'

(4) The last sentence of subparagraph (A) of section 607(h)(6) of such Act is amended by striking 'and containers' each place it appears and inserting 'the Internal Revenue Code of 1986,

(b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

(1) Paragraph (1) of section 607(e) of such Act is amended by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651 of such Code and, and'

(b) by striking 'paid at the applicable rate (as defined in paragraph (4))' in clause (ii) and inserting 'paid in accordance with section 6651 of such Code, and'

(2) Subsection (h) of section 607 of such Act is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(3) Subparagraph (A) of section 607(h)(5) of such Act, as redesignated by paragraph (2), is amended by striking paragraph (9) and inserting paragraph (4).

(g) OTHER CHANGES.—

(1) Section 607 of such Act is amended by striking 'amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(2) Subsection (h) of section 607 of such Act is amended by striking 'and containers' each place it appears.

(h) TREATMENT OF CERTAIN LEASE PAYMENTS.—

(1) Paragraph (1) of section 7518(e) of the Internal Revenue Code of 1986 is amended by striking 'or at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ',' or', and by inserting after subparagraph (C) the following new subparagraph:

"(E) The amount elected for deposit under subsection (i) of section 607 of the Tariff Act of 1930 (19 U.S.C. 1466)."

(2) Paragraph (4) of section 7518(f) of such Act is amended by inserting 'or to reduce the principal amount of any qualified lease' after 'indebtedness'.

(b) AUTHORITY TO MAKE DEPOSITS UNDER THE TARIFF ACT OF 1930.—

(1) Paragraph (1) of section 7518(a) of such Code is amended by striking 'and containers' each place it appears.

(2) Paragraph (6) of section 7518(g)(3) of such Code is amended by striking 'upon deposit' after 'through' and inserting 'the United States-Flag Merchant Revitalization Act of 1999.'

(c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a) of section 7518 of such Code is amended by adding at the end thereof the following new paragraph:

"(4) To the extent permitted by joint regulations, deposits may be made in excess of the limitation described in paragraph (1) and any limitation specified in the agreement for the taxable year that has become final pursuant to a closing agreement or other similar agreement entered into during the taxable year, the amount of the deposit could have been made for such prior taxable year.'

(d) TREATMENT OF CAPITAL GAINS AND LOSSES.—

(1) Paragraph (3) of section 7518(d)(4) of such Code is amended to read as follows:

"(B) Amounts representing long-term capital gains (as defined in such section) on assets held in the fund, reduced by

(2) Subparagraph (B) of section 7518(d)(4) of such Code is amended to read as follows:

"(B) Amounts representing long-term capital losses (as defined in such section) on assets held in the fund,'.

(3) Paragraph (5) of section 7518(g)(5) of such Code is amended by striking 'gain' and all that follows and inserting 'long-term capital gains (as defined in such section) on assets held in the fund,'.

(4) The last sentence of paragraph (A) of section 7518(g)(6) of such Code is amended by striking 'time and insertion of the rate applicable to net capital gain under section 1(h)(1)(C) or 1201(a) of such Code, as the case may be,'.

(e) COMPUTATION OF INTEREST WITH RESPECT TO NONQUALIFIED WITHDRAWALS.—

(1) Paragraph (C) of section 607(h)(3) of such Act is amended by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651, and', and by adding at the end the following new paragraph:

"(A) Amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(2) Paragraph (1) of section 7518(e) of such Code is amended by striking 'and containers' each place it appears.

(3) Paragraph (9) of section 7518(f) of such Code is amended by striking 'amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(g) OTHER CHANGES.—

(1) Paragraph (1) of section 7518(a) of such Code is amended by striking 'amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(2) Paragraph (B) of section 7518(d)(4) of such Code is amended to read as follows:

"(B)(i) Amounts representing short-term capital gains (as defined in such section) on assets held in the fund,'.

(3) Paragraph (5) of section 7518(g)(5) of such Code is amended by striking 'gain' and all that follows and inserting 'long-term capital gains (as defined in such section) on assets held in the fund,'.

(4) Paragraph (6) of section 7518(g)(6) of such Code is amended by striking 'time and insertion of the rate applicable to net capital gain under section 1(h)(1)(C) or 1201(a) of such Code, as the case may be,'.

(f) COMPUTATION OF INTEREST WITH RESPECT TO NONQUALIFIED WITHDRAWALS.—

(1) Paragraph (C) of section 7518(b)(3) of such Code is amended by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651, and', and by adding at the end the following new paragraph:

"(A) Amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(2) Paragraph (1) of section 7518(e) of such Code is amended by striking 'and containers' each place it appears.

(3) Paragraph (9) of section 7518(f) of such Code is amended by striking 'amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(4) Paragraph (6) of section 7518(g)(6) of such Code is amended by striking 'time and insertion of the rate applicable to net capital gain under section 1(h)(1)(C) or 1201(a) of such Code, as the case may be,'.

(e) COMPUTATION OF INTEREST WITH RESPECT TO NONQUALIFIED WITHDRAWALS.—

(1) Paragraph (C) of section 7518(b)(3) of such Code is amended by striking clause (i) and inserting the following new clause:

"(i) no addition to the tax shall be payable under section 6651, and', and by adding at the end the following new paragraph:

"(A) Amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(2) Paragraph (1) of section 7518(e) of such Code is amended by striking 'and containers' each place it appears.

(3) Paragraph (9) of section 7518(f) of such Code is amended by striking 'amounts representing short-term capital gains (as defined in section 1222 of such Code) on assets held in the fund,'.

(4) Paragraph (6) of section 7518(g)(6) of such Code is amended by striking 'time and insertion of the rate applicable to net capital gain under section 1(h)(1)(C) or 1201(a) of such Code, as the case may be,'.

(f) OTHER CHANGES.—

(1) Paragraph (1) of section 7518(a) of such Code is amended by striking 'interest-bearing securities and other income-producing assets (including accounts receivable) approved by the Secretary' after 'the Secretary'.
SEC. 4. AMENDMENT TO THE TARIFF ACT OF 1930.
Section 466 of the Tariff Act of 1930 (19 U.S.C. 1466) is amended by adding at the end the following new subsection:

"(i) ELECTRONIC DEPOSIT DUTY INTO A CAPITAL CONSTRUCTION FUND IN LIEU OF PAYMENT TO THE SECRETARY OF THE TREASURY.—At the election of the owner or master of any vessel referred to in subsection (a) of this section which is an eligible vessel (as defined in section 607(k) of the Merchant Marine Act, 1936), the portion of any duty imposed by subsection (a) which is deposited in a fund established under section 607(b) of such Act shall be treated as paid to the Secretary of the Treasury in satisfaction of the liability for such duty."

SEC. 5. EFFECTIVE DATE.
(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this Act shall apply to taxable years beginning after December 31, 2001, and shall terminate on December 31, 2005.

(b) CHANGES IN COMPUTATION OF INTEREST.—The interest imposed by this title shall apply to withdrawals made after December 31, 2001, including for purposes of computing interest on such a withdrawal for periods ending on or before such date.

(c) QUALIFIED LEASES.—The amendments made by sections 2(b) and 3(a) shall apply to leases in effect on, or entered after, December 31, 2001.

(d) AMENDMENT TO THE TARIFF ACT OF 1930.—The amendment made by section 4 shall apply with respect to any taxable year—

(1) Paragraph (1) of section 872(b) of such Code shall be amended by striking "Gross income" and inserting "Except as provided in section 883(d), gross income".

(2) Paragraph (1) of section 883(a) of such Code is amended by striking "Gross income" and inserting "Except as provided in subsection (d), gross income".

(3) Sections 9856.

(4) Paragraph (1) of section 872(b)(1) of the Internal Revenue Code of 1986 (relating to conventions on cruise ships) is amended to read as follows:

"(b) The home port of such cruise ship is located in the United States or a possession of the United States.""
(a) IN GENERAL.—Section 63(c)(1) of the Internal Revenue Code of 1986 (relating to standard deduction) is amended by adding at the end the following:

"(7) ELIMINATION OF MARRIAGE PENALTY FOR JOINT FILERS.—"

"(A) IN GENERAL.—In the case of a joint return or a surviving spouse (as defined in section 2(a)), the basic standard deduction under paragraph (2)(A) shall be increased by an amount equal to the applicable percentage of the excess of—"

"(i) 200 percent of the basic standard deduction in effect for the taxable year under paragraph (2)(C), over—"

"(ii) the basic standard deduction in effect for the taxable year under paragraph (2)(A) (without regard to this paragraph)."

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined as follows:"

"For taxable years beginning in the calendar year 2001—"

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Dollar Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002</td>
<td>$2,000</td>
</tr>
<tr>
<td>2003</td>
<td>$3,200</td>
</tr>
<tr>
<td>2004 and thereafter</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

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

"SEC. 12. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION."

"(a) IN GENERAL.—Section 63(c)(1) of the Internal Revenue Code of 1986 (relating to standard deduction) is amended by adding at the end the following:

"(7) ELIMINATION OF MARRIAGE PENALTY FOR JOINT FILERS.—"

"(A) IN GENERAL.—In the case of a joint return or a surviving spouse (as defined in section 2(a)), the basic standard deduction under paragraph (2)(A) shall be increased by an amount equal to the applicable percentage of the excess of—"

"(i) 200 percent of the basic standard deduction in effect for the taxable year under paragraph (2)(C), over—"

"(ii) the basic standard deduction in effect for the taxable year under paragraph (2)(A) (without regard to this paragraph)."

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined as follows:"

"For taxable years beginning in the calendar year—"

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Dollar Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002</td>
<td>$2,000</td>
</tr>
<tr>
<td>2003</td>
<td>$3,000</td>
</tr>
<tr>
<td>2004 and thereafter</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

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

"SEC. 13. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND INCOME FROM TAX."

"(a) EXCLUSION FROM GROSS INCOME.—Gross income does not include the sum of the amounts received during the taxable year by an individual as—"

"(1) dividends from domestic corporations, or—"

"(2) interest.

"(b) LIMITATIONS.—"

"(1) maximum amount.—The aggregate amount excluded under subsection (a) for any taxable year shall not exceed $200 ($400 in the case of a joint return)."

"(2) certain dividends excluded.—Subsection (a)(1) shall not apply to any dividend from a corporation which, for the taxable year of the corporation in which the distribution is made, or for the next preceding
taxable year of the corporation, is a corporation exempt from tax under section 501 (relying to certain charitable, etc., organization) or section 521 (relating to farmers’ cooperatives) and the following paragraph (a):

"(a) a mutual savings bank, cooperative bank, domestic building and loan association, industrial loan association or bank, or credit union;

(B) any other savings or thrift institution which is chartered and supervised under Federal or State law,

the deposits or accounts in which are insured under Federal or State law or which are protected and guaranteed under State law,

3. interest on—

(A) evidences of indebtedness (including bonds, debentures, notes, and certificates) issued by a domestic corporation in registered form, and

(B) to the extent provided in regulations prescribed by the Secretary, other evidences of indebtedness issued by a domestic corporation of a type offered by corporations to the public,

4. interest on obligations of the United States, a State, or a political subdivision of a State (not excluded from gross income of the taxpayer under any other provision of law), and

5. interest attributable to participation shares in a trust established and maintained by a corporation established pursuant to Federal law,

Special Rules.—For purposes of this section—

1. distributions from regulated investment companies and real estate investment trusts.—Subsection (a) shall apply with respect to distributions by—

(A) regulated investment companies to shareholders,

(B) real estate investment trusts to the extent provided in section 857(c).

2. distributions by a trust.—For purposes of section 116, the amount of dividends and interest properly allocable to a beneficiary under section 652 or 662 shall be deemed to have been received by the beneficiary in the same taxable year that the dividends and interest were received by the estate or trust.

3. certain nonresident aliens ineligible for exclusion.—In the case of a nonresident alien individual, subsection (a) shall apply only—

(A) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends and interest which are effectively connected with the conduct of a trade or business within the United States, or

(B) in determining the tax imposed for the taxable year pursuant to section 877(b)."

(b) conforming amendments.—

1. the table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 115 the following:

"Sec. 116. Partial exclusion of dividends and interest received by individuals."

2. paragraph (2) of section 265(a) of such Code is amended by inserting before the period at the end of the followingSubsection—

"(2) Paraph (2) of section 265(a) of such

Code is amended by inserting before the period at the end of the following paragraph—

"(a) application with respect to distributions by

GIBLE FOR EXCLUSION. In the case of a non-

vestment companies and real estate investment trusts, the term `interest' means—

(A) the entire amount of such dividend or interest received by such participant.''

(a) phase-out.—

(1) in general.—The table in section 2203(f) shall be increased as follows:


(b) effective date.—The amendments made by this subsection shall apply to dividends and gifts made, during—

2004 ........................................ $5,000,000.

2. effective date.—The repeal made by this subsection shall apply to the estates of decedents dying, and gifts made, after December 31, 2004.

(c) technical and conforming changes.—

The Secretary of the Treasury shall not later than 90 days after the effective date of this section, prescribe regulations necessary to reflect throughout such Code the changes made by this section.
SEC. 15. ELIMINATION OF EARNINGS TEST FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE.

(a) In General.—Section 203 of the Social Security Act (42 U.S.C. 402(c)) is amended—

(1) in subsection (c)(1), by striking “the age of seventy” and inserting “retirement age” (as defined in section 216(l));

(2) in paragraphs (1)(A) and (2) of subsection (d), by striking “the age of seventy” each place it appears and inserting “retirement age” (as defined in section 216(l));

(3) in subsection (f)(1)(B), by striking “was at age seventy or over” and inserting “was at or above retirement age” (as defined in section 216(l));

(b) by striking “age 70” and inserting “retirement age” (as defined in section 216(l));

(c) in subsection (h)(1)(A), by striking “age 70” each place it appears and inserting “retirement age” (as defined in section 216(l));

and

(d) in subsection (i)—

(A) by striking “"33%"” and all that follows through “in the case of an individual” and inserting “50 percent of such individual’s earnings for such year in excess of the product of the exempt amount as determined under paragraph (8),”;

(B) by striking “age 70” and inserting “retirement age” (as defined in section 216(l));

and

(2) in subparagraph (A), by striking “age 70” each place it appears and inserting “retirement age” (as defined in section 216(l));

(3) as subparagraphs (A), (B), and (C), respectively.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Uniform Exempt Amount.—Section 203(f)(1)(A) of the Social Security Act (42 U.S.C. 402(f)(1)(A)) is amended by striking “the age of seventy” and inserting “retirement age” (as defined in section 216(l)).

(2) Subsidy.—Section 203(f)(2) of such Code is amended by—

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

(B) designating subparagraphs (A) and (B) as subparagraphs (A) and (B), respectively.

(3) IN GENERAL.—Section 203(b)(1) of such Code is amended by striking “"33%”” and all that follows through “in the case of an individual” and inserting “50 percent of such individual’s earnings for such year in excess of the product of the exempt amount as determined under paragraph (8),”.

(4) As a Special Exempt Amount For Individuals Who Have Attained Retirement Age.—Section 203(f)(1)(B) of such Code is amended—

(A) in the matter preceding clause (i), by striking “Except” and all that follows through “in the case of each month of a particular taxable year shall be whichever”;

(B) in clauses (i) and (ii), by striking “corresponding” each place it appears and inserting “the exempt amount”;

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1998, in taxable years ending after such date.

SEC. 31. INCORPORATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION FUNDS.

(a) In General.—Section 108(a)(1) of the Internal Revenue Code of 1986 is amended by striking “except as provided in subsection (c)” and inserting “except as provided in paragraph (1)”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1998, in taxable years ending after such date.

SEC. 32. ELIMINATION OF NONEXCLUSION OF DISCHARGE OF FARM DEBT INCOME.

(a) In General.—Section 118 of the Internal Revenue Code of 1986 is amended by striking “"2003"” and inserting “"2000"”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1998, in taxable years ending after such date.

SEC. 33. ELIMINATION OF U.S. POSSESSIONS TAX CREDIT.

(a) Section 936.—

(1) Section 936(b)(1)(A) of the Internal Revenue Code of 1986 is amended by striking “"2006"” and inserting “"2007"”.

(2) Section 936(b)(2)(B)(ii) of such Code is amended by striking “"2006"” and inserting “"2007"”.

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

SEC. 34. ELIMINATION OF TAX INCENTIVES RELATING TO EXCHANGE KNEE CAPITAL CONSTRUCTION FUNDS.

Section 7518 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

“(f) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 1999.”

SEC. 35. SOURCE RULES FOR INVENTORY PROP.

(a) In General.—Section 671(a) of the Internal Revenue Code of 1986 is amended by adding “by the end of the following new paragraph:

“(c) certain sales for use in United States.”—If—

(A) a United States resident sells (directly or indirectly) inventory property to another United States resident for use in consumption, or disposition in the United States, and

(B) such sale is not attributable to an officer or other fixed place of business maintained by the seller outside the United States,

any income of such United States resident (or any related person) from such sale shall be includible in the United States.

(b) CONFORMING AMENDMENTS.—Section 673(b) of the Internal Revenue Code of 1986 is amended—

(1) by striking “In the case of”,

(2) by redesigning paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively.

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

SEC. 36. PHASEOUT OF OIL, GAS, AND MINERALS EXPENDING OF DRILLING EXPLORE.

(a) OIL AND GAS AND MINING DEVELOPMENT COSTS.—Sections 63(a)(1) and 63(a)(2) of such Code are each amended by adding at the end the following new sentence: “This section shall not apply to the applicable percentage of costs incurred in taxable years beginning after December 31, 1999. For purposes of the preceding sentence, the applicable percentage for any taxable year shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>100%</td>
</tr>
<tr>
<td>2001</td>
<td>90%</td>
</tr>
<tr>
<td>2002</td>
<td>80%</td>
</tr>
<tr>
<td>2003</td>
<td>70%</td>
</tr>
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<td>2004</td>
<td>60%</td>
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<td>2005</td>
<td>50%</td>
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<tr>
<td>2006</td>
<td>40%</td>
</tr>
<tr>
<td>2007</td>
<td>30%</td>
</tr>
<tr>
<td>2008</td>
<td>20%</td>
</tr>
<tr>
<td>2009</td>
<td>10%</td>
</tr>
</tbody>
</table>

(b) MINING EXPLORATION COSTS.—Section 63(a)(1) of such Code is amended by striking “"2006"” and inserting “"2007"”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges after December 31, 2000.”
SEC. 37. SUNSET OF ALCOHOL FUELS INCENTIVES.
(a) IN GENERAL.—The following provisions of the Internal Revenue Code of 1986 are repealed:
   (1) Section 40 (relating to alcohol use as fuel).
   (2) Section 4041(b)(2) (relating to qualified methanol and ethanol).
   (3) Section 4041(k) (relating to fuels containing alcohol).
   (4) Section 4083(c) (relating to taxable fuels mixed with alcohol).
   (5) Section 4091(c) (relating to reduced rate of tax for aviation fuel in alcohol mixture, etc.).
   (6) Section 6427(f) (relating to gasoline, diesel fuel, kerosene, and aviation fuel used to produce certain alcohol fuels).
   (7) The headings 9001.00.50 and 9001.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007).
(b) EFFECTIVE DATE.—The repeals made by subsection (a) shall take effect on October 1, 1999.

SEC. 38. REPEAL OF ENHANCED OIL RECOVERY CREDIT.
Section 43 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(f) TERMINATION.—In the case of taxable years beginning after December 31, 1999, the enhanced oil recovery credit is zero.".

SEC. 39. REPEAL OF UNLIMITED PASSIVE LOSS DEDUCTION FOR OIL AND GAS PROPERTIES.
Section 469(c)(3) of the Internal Revenue Code of 1986 (relating to working interests in oil and gas properties) is amended by adding at the end the following:

"(C) TERMINATION.—This paragraph shall not apply with respect to any taxable year beginning after December 31, 1999.".

SEC. 40. UNIFORM DEPRECIATION TREATMENT OF RENTAL PROPERTY.
(a) IN GENERAL.—The table in section 168(c) is amended by striking "27 1/2 years" and inserting "39 years".
(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 1999.

SEC. 41. ELIMINATION EXPENDING OF CERTAIN TIMBER PRODUCTION COSTS.
(a) IN GENERAL.—Section 263A(c) of the Internal Revenue Code of 1986 (relating to general exceptions) is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 42. EXCISE TAX ON EXCLUDABLE NON-RETIREMENT FRINGE BENEFITS.
(a) IN GENERAL.—Subtitle D of the Internal Revenue Code of 1986 (relating to miscellaneous excise taxes) is amended by adding at the end the following:

"CHAPTER 48—EXCLUDABLE NON-RETIREMENT FRINGE BENEFITS

"Sec. 5000A. Tax on excludable non-retirement fringe benefits.

"SEC. 5000A. TAX ON EXCLUDABLE NON-RETIREMENT FRINGE BENEFITS.

"(a) IMPOSITION OF TAX.—There is hereby imposed on any person who provides excludable non-retirement fringe benefits to such persons, employees, or former employees a tax equal to percent of the amount of benefits.

"(b) EXCLUDABLE NON-RETIREMENT FRINGE BENEFITS.—For purposes of this section, the term ‘excludable non-retirement fringe benefits’ means any benefit (other than a pension benefit) that is excludable from gross income of any employee under any provision of this title.

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits paid or incurred after December 31, 1999, in taxable years ending after such date.

"SEC. 43. TRANSITIONAL PROVISIONS.

"(a) AUTHORITY OF SECRETARY WHEN LEGAL LIMITS ON TRANSFER BY TAXPAYER.—Section 402 (relating to allocation of income and deductions from partnership) is amended by adding at the end the following: ‘‘The authority of the Secretary under this section shall not be limited by any restriction (by any law or agreement) on the ability of such interests, organizations, trades, or businesses to transfer or receive money or other property.’’

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

"SEC. 44. DISPROPORTIONATE ADVERTISING AND PROMOTION EXPENDITURES.

"In general.—Part IX of chapter 1 of the Internal Revenue Code of 1986 (relating to items not deductible) is amended by adding at the end the following:

"SEC. 260A. ADVERTISING AND PROMOTION EXPENDITURES.

"(a) IN GENERAL. Ð No deduction otherwise allowable under this chapter shall be allowed for any amount paid or incurred to advertise or promote (by means of television, radio, other electronic media, newspaper or other periodical, billboard, or any other means).’’.

"(b) CONFORMING AMENDMENT.—The table of sections for part IX of chapter 1 of the Internal Revenue Code of 1986 (relating to advertising and promotion expenditures) is amended by adding at the end the following:

"Sec. 260A. Advertising and promotion expenses.

"(c) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 1999.

"SEC. 45. ELIMINATION OF PRIVATE-PURPOSE TAX-EXEMPT BONDS.

"In general.—Chapter 1 of the Internal Revenue Code of 1986 (defining qualified bond) is amended by striking ‘‘and’’ at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ‘‘and’’, and by adding at the end the following:

"(4) ISSUANCE DATE.—Such bond is issued before January 1, 2000.’’.

Subtitle B—Spending Cuts

CHAPTER 1—TRANSPORTATION PROVISIONS

SEC. 63. ELIMINATION OF FOREIGN MARKET DEVELOPMENT PROGRAM.

"(a) HIGHER priority projects Program.—Section 117 of title 23, United States Code, is repealed.

"(b) PROJECTS.—Subtitle F of title I of the Transportation Equity Act for the 21st Century (112 Stat. 255) is repealed.

"(c) FUNDING.—Section 110(a)(1) of the Transportation Equity Act for the 21st Century (112 Stat. 111) is amended by striking paragraph (13).

"(d) CONFORMING AMENDMENTS.—

"(1) The analysis for chapter 1 of title 23, United States Code, is amended by striking the item relating to section 117 of title 23, United States Code.

"(2) Section 105 of title 23, United States Code, is amended—

"(A) by striking the first sentence of subsection (a), by striking ‘‘high priority projects,’’ and inserting ‘‘seq.’’;

"(B) by striking ‘‘section 110(a)(13) of the Transportation Equity Act for the 21st Century, 117 of title 23, United States Code,’’ and

"(C) by striking ‘‘1991’’ and inserting ‘‘1993’’.

"(4) Section 1102(c)(4) of the Transportation Equity Act for the 21st Century (112 Stat. 116) is amended by striking ‘‘section 117 of title 23, United States Code (relating to high priority projects program),’’.

"(5) Section 1212 of the Transportation Equity Act for the 21st Century is amended by striking subsections (g) and (h) (112 Stat. 116, 840).

"(6) Section 1211(j) of the Transportation Equity Act for the 21st Century (112 Stat. 216, 841) is amended by striking the second sentence.

"(7) Section 5138 of the Transportation Equity Act for the 21st Century (112 Stat. 462) is amended—

"(A) by striking subsection (b); and

"(B) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

"SEC. 64. ELIMINATION OF FEDERAL SUBSIDIES FOR AMTRAK.

"(a) IN GENERAL. —Notwithstanding any other provision of law, the Secretary of Transportation may not use any funds for the benefit of Amtrak for—

"(1) capital expenditures, operating expenses, or payments (including direct grants or loan guarantees).

"(c) CONFORMING AMENDMENTS.—

"(1) Section 24104(a) of title 49, United States Code, is amended—

"(A) in paragraph (1), by adding ‘‘and’’ at the end;

"(B) in paragraph (2), by striking the semicolon and adding a period;

"(C) by striking paragraphs (3) through (5); and
(D) in the matter following paragraph (2), by striking the last sentence.

(2) Section 24009(a) of title 49, United States Code, is amended—

(A) by striking paragraph (1), by striking "Not more" and inserting "Except as provided in paragraph (3), not more";

(B) in paragraph (2), by striking "Not more" and inserting "Except as provided in paragraph (3), not more"; and

(C) by adding at the end the following:

"(3) Beginning with fiscal year 2000, no funds appropriated to Amtrak under this section.

(3) Section 26164 of title 49, United States Code, is amended by adding at the end the following:

"(i) PROHIBITION.—Beginning with fiscal year 2000, the Secretary may not use any amount available under this section to provide assistance to Amtrak.

SEC. 65. ELIMINATION OF FUNDING TO COMPLETE APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM.

(a) PROGRAM.—Section 1117 of the Transportation Equity Act for the 21st Century (122 Stat. 182) is amended—

(1) by striking subsections (a) and (b); and

(2) by redesignating subsections (c) and (d) as subsections (a) and (b), respectively.

(b) FUNDING.—Section 11201(a) of the Transportation Equity Act for the 21st Century (122 Stat. 111) is amended by striking paragraph (3), not more'' and inserting ``Except as provided in subsection (c).

SEC. 66. ELIMINATION OF ADVANCED TECHNOLOGY PROGRAM.

(a) IN GENERAL.—(1) REPEAL.—Section 203 of the National Aeronautics and Space Administration is terminated, effective October 1, 1999. The Administrator of the National Aeronautics and Space Administration shall take such actions as may be necessary to carry out this section.

(b) CONFORMING AMENDMENTS.—

(1) Section 211 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623) is repealed.

(2) Section 402(a)(1) of the Agricultural Trade Act of 1978 (7 U.S.C. 5623(a)(1)) is amended by striking "2003." and inserting "2004.".

(3) Section 1302 of the Omnibus Budget Reconciliation Act of 1993 (7 U.S.C. 5623 note; Public Law 103-66) is repealed.

SEC. 67. ELIMINATION OF MARKET ACCESS PROGRAM.

(a) IN GENERAL.—Section 203 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623) is amended by striking subsection (c).

(b) CONFORMING AMENDMENTS.—

(1) Section 211 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623) is amended by striking subsection (c).

(2) Section 402(a)(1) of the Agricultural Trade Act of 1978 (7 U.S.C. 5623(a)(1)) is amended by striking "2003." and inserting "2004.".

(3) Section 1302 of the Omnibus Budget Reconciliation Act of 1993 (7 U.S.C. 5623 note; Public Law 103-66) is repealed.

SEC. 70. PROHIBITION ON CERTAIN RESEARCH FUNCTIONS OF DEPARTMENT OF ENERGY.

Section 209 of the Department of Energy Organization Act (42 U.S.C. 7139) is amended by adding at the end the following:

"(i) general science research; or

(ii) applied research and development activity.

SEC. 71. OFFSET FEE FOR THE FEDERAL CAPITAL COSTS SAVINGS PROVIDED TO THE FNMA AND PHIL.

(a) IN GENERAL.—(1) REPEAL.—Section 403 of the National Housing Act of 1938 (12 U.S.C. 5108), is amended—

(1) by striking paragraph (3), not more" and inserting "Except as provided in subsection (c);";

(2) by striking "or" following ""(c)"", and inserting "or"; and

(b) FUNDING.—Section 11201(a) of the Transportation Equity Act for the 21st Century (122 Stat. 111) is amended by striking paragraph (3) and all that follows through ``(A) to'' and inserting ``necessory to''; and

(D) by striking "chapter 2" and all that follows and inserting "chapter 2.

(2) Section 105 of title 23, United States Code, is amended—

(A) in the first sentence of subsection (a), by striking "Appalachian development highway system,"; and

(B) in subsection (c)(1), by striking "Appalachian development highway system," each place it appears.

(3) Section 1101(c) of the Transportation Equity Act for the 21st Century (122 Stat. 118) is amended—

(A) by adding a new subsection (d)(2), by striking "or" following ""(c)"", and inserting "or"; and

(B) in paragraph (4), by striking "Appalachian Regional Development Act of 1965,"; and

(B) in paragraph (4), by striking "Appalachian Regional Development Act of 1965,"; and

(C) by striking "chapter 2." and all that follows and inserting "chapter 2.

(2) Section 203 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.), is amended—

(1) by striking subsections (a) and (b); and

(2) by redesignating subsections (c) and (d) as subsections (a) and (b), respectively.

SEC. 72. ENHANCED COMPETITION WITH THE PRIVATE SECTOR REGARDING MILITARY FAMILY HOUSING.

(a) PAYMENT OF BAH TO MEMBERS WITH DEPENDENTS ASSIGNED TO QUARTERS.—Notwithstanding any other provision of law and in any case of any member referred to in paragraph (1) of section 403 of title 37, United States Code, who is entitled to a basic allowance for housing and whose family is assigned to quarters under the jurisdiction of a military department, the member shall be entitled to a basic allowance for housing for such quarters for an amount equal to 95 percent of the estimated amount of rent for such quarters or facility incurred or to be incurred by the Federal Government for such quarters or facility.

(b) FEE CALCULATION.—The Secretary of the Treasury shall calculate the fee payable under this section in accordance with regulations prescribed by the Secretary.

(c) EFFECTIVE DATE.—This section shall take effect on January 1, 2000.
facilities for reasons of military necessity (as determined by the Secretary concerned).

(c) Determination of Rental Amounts.—(1) During the period beginning on January 1, 2001, and ending on December 31, 2002, the rental amount for quarters of the United States, or a housing facility under the jurisdiction of a military department, in existence on the enactment date of this Act shall be the amount (as determined by the Secretary concerned) necessary to ensure that such quarters or facility is fully occupied without any waiting list for occupancy of such quarters or facility.

(2) After December 31, 2002, the rental amount of any quarters or housing facility shall be the amount (as determined by the Secretary concerned) equal to the amount necessary—

(A) to cover the costs of operation and maintenance of such quarters or facility; and

(B) to provide for the amortization of any capital costs associated with the construction of such quarters or facility.

The Secretary concerned may establish rental amounts for quarters or facilities of a historic or unique character that differ from the rental amounts that would otherwise be established for quarters or facilities under this subsection if the Secretary concerned that such differing amounts are required for purposes of preserving or maintaining the character of such quarters or facilities.

(d) Use of Rental Amounts Paid.—(1) Amounts paid for quarters or facilities under subsection (c) shall be the only amounts available to the Secretary concerned—

(i) in the case of quarters or facilities covered by paragraph (1) of subsection (c), for purposes of defraying the costs of such Secretary in operating and maintaining the quarters or facilities;

(ii) in the case of quarters or facilities covered by paragraph (2) of subsection (c), for purposes of—

(A) covering the costs of operation and maintenance of the quarters or facilities; and

(B) providing for the amortization of any capital costs associated with the construction of the quarters or facilities.

CHAPTER 2—ABOLISHMENT OF DEPARTMENT OF COMMERCE

SEC. 81. SHORT TITLE.

This chapter may be cited as the “Department of Commerce Dismantling Act.”

SUBCHAPTER A—Abolishment of Department of Commerce

SEC. 101. DEFINITIONS.

For purposes of this chapter, the following definitions apply:

(1) DEPARTMENT.—The term “Department” means the Department of Commerce.

(2) DIRECTOR.—The term “Director” means the Director of the Office of Management and Budget.

(3) Office.—The term “Office” means the Office of Management and Budget.

SEC. 102. ABOLISHMENT OF DEPARTMENT OF COMMERCE.

(a) ABOLISHMENT OF DEPARTMENT.—Effective on the applicable date specified in subsection (c), the Department of Commerce is abolished.

(b) TRANSFER OF DEPARTMENT FUNCTIONS TO OFFICE OF MANAGEMENT AND BUDGET.—Except as otherwise provided in this chapter, all functions that on the day before the applicable date specified in subsection (c) are authorized to be performed by the Secretary of Commerce, any other officer or employee of the Department acting in that capacity, or any agency or office of the Department, are transferred to the Director effective on that date.

(c) ABOLISHMENT DATE.—The date of abolishment of the Department is the earlier of—

(1) the last day of the 6-month period beginning on the date of enactment of this chapter; and

(2) September 30, 1999.

SEC. 103. RESOLUTION AND TERMINATION OF DEPARTMENT FUNCTIONS.

(a) Resolution of Functions.—During the period beginning on the date of enactment of this chapter and ending on the date specified in subsection (c), the Director shall—

(1) the resolution and resolution of functions of the Department shall be completed in accordance with this chapter; and

(2) the Director shall resolve all functions that are transferred to the Director under section 102(b) and are not otherwise continued under this chapter.

(b) Termination of Functions.—All functions that are transferred to the Director under section 102(b) that are not otherwise continued by this chapter shall terminate on the date specified in subsection (c).

(c) FUNCTIONS TERMINATION DATE.—The date of termination of functions referred to in subsections (a) and (b) is the last day of the 3-year period beginning on the date of enactment of this chapter.

SEC. 104. RESPONSIBILITIES OF THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.

(a) IN GENERAL.—The Director shall be responsible for the implementation of this title, including—

(1) the administration, during the period specified in section 102(c), of all functions transferred to the Director under section 102(b);

(2) the administration, during the period specified in section 103(a), of any outstanding obligation of the Federal Government under any programs terminated by this chapter; and

(3) taking any other action that may be necessary to complete any outstanding affairs of the Department before the end of the period specified in section 103(a).

(b) DELEGATION OF FUNCTIONS.—(1) IN GENERAL.—Except as provided in paragraph (2), the Director may, to the extent that the Director determines that such delegation is appropriate, carry out the functions of this title, delegate to any officer of the Office or to any other Federal department or agency head the performance of the functions of the Director under this title.

(2) EXCEPTION.—The Director may not delegate the planning and reporting responsibilities under section 102(c)(2) to any other Federal department or agency.

(c) TRANSFER OF ASSETS AND PERSONNEL.—In connection with any delegation of functions under subsection (b), the Director may transfer, within the Office or to the Department of Commerce, any agency concerned, such assets, funds, personnel, records, and other property relating to the delegated function as the Director determines to be appropriate.

(d) AUTHORIZATIONS OF DIRECTOR.—For purposes of performing the functions of the Director under this title, the Director may—

(1) enter into contracts; and

(2) employ experts and consultants in accordance with section 3309 of title 5, United States Code, at rates for individuals not exceeding the prevailing rate equivalent to the rate for level IV of the Executive Schedule; and

(3) utilize, on a reimbursable basis, the services, facilities, and personnel of other Federal agencies.

SEC. 105. PERSONNEL.

Effective on the date specified in section 102(c), there is transferred to the Office any individual who—

(1) on the day before that date, was an officer or employee of the Department; and

(2) in the capacity as an officer or employee of the Department, performed functions that are transferred to the Director under section 102(b).

SEC. 106. PLANS AND REPORTS.

(a) INITIAL IMPLEMENTATION PLAN.—(1) IN GENERAL.—Not later than 90 days after the date of enactment of this chapter, the Director shall submit a report to Congress describing and the President that specifies actions that have been taken and actions that have not been taken but are necessary—

(A) to resolve the programs and functions terminated in this chapter on the date of enactment of this chapter; and

(B) to implement the additional transfers and program dispositions provided for in this chapter.

(2) CONTENTS.—The report in paragraph (1) shall include—

(A) recommendations for any legislation necessary for the implementation of the abolishments, transfers, terminations, and other dispositions of programs and functions under this chapter; and

(B) a description of actions planned and taken to comply with limitations imposed by this chapter on spending for continued functions.

(b) ANNUAL STATUS REPORTS.—At the end of the first full fiscal year following the date of enactment of this chapter and at the end of each of the 2 fiscal years thereafter, the Director shall submit a report, through the President, to Congress that—

(1) specifies the status and progress of actions taken to implement this chapter and to wind up the affairs of the Department of Commerce by the functions termination date specified in section 103(c);

(2) includes any recommendations for legislation that the Director considers appropriate; and

(3) describes actions taken to comply with limitations imposed by this chapter on spending for continued functions.

(c) GAO REPORTS.—Not later than 60 days after issuance of a report under subsection (a) or (b), the Comptroller General of the United States shall submit to Congress a report that—

(1) evaluates the report; and

(2) includes any recommendations the Comptroller General considers appropriate.

SEC. 107. GENERAL ACCOUNTING OFFICE—AUDIT AND ACCESS TO RECORDS.

(a) AUDIT OF PERSONS PERFORMING FUNCTIONS PURSUANT TO THIS CHAPTER.—All agencies, corporations, organizations, and other persons of any description that, under the authority of the United States with respect to any function or activity covered under this chapter, shall be subject to an audit by the Comptroller General of the United States with respect to that function or activity.

(b) AUDIT OF PERSONS PROVIDING CERTAIN GOODS OR SERVICES.—All persons and organizations that, by contract, grant, or other authority of the United States, provide goods or services to, or receive financial assistance from, any agency or person performing functions or activities covered under this chapter shall be subject to an audit by the Comptroller General of the United States with respect to the provision of such goods or services or the receipt of such financial assistance.

(c) PROVISION APPLICABLE TO AUDITS UNDER THIS SECTION.—(1) NATURE AND SCOPE OF AUDIT.—The Comptroller General of the United States shall determine the nature, extent, and conditions of audits conducted under this section.

(2) COORDINATION WITH OTHER PROVISIONS OF LAW.—The authority of the Comptroller General of the United States under this section shall be in addition to any audit authority.
available to the Comptroller General under any other provision of law (including any other provision of this chapter).
(3) RIGHTS OF ACCESS, EXAMINATION, AND COPY. Section 710(d) of title 31, United States Code, and any duly authorized representative of the Comptroller General, shall have access to, and the right to examine and copy, all records and other recorded information in any form, and to examine any property within the possession or control of any agency or person that—
(A) is subject to audit under this section; and
(B) the Comptroller General considers relevant to an audit conducted under this section.
(4) ENFORCEMENT OF RIGHT OF ACCESS. The right of access of the Comptroller General of the United States to information under this section shall be enforceable under section 766 of title 31, United States Code.
(5) MAINTENANCE OF CONFIDENTIAL RECORDS. Section 716(e) of title 31, United States Code, shall apply to information obtained by the Comptroller General under this section.

SEC. 108. CONFORMING AMPENDMENTS.

(a) PRESIDENTIAL SUCCESSION. Section 19(d)(1) of title 3, United States Code, is amended by striking “Secretary of Commerce”.
(b) EXECUTIVE DEPARTMENTS. Section 101 of title 5, United States Code, is amended by striking the following item:
“Assistant Secretary of Commerce for "Chief Information Officer, Department of Commerce.”
(c) SECRETARY’S COMPENSATION. Section 5312 of title 5, United States Code, is amended by striking the following item:
“Secretary of Commerce.”
(d) COMPENSATION FOR POSITIONS AT LEVEL III. Section 5314 of title 5, United States Code, is amended—
(1) by striking the following item:
“Under Secretary of Commerce for Oceans and Atmosphere, the incumbent of which also serves as Administrator of the National Oceanic and Atmospheric Administration.”
(2) by striking the following item:
“Assistant Secretaries of Commerce (1):”
(3) by striking the following item:
“General Counsel of the Department of Commerce.”

(f) COMPENSATION FOR POSITIONS AT LEVEL V. Section 5316 of title 5, United States Code, is amended—
(1) by striking the following item:
“Director, United States Travel Service, Department of Commerce.”;
and
(2) by striking the following item:
“National Export Expansion Coordinator, Department of Commerce.”
(g) INSPECTOR GENERAL ACT OF 1978.—The Inspector General Act of 1978 (5 U.S.C. App.) is amended—
(1) in section 9a(1)—
(A) by striking subparagraph (B); and
(B) by redesignating subparagraphs (C) through (W) subparagraphs (B) through (V), respectively; and
(2) in section 11(1), by striking “Commerce.”;
and
(3) in section 11(2), by striking “Commerce.”
(h) EFFECTIVE DATE.—The amendments made by this section shall be effective on the applicable date specified in section 102(c).

SEC. 109. PRIVATIZATION FRAMEWORK.

(a) IN GENERAL.—
(1) PRIVATIZATION.—Not later than 18 months after the date on which a function designated for privatization under title II is transferred to the Office, the Director shall privatize that function. The Director shall pursue such forms of privatization, including the appointment of an independent contractor, as the Director considers appropriate to best serve the interests of the United States.
(2) REPORT.—If, by the date specified in paragraph (1), the Director is unable to privatize a function, the Director shall submit a report that states that inability to Congress, together with recommendations concerning the disposition of the function involved and the assets of the function.
(b) ROLE OF THE FEDERAL GOVERNMENT.—
No privatization arrangement made under subsection (a) shall include any role for, or accountability to, the Federal Government unless the role or accountability is necessary to ensure the continued accomplishment of a specific Federal objective. The Federal role should be the minimum role necessary to accomplish Federal objectives.
(c) ASSETS.—In privatizing a function, the Director shall take any action necessary—
(1) to preserve the value of the assets of a function during the period during which the Office holds such assets; and
(2) to continue the performance of the function to the extent practicable—
(A) to preserve the value of the assets; or
(B) to accomplish core Federal objectives (as that term is defined by the Director).

SEC. 110. PRIORITY PLACEMENT PROGRAMS FOR FEDERAL EMPLOYEES AFFECTED BY A REDUCTION IN FORCE ATTRIBUTABLE TO THIS CHAPTER.

(a) IN GENERAL.—Subchapter I of chapter 33 of title 5, United States Code, is amended by inserting after section 3329 the following:

§ 3329a. Priority placement programs for employees affected by a reduction in force attributable to the Department of Commerce Dismantling Act

(1) For the purpose of this section, the term ‘affected agency’—
(A) except as provided in subparagraph (B), means an Executive agency to which personnel are transferred in connection with a transfer of function under the Department of Commerce Dismantling Act, and
(B) with respect to employees of the Department of Commerce in general administration, the General Counsel’s office, or the Director, means the General Counsel’s office, or who provided overhead support to other components of the Department on a reimbursable basis, means the Director.

(b) COMPENSATION FOR POSITIONS AT LEVEL III. Section 5314 of title 5, United States Code, is amended by inserting after the item relating to section 3329 the following:

(2) This section applies with respect to any reduction in force that—
(A) occurs within 12 months after the date of enactment of this section; and
(B) is due to—
(i) the termination of any function of the Department of Commerce; or
(ii) the agency’s having excess personnel available as a result of a transfer of any function described in paragraph (1), as determined by—
(I) the Director of the Office of Management and Budget, in the case of a function transferred to the Office of Management and Budget; or
(II) the head of the agency, in the case of any function transferred to an agency other than the Office of Management and Budget.
(b) As soon as practicable after the date of enactment of this section, each affected agency shall establish an agencywide priority placement program to facilitate employment placement for employees who, due to a reduction in force described in subsection (a)(2)—
(1) are separated from service;
(2) are separated from service.
(c)(1) Each agencywide priority placement program shall include provisions under which a vacant position shall not be filled by the promotion of an employee of one individual from outside of that agency if—
(A) an individual described in paragraph (2) who is qualified for the position is available;
(2) the position—
(i) is at the same grade (or pay level) or the equivalent, and such individual is either—
(A) an employee of the agency who is scheduled to be separated, as described in subsection (b)(1); or
(B) an individual who became a former employee of the agency as a result of a separation, as described in subsection (b)(2). (d)(1) Nothing in this section shall affect any priority placement program of the Department of Defense that is in operation as of the date of enactment of this section.
(2) Nothing in this section shall impair any placement program within an agency as a result of a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.
(e) An individual shall cease to be eligible to participate in a program under this section—
(1) the conclusion of the 12-month period beginning on the date on which the individual first became eligible to participate under subsection (c)(2); or
(2) the date on which the individual declines a bona fide offer (or if the individual does not act on the offer, the last date on which the individual could accept the offer) does not act on the offer, the last date on which the individual was at least fully successful in the position last held by such individual from outside of that agency if—
(i) the last date on which the individual first became eligible to participate under subsection (b)(1); or
(ii) the position—
(A) is at the same grade (or pay level) or the equivalent, and such individual is either—
(A) an employee of the agency who is scheduled to be separated, as described in subsection (b)(1); or
(B) a former employee of the agency as a result of separation, as described in subsection (b)(2).
(d)(1)(B) Nothing in this section shall impair any priority placement program of the Department of Defense that is in operation as of the date of enactment of this section.
(2) Nothing in this section shall impair any placement program within an agency as a result of a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.
(e) An individual shall cease to be eligible to participate in a program under this section—
(1) the conclusion of the 12-month period beginning on the date on which the individual first became eligible to participate under subsection (c)(2); or
(2) the date on which the individual declines a bona fide offer (or if the individual does not act on the offer, the last date on which the individual could accept the offer) does not act on the offer, the last date on which the individual was at least fully successful in the position last held by such individual from outside of that agency if—
(i) the last date on which the individual first became eligible to participate under subsection (b)(1); or
(ii) the position—
(A) is at the same grade (or pay level) or the equivalent, and such individual is either—
(A) an employee of the agency who is scheduled to be separated, as described in subsection (b)(1); or
(B) a former employee of the agency as a result of separation, as described in subsection (b)(2).
(d)(1)(B) Nothing in this section shall impair any priority placement program of the Department of Defense that is in operation as of the date of enactment of this section.
(2) Nothing in this section shall impair any placement program within an agency as a result of a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.
(e) An individual shall cease to be eligible to participate in a program under this section—
(1) the conclusion of the 12-month period beginning on the date on which the individual first became eligible to participate under subsection (c)(2); or
(2) the date on which the individual declines a bona fide offer (or if the individual does not act on the offer, the last date on which the individual could accept the offer) does not act on the offer, the last date on which the individual was at least fully successful in the position last held by such individual from outside of that agency if—
(i) the last date on which the individual first became eligible to participate under subsection (b)(1); or
(ii) the position—
(A) is at the same grade (or pay level) or the equivalent, and such individual is either—
(A) an employee of the agency who is scheduled to be separated, as described in subsection (b)(1); or
(B) a former employee of the agency as a result of separation, as described in subsection (b)(2).
(d)(1)(B) Nothing in this section shall impair any priority placement program of the Department of Defense that is in operation as of the date of enactment of this section.
(2) Nothing in this section shall impair any placement program within an agency as a result of a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.
(a) FUNDING REDUCTIONS.—Except as otherwise provided in this section, the total amount obligated or expended by the United States in performing functions transferred under this chapter to the Director or to the Office from the Department of Commerce, or any of its officers or components, shall not exceed—

(1) for the first fiscal year that begins after the date specified in section 102(c), 75 percent of the amount appropriated to the Department for the performance of those functions for fiscal year 1998; and

(2) for the second fiscal year that begins after the date specified in section 106(c) and for each fiscal year thereafter, 65 percent of the total amount appropriated to the Department for the performance of those functions for fiscal year 1998.

(b) EXCEPTION.—Subsection (a) shall not apply to obligations or expenditures incurred as a direct consequence of the termination, transfer, or separation described in subsection (a) pursuant to this chapter.

(c) RULE OF CONSTRUCTION.—This section shall supersede any other provision of law that does not explicitly—

(1) refer to this section; and

(2) exclude provision from this section.

(d) RESPONSIBILITIES OF THE DIRECTOR.—The Director shall—

(1) ensure compliance with the requirements of this section; and

(2) include in each report under subsections (a) and (b) of section 106 a description of actions taken to comply with the requirements referred to in paragraph (1).

SEC. 201. ECONOMIC DEVELOPMENT.

(a) TERMINATED FUNCTIONS.—The Public Works and Economic Development Act of 1965 (42 U.S.C. 3212 et seq.) is repealed.

(b) TRANSFER OF FINANCIAL OBLIGATIONS OWNED BY DEPARTMENT.—There are transferred to the Secretary of the Treasury the loans, notes, bonds, debentures, securities, and other financial obligations owned by the Department under the Public Works and Economic Development Act of 1965, together with all assets or other rights (including security interests) incident there to, and all liabilities related thereto. These are assigned to the Secretary of the Treasury the functions, powers, and abilities vested in or delegated to the Secretary of Commerce or the Department of Commerce to manage, service, collect, sell, dispose of, or otherwise realize proceeds on obligations owed to the Department of Commerce under authority of this chapter with respect to any loans, obligations, or guarantees made or issued by the Department of Commerce pursuant to such chapter.

(c) AUDIT.—Not later than 18 months after the date of enactment of this chapter, the Comptroller General shall—

(1) conduct an audit of all grants made or issued by the Department of Commerce under the Public Works and Economic Development Act of 1965 in fiscal years 1998 and all loans, obligations, and guarantees made or issued by the Department of Commerce pursuant to such chapter.

SEC. 202. TECHNOLOGY ADMINISTRATION.

(a) TECHNOLOGY ADMINISTRATION.—

(1) GENERAL RULE.—Except as otherwise provided in this section, the Technology Administration of the Department of Commerce is terminated.

(b) OFFICE OF TECHNOLOGY POLICY.—The Office of Technology Policy of the Department of Commerce is hereby redesignated as the National Institute of Standards and Technology.

(c) NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY.

(1) REDesignation.—The National Institute of Standards and Technology of the Department of Commerce is hereby redesignated as the National Bureau of Standards, and all references to the National Institute of Standards and Technology in Federal law or regulations are deemed to be references to the National Bureau of Standards.

(2) TRANSFER OF PROGRAMS.—The National Bureau of Standards (in this subsection referred to as the "Bureau") is transferred from the Department of Commerce to the National Oceanic and Atmospheric Administration, established in section 206.

(3) FUNCTIONS OF DIRECTOR.—Except as otherwise provided in this section or section 207, upon the transfer under paragraph (2), the Director of the Bureau shall perform all functions relating to the Bureau that, immediately before the effective date specified in section 206(a), were performed by the Secretary of the Commerce or the Under Secretary of Commerce for Technology.

(4) NATIONAL TECHNICAL INFORMATION SERVICE.—

(1) PRIVATIZATION.—All functions of the National Technical Information Service of the Department of Commerce are transferred to the Director of the Office of Management and Budget for privatization in accordance with section 109 by the date specified in section (a) of that section.

(2) TRANSFER TO NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION.—If, by the date specified in section 109(a), an appropriate arrangement for the privatization of functions of the National Technical Information Service under paragraph (1) has not been made, the National Technical Information Service shall be transferred to the National Oceanic and Atmospheric Administration established in section 206.

(3) GOVERNMENT CORPORATION.—If, by the date specified in section 109(a), an appropriate arrangement for the privatization of functions of the National Technical Information Service under paragraph (1) has not been made, the National Technical Information Service shall be transferred to the National Oceanic and Atmospheric Administration established in section 206.

(b) FUNDING REDUCTIONS.

(1) IN GENERAL.—Except as otherwise provided in this section or section 207, the programs established under sections 25, 26, and 28 of title 13, United States Code, are assigned to the Secretary of the Treasury and all liabilities related thereto. There are assigned to the Secretary of the Treasury under the Public Works and Economic Development Act of 1965 (42 U.S.C. 3212 et seq.) is amended—

(A) in section 3, by striking paragraph (2) and redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively;

(B) in section 4, by striking paragraphs (1), (3), (5), (6), (7), (8), (9), (10), (11), and (12) and redesignating paragraphs (2), (3), (5), (6), (7), (8), (9), (10), (11), and (12) as paragraphs (1) through (10), respectively;

(C) by striking sections 5 through 10; and

(D) in section 11—

(i) in subsection (c)(3), by striking "the Federal Laboratory Consortium for Technology Transfer";

(ii) in subsection (d)—

(I) in paragraph (2), by striking "and the Federal Laboratory Consortium for Technology Transfer"; and

(ii) in paragraph (3), by striking "and" and inserting "respectively;" and

(iii) in subsection (e), and

(E) in section 17—

(i) in subsection (c)(2), by striking "(f)" and inserting "(e)"; and

(ii) by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(c) TRANSFER OF BUREAUS.

(1) TRANSFER OF BUREAUS.—The Bureau of the Census and the Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(d) TRANSFER OF FUNS.-—The Bureau of the Census and Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(e) DUTIES TO SECRETARY.—Section 1(2) of the title 13, United States Code, is amended by striking "Secretary of Commerce" and inserting "Administrator of the Federal Statistical Service".

(d) REFERENCES TO DEPARTMENT.—Section 2 of title 13, United States Code, is amended by striking "Department of Commerce" and inserting "Federal Statistical Service".

(e) GENERAL REFERENCES TO SECRETARY AND DEPARTMENT.—Title 13, United States Code, is further amended—

(1) by striking "Secretary of Commerce" each place it appears and inserting "Administrator of the Federal Statistical Service"; and

(2) by striking "Department of Commerce" each place it appears and inserting "Federal Statistical Service".
(a) Repeals.—The following provisions of law are repealed:
(1) Subpart A of part IV of title III of the Communications Act of 1934 (47 U.S.C. 390 et seq.), relating to the uses and functions for public telecommunications facilities.
(b) Disposal of National Telecommunications and Information Administration.—
(1) Privatization.—All laboratories of the National Telecommunications and Information Administration are transferred to the Director of the Office of Management and Budget for privatization in accordance with section 109 by the date specified in subsection (a) of that section.
(2) Transfer to national oceanic and atmospheric administration.—If an appropriate arrangement for the privatization of functions of the National Telecommunications and Information Administration under paragraph (1) has not been made by the date specified in section 109, the functions of the National Telecommunications and Information Administration shall be transferred as of the end of such period to the National Oceanic and Atmospheric Administration established in section 206.
(3) Transfer of functions.—The functions of the National Telecommunications and Information Administration concerning research and analysis of the electromagnetic spectrum described in section 5122(b) of the Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 1332) are transferred to the Director of the National Bureau of Standards.
(c) Transfer of National Telecommunications and Information Administration functions.—
(1) Transfer to Federal Communications Commission.—Except as provided in subsection (b), the functions of the National Telecommunications and Information Administration, and of the Secretary of Commerce and the Assistant Secretary for Communications, are transferred to the Federal Communications Commission. The functions transferred by this paragraph shall be placed in an organizational component that is independent from all Federal Communications Commission functions directly related to the negotiation of trade agreements. Such functions shall be supervised by an individual whose principal professional expertise is in the area of telecommunications. Such a component shall be deemed to be in the area of telecommunications. The individual whose principal professional expertise is in the area of telecommunications shall be appointed to such position to which such individual is appointed shall be graded at a level sufficiently high to attract a highly qualified individual, and pointed shall be graded at a level sufficiently high to attract a highly qualified individual, who is in the area of telecommunications. The functions transferred by this paragraph shall be placed in an organizational component that is independent from all Federal Communications Commission functions directly related to the negotiation of trade agreements. Such functions shall be supervised by an individual whose principal professional expertise is in the area of telecommunications. Such a component shall be deemed to be in the area of telecommunications. The individual whose principal professional expertise is in the area of telecommunications shall be appointed to such position to which such individual is appointed shall be graded at a level sufficiently high to attract a highly qualified individual, who is in the area of telecommunications.
(2) References.—In general, references in any provision of law with respect to a function vested pursuant to this section in the Director of the National Bureau of Standards shall be deemed to refer to the Director of the National Telecommunications and Information Administration.
(3) Termination of NTIA.—Effective on the date specified in section 102(c), the National Telecommunications and Information Administration is abolished.
(b) Aeronautical Mapping and Charting.—
(1) In General.—There are transferred to the National Oceanic and Atmospheric Administration:
(A) The National Undersea Research Program; and
(B) The Fleet Modernization Program.
(2) Exceptions.—The prices for products referred to in subparagraph (A) shall be fixed by the Administrator under this paragraph (1) that are performed by the National Oceanic and Atmospheric Research.
(3) Acquisition of Property.—In carrying out aeronautical mapping functions requested by the Administrator under subparagraph (A), the Director shall in such manner and including such information as the Administrator determines is necessary for, or will promote, the safe and efficient movement of aircraft in air commerce;
(i) publish and distribute to the public and to the Administrator any aeronautical charts requested by the Administrator; and
(ii) provide to the Administrator such other traffic control services as may be requested by the Administrator.
(4) Continuing applicability.—
(A) In General.—Except as provided in subparagraph (B), the requirements of section 1307 of title 44, United States Code, shall continue to apply with respect to all aeronautical products created or published by the National Oceanic and Atmospheric Administration.
(B) Exceptions.—The prices for products referred to in subparagraph (A) shall be fixed by the Administrator under the Act of August 7, 1947 (61 Stat. 787, chapter 904; 33 U.S.C. 883a).
(2) Termination of certain functions.—
(A) In General.—Except as provided in subsection (b), there are transferred to the Army Corps of Engineers the functions relating to mapping, charting, and geodesy authorized under the Act of August 7, 1947 (61 Stat. 787, chapter 904; 33 U.S.C. 883a).
(B) Exceptions.—The functions transferred to the Army Corps of Engineers under this section shall be performed by the National Oceanic and Atmospheric Administration established in section 206.
This section are authorized to be performed by the National Weather Service.

(2) Duties.—Except as provided in paragraph (3), to protect life and property and enhance the national economy, the Administrator of Oceans and Atmosphere, through the National Weather Service, shall be responsible for the following:

(A) the Administrator shall serve as the sole and official sources of weather and flood warnings for the Federal Government.

(B) the issuance of hydro-meteorological guidance and core forecast information.

(3) Limitations on Competition.—The National Weather Service may not compete, or assist other entities in competing, with the private sector to provide a service in any case in which that service is provided by a private sector commercial enterprise or a private sector commercial enterprise is able to provide that service, unless—

(A) the Administrator of Oceans and Atmosphere finds that private sector commercial enterprises are unwilling or unable to provide the service; and

(B) the Administrator of Oceans and Atmosphere finds that the service provides vital weather warnings and forecasts for the protection of lives and property of the general public.

(4) Organic Act Amendments.—The chapter entitled ‘An Act to increase the efficiency and reduce the expenses of the Signal Corps of the Army, and to transfer the Weather Bureau to the Department of Agriculture’ approved October 1, 1890 (26 Stat. 653, chapter 1266) is amended—

(A) in section 3, (15 U.S.C. 313), and

(B) in section 9 (15 U.S.C. 317), by striking ‘Department of’ and all that follows thereafter and inserting ‘National Oceanic and Atmospheric Administration’.

(5) Repeal.—Sections 706 and 707 of the Weather Service Modernization Act (15 U.S.C. 313 note) are repealed.

(6) Conforming Amendments.—The Weather Service Modernization Act (15 U.S.C. 313 note) is amended—

(A) in section 702, by striking paragraph (3) and redesignating paragraphs (4) through (10) as paragraphs (3) through (9), respectively; and

(B) in section 703—

(i) by striking ‘(a) National Implementation Plans’;

(ii) by striking paragraph (3) and redesignating paragraphs (4) through (6) as paragraphs (3) through (5), respectively; and

(iii) by striking subsections (b) and (c).

(C) Termination of the National Oceanic and Atmospheric Administration Corps of Commissioned Officers.—

(I) In general.—Notwithstanding section 8 of the Act of June 3, 1948 (62 Stat. 298, chapter 390; 33 U.S.C. 853a), no funding may be provided for a commissioned officer of the National Oceanic and Atmospheric Administration Corps after fiscal year 1999 and no individual may serve as a commissioned officer after fiscal year 1999.

(J) Retention Pay.—(A) In general.—Commissioned officers may be separated from the active list of the National Oceanic and Atmospheric Administration Corps of Commissioned Officers subject to paragraph (1) shall, subject to subparagraph (B) and the availability of appropriations, be eligible for separation pay under section 9 of the chapter entitled ‘An Act to provide for the reclassification and separation from the United States military services of all commission officers of the United States military forces of the United States’ (33 U.S.C. 853a) to the same extent as if such officer had been separated under section 8 of such chapter (62 Stat. 298, chapter 390; 33 U.S.C. 853a).

(B) Transferees.—Any officer who, under paragraph (4), transfers to another of the military forces of the United States or a position in a civil service position shall not be eligible for separation pay under this paragraph.

(C) Retirement.—(A) In general.—Any officer who receives separation pay under this paragraph shall be required to repay the amount received if, within 1 year after the date of the separation described in subparagraph (B), such officer is reemployed in a civil service position in the National Oceanic and Atmospheric Administration Corps. Any payment under this subparagraph shall, for purposes of this paragraph, be considered to be an expenditure described in such paragraph.

(B) Other Transfers.—For commissioned officers who transfer under paragraph (4) or (5), the Department of the Treasury, full credit for service in the NOAA Corps shall be given for purposes of any annuity or other similar benefit under the retirement system for each year the individual is the NOAA Corps, entitlement to which is based on the separation of such officer.

(C) Payment to Certain Commissioned Officers Who Transfer to Civil Service Positions.—(I) For a commissioned officer who becomes employed in a civil service position pursuant to paragraph (4) or (5), the Department of the Treasury, full credit for service in the NOAA Corps, entitlement to which is based on the separation of such officer.

(D) Priority Placement Program.—Any contribution to the Thrift Savings Plan made under this clause (i) shall be used.

(2) PRIORITY PLACEMENT PROGRAM.—A priority placement program similar to the programs described in section 3329b of title 5, United States Code (as added by section 110 of this chapter) shall be established by the National Oceanic and Atmospheric Administration and under terms and conditions specified by the Secretary, commissioned officers subject to paragraph (1) may transfer to the Armed Forces under section 716 of title 10, United States Code.

(3) Transfers to Armed Forces.—Subject to the approval of the Secretary of Defense and under terms and conditions specified by the Secretary, commissioned officers subject to paragraph (1) may transfer to the Armed Forces under section 716 of title 10, United States Code.

(B) Transfers to United States Coast Guard.—Subject to the approval of the Secretary of Transportation and under terms and conditions specified by the Secretary, commissioned officers subject to paragraph (1) may transfer to the United States Coast Guard under section 716 of title 10, United States Code.

(C) Transfers to National Oceanic and Atmospheric Administration.—Subject to the approval of the Administrator of Oceans and Atmosphere and under terms and conditions specified by that Administrator, commissioned officers subject to paragraph (1) may be employed by the National Oceanic and Atmospheric Administration as members of the civil service.

(5) Retirement Provisions.—(A) In general.—For commissioned officers who transfer under paragraph (4) to the Armed Forces, the National Oceanic and Atmospheric Administration shall pay into the Department of Defense Military Retirement Fund an amount, to be calculated by the Secretary of Defense in consultation with the Secretary of the Treasury, equal to the amount of any deposit required under section 8422(e)(1) of title 5, United States Code, with respect to any prior service performed by that individual as such an officer.

(B) Other Transfers.—For commissioned officers who transfer under paragraph (4) or (5), the Department of the Treasury, full credit for service in the NOAA Corps shall be given for purposes of any annuity or other similar benefit under the retirement system for which the individual is eligible.

(6) Transfers to NOAA Corps.—(A) In general.—Any payment under this subparagraph shall, for purposes of any annuity or other similar benefit under the retirement system for which the individual is eligible.
(A) IN GENERAL.—The following provisions of law are repealed:


(iv) Section 9(c) of Public Law 87–649 (76 Stat. 988, chapter 288, 33 U.S.C. 867).


(vi) Sections 1 through 5 of Public Law 90–621 (33 U.S.C. 857–1 through 857–5).


(B) RULE OF CONSTRUCTION.—No repeal under subsection (A) shall affect any other similar benefit payable, under any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000. Any authority exercised by the Secretary of Commerce or the designee of the Secretary with respect to any such benefits shall be exercised by the Administrator of Oceans and Atmosphere, and any authorization of appropriations relating to those benefits, which is in effect on September 30, 2000, shall be considered to have remained in effect.

(C) EFFECTIVE DATE OF REPEALS.—The effective date of the repeals under subparagraph (A) is October 1, 2000.

(D) APPLICABILITY OF RETIREMENT LAWS.—

(I) IN GENERAL.—All laws relating to the retirement of commissioned officers of the Navy shall apply to commissioned officers of the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its predecessors.

(II) ACTIVE MILITARY SERVICE.—Active service of officers of the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its predecessors who have retired from the Commissioned Officers Corps shall be deemed to be active military service in the United States Navy for the purpose of all rights, privileges, immunities, and benefits provided to retired commissioned officers of the Navy by the laws and regulations of the United States and applicable to the Commissioned Officers Corps of the National Oceanic and Atmospheric Administration.

(iii) The origin of those laws (including regulations) with respect to retired officers of the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its predecessors, the authority of the Secretary of the Navy shall be exercised by the Administrator of Oceans and Atmosphere.

(III) ITS PREDECESSORS DEFINED.—For purposes of this subparagraph, the term "its predecessors" means the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its successor by reason of paragraph (2) shall, for purposes of any subsequent reduction in force, be deemed to be surviving for any period of service performed as such an officer before separation from such list to the same extent and in the same manner as if the period had been a period of active service in the Armed Forces.

(A) ABOLITION.—Effective September 30, 2000, the Office of the National Oceanic and Atmospheric Administration, the National Operational Environmental Prediction Service, or its successor and the Commissioned Personnel Center are abolished.

(B) NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION FLEET.—

(I) SERVICE CONTRACTS.—Notwithstanding any other provision of law, the Administrator of Oceans and Atmosphere shall make or enter into contracts, including multiyear contracts, subject to paragraph (3), for the use of vessels to conduct oceanographic research and related activities, including科学研究, enforcement, and management, and to acquire other data necessary to carry out the missions of the National Oceanic and Atmospheric Administration and the National Ocean Service of Oceans and Atmosphere shall enter into these contracts unless:

(A) the cost of the contract is more than the cost including the cost of vessel operation, maintenance, and all personnel to the National Oceanic and Atmospheric Administration of obtaining those services on vessels of the National Oceanic and Atmospheric Administration;

(B) the contract is for a period greater than 7 years.

(C) the data is acquired through a vessel agreement pursuant to paragraph (4).

(II) VESSELS.—The Administrator of Oceans and Atmosphere may not enter into any contract for the construction, lease-purchase, upgrade, or service life extension of any vessel.

(III) MULTIYEAR CONTRACTS.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), and notwithstanding section 1341 of title 31, United States Code, and section 11 of title 41, United States Code, the Administrator of Oceans and Atmosphere may acquire data under multiyear contracts.

(B) REQUIRED FINDINGS.—The Administrator of Oceans and Atmosphere may not enter into a contract pursuant to this paragraph unless the Administrator finds, with respect to that contract, that there is a reasonable expectation that throughout the contemplated contract period the Administrator will request from Congress funding for the contract and reasonable assurance that the Administrator will be able to avoid the termination of that contract.

(C) REQUIRED PROVISIONS.—The Administrator of Oceans and Atmosphere may not enter into a contract pursuant to this paragraph unless the contract includes:

(i) a provision under which the obligation of the United States to make payments under the contract is subject to the availability of appropriations provided in advance for those payments;

(ii) a provision that specifies the term of effectiveness of the contract; and

(iii) appropriate provisions under which, in case of any termination of the contract before the end of the term specified pursuant to clause (ii), the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such a termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of the type of acquisition covered by the contract and not obligated on the date of the termination.

(D) VESSEL AGREEMENTS.—The Administrator of Oceans and Atmosphere—

(A) shall carry out any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000, as of September 30, 2000, shall be considered to have remained in effect.

(B)Effectiveness of the contract; and

(i) the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such a termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of the type of acquisition covered by the contract and not obligated on the date of the termination.

(D) VESSEL AGREEMENTS.—The Administrator of Oceans and Atmosphere—

(A) shall carry out any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000, as of September 30, 2000, shall be considered to have remained in effect.

(B)Effectiveness of the contract; and

(i) the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such a termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of the type of acquisition covered by the contract and not obligated on the date of the termination.

(D) VESSEL AGREEMENTS.—The Administrator of Oceans and Atmosphere—

(A) shall carry out any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000, as of September 30, 2000, shall be considered to have remained in effect.

(B)Effectiveness of the contract; and

(i) the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such a termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of the type of acquisition covered by the contract and not obligated on the date of the termination.

(D) VESSEL AGREEMENTS.—The Administrator of Oceans and Atmosphere—

(A) shall carry out any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000, as of September 30, 2000, shall be considered to have remained in effect.

(B)Effectiveness of the contract; and

(i) the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such a termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of the type of acquisition covered by the contract and not obligated on the date of the termination.
(2) COMPENSATION.—Each Officer appointed under this subsection shall receive basic pay at the rate payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(d) TRANSFER OF FUNCTIONS AND OFFICES.—Except as otherwise provided in this chapter, there shall be transferred to the Secretary of Commerce:

(1) the functions and offices of the National Oceanic and Atmospheric Administration, as provided in section 205;

(2) the National Bureau of Standards, along with its functions and offices, as provided in section 202; and

(3) the Office of Space Commerce, along with its functions and offices.

(e) ELIMINATION OF POSITIONS.—The Administrator of Oceans and Atmosphere may eliminate positions that are no longer necessary because of the termination of functions under this section and sections 202 and 205.

(f) AGENCY TERMINATIONS.—

(1) TERMINATIONS.—

(A) In general.—On the date specified in section 206(a), the following shall terminate:

(i) The Office of the Deputy Administrator and Assistant Secretary of the National Oceanic and Atmospheric Administration.

(ii) The Office of the Deputy Under Secretary of the National Oceanic and Atmospheric Administration.

(iii) The Office of the Chief Scientist of the National Oceanic and Atmospheric Administration.

(iv) The position of Deputy Assistant Secretary for Oceans and Atmosphere.

(v) The position of Deputy Assistant Secretary for International Affairs.

(vi) Any office of the National Oceanic and Atmospheric Administration or the National Bureau of Standards whose primary purpose is to support high performance computing communications, legislative, personnel, public relations, budget, constituent, intergovernmental, international, policy and strategic planning, sustainable development, administrative, financial, educational, legal and coordination functions.

(vii) The position of Associate Director of the National Institute of Standards and Technology.

(B) REQUIREMENT.—The functions referred to in subparagraph (A)(vi) shall be performed by the National Oceanic and Atmospheric Administration.

(2) TERMINATION OF EXECUTIVE SCHEDULE POSITIONS.—Each position that, before the effective date of this title, was expressly authorized by law, or the incumbent of which is authorized to receive compensation at the rate prescribed for levels I through V of the Executive Schedule under sections 5322 through 5315 of title 5, United States Code, in an office terminated pursuant to this section and sections 202 and 205 shall also terminate.

(g) FUNDING REDUCTIONS RESULTING FROM REORGANIZATION.—

(1) FUNDING REDUCTIONS.—Notwithstanding the transfer of functions under this title, the total amount appropriated by the Congress for the performance of all functions vested in the National Oceanic and Atmospheric Administration pursuant to this title shall not exceed (A) for the first fiscal year that begins after the date specified in section 102(c), 75 percent of the total amount appropriated for fiscal year 1998 for the performance of all functions vested in the National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the Office of Space Commerce, except for those functions transferred under section 205 to agencies or departments other than the National Oceanic and Atmospheric Administration; (B) for the second fiscal year that begins after the abolishment date specified in section 102(c) and for each fiscal year thereafter, 65 percent of the total amount appropriated for fiscal year 1998 for the performance of all functions vested in the National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the Office of Space Commerce, except for those functions transferred under section 205 to agencies or departments other than the National Oceanic and Atmospheric Administration.

(2) EXCEPTED.—Paragraph (1) shall not apply to obligations or expenditures incurred as a direct consequence of the termination, transfer, or other disposition of functions described in paragraph (1) pursuant to this title.

(3) RULE OF CONSTRUCTION.—This section shall supercede any other provision of law that authorizes: (A) refer to this section; and (B) create an exemption from this section.

(4) RESPONSIBILITY OF NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION.—On the date of enactment of this Act, the National Oceanic and Atmospheric Administration, in consultation with the Director of the Office of Management and Budget, shall make such modifications in programs as are necessary to carry out the reductions in appropriations set forth in subparagraphs (A) and (B) of paragraph (1).

(3) RESPONSIBILITY OF THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.—The Director of the Office of Management and Budget shall report to Congress under sections (a) and (b) of section 106 a description of actions taken to comply with the requirements of this subsection.

SEC. 207. MINISTERS AND CONSULS IN OFFICE; MORATORIUM ON PROGRAM ACTIVITIES.

(a) TERMINATIONS.—The following agencies and programs of the Department of Commerce and the National Institute of Standards and Technology may continue to exist:

(1) The Minority Business Development Administration.

(2) The programs and activities of the National Telecommunications and Information Administration referred to in section 204(a).

(3) The Advanced Technology Program under section 208(a) of the National Institute of Standards and Technology Act (15 U.S.C. 279n), as in effect on the day before the effective date of section 202(d).

(4) The Manufacturing Extension Programs under sections 25 and 26 of the National Institute of Standards and Technology Act (15 U.S.C. 279c and 278), as in effect on the day before the effective date of section 202(d).

(b) MORATORIUM ON PROGRAM ACTIVITIES.—The National Institute of Standards and Technology METRIC Program shall not contract, provide assistance, incur obligations, or provide commitments (including any enlargement of existing obligations or commitments if required by law) with respect to the agencies and programs described in subsection (a) that are terminated effective on the date of enactment of this chapter.

SEC. 208. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title shall take effect on the date specified in section 102(c).

(b) PROVISIONS EFFECTIVE ON DATE OF ENACTMENT.—The following provisions of this title shall take effect on the date of enactment of this Act:

(1) Section 201.

(2) Section 205(g), except as otherwise provided in that section.

(3) Section 207(b).

(4) This section.

Subchapter C—Establishment of United States Trade Administration

PART I—GENERAL PROVISIONS

SEC. 301. DEFINITIONS.

In this title:

(1) FEDERAL AGENCY.—The term "Federal agency" has the meaning given to the term "agency" in section 551(1) of title 5, United States Code.

(2) TRADE ADMINISTRATION.—The term "Trade Administration" means the United States Trade Administration established by section 311 of this chapter.

(a) IN GENERAL.—The Trade Administration shall be the successor to the Department of Commerce for purposes of this title.

(b) UNITED STATES TRADE ADMINISTRATION.—The term "United States Trade Administration" means the Trade Administration established by section 311 of this chapter.

(c) TRADE REPRESENTATIVE.—The term "Trade Representative" means the United States Trade Representative provided for under section 311 of this chapter.
matters and, to the extent that such negotiations are related to international trade, direct investment negotiations;

(4) exercise lead responsibility for the establishment and conduct of the office, including policies designed to implement such strategy;

(5) with the advice of the interagency organization established pursuant to section 1332 of the Trade Expansion Act of 1962, issue policy guidance to other Federal agencies on international trade, commodity, and direct investment matters to the extent necessary to assure the coordination of international trade policy;

(6) seek and promote new opportunities for United States businesses to compete in the world marketplace;

(7) assist small businesses in developing export markets;

(8) enforce the laws of the United States relating to trade;

(9) analyze economic trends and developments;

(10) report directly to Congress—

(A) on the administration of, and matters pertaining to, the trade agreements program established under the Trade Act of 1979 and the Trade Act of 1988, and any other law relating to trade agreements; and

(B) with respect to other issues pertaining to international trade;

(11) keep each official adviser to the United States delegations to international conferences, meetings, and negotiation sessions relating to trade agreements who is appointed by the President, by and with the advice and consent of the Senate, fully and promptly informed of the status of negotiations and the status of the negotiations as the Trade Representative may direct.

(12) consult and cooperate with State and local officials, and with other intergovernmental entities on international trade matters of interest to such governments and parties, and to the extent related to international trade matters, directly on investment matters, and, when appropriate, hold informal public hearings;

(13) serve as the principal advisor to the President on Government policies designed to encourage the expansion of United States industry and services to compete in international markets;

(14) develop recommendations for national strategies and specific policies intended to enhance the productivity and international competitiveness of United States industries;

(15) serve as the principal advisor to the President for and exercise the functions of the Office of United States Trade Representatives delegated to the Office of the Trade Representative; and

(16) promote cooperation between business, labor, and Government to improve industrial performance and the ability of United States industries to compete in international markets and to facilitate consultation and communication between the Government and the private sector about domestic industrial performance and prospects and the performance and prospects of foreign competitors; and

(17) monitor and enforce foreign government compliance with international trade agreements to protect United States interests.

(b) Interagency Organization.—The Trade Representative shall be the chairperson of the interagency organization established under section 242 of the Trade Expansion Act of 1962.

(c) National Security Council.—The Trade Representative shall be a member of the National Security Council.

(d) National Advisory Council on International Monetary and Financial Policies.—The Deputy Trade Representative shall be Deputy Chairman of the National Advisory Council on International Monetary and Financial Policies established under Executive Order No. 12399, issued February 14, 1966.

(e) Agriculture.—

(1) Consultations.—The Trade Representative, with the concurrence of the Secretary of Agriculture, shall consult with the Secretary of Agriculture or the designee of the Secretary of Agriculture on all matters that potentially involve international trade in agricultural products.

(2) United States Delegation.—If an international meeting concerning international trade in agricultural products is related to the international trade in agricultural products, the Trade Representative or the designee of the United States delegation shall be the United States delegation at such meeting and the Secretary of Agriculture or the designee of such Secretary shall be the Secretary of Agriculture.

(f) Trade Promotion.—The Trade Representative shall be the chairperson of the Trade Promotion Coordinating Committee established pursuant to subpart D of the Export Enhancement Act of 1988 (15 U.S.C. 4727).

(g) National Economic Council.—The Trade Representative shall be a member of the National Economic Council established under Executive Order No. 12383, issued January 25, 1993.

(h) International Trade Negotiations.—

(1) Except where expressly prohibited by law, the Trade Representative, at the request or with the concurrence of the head of any other Federal agency, may assign the responsibility for conducting or participating in any international trade negotiations to any other Federal agency.

(2) The Trade Representative shall be the principal advisor to the President on the conduct of such negotiations and the status of such negotiations as the Trade Representative may direct.

(i) Functions of Assistant Administrators.—

(1) Establishments.—There shall be in the Trade Administration 4 Assistant Administrators, who shall be appointed by the President, by and with the advice and consent of the Senate.

(2) Functions of Assistant Administrators.—

(a) Trade and Policy Analysis.—The Assistant Administrator for Trade and Policy Analysis, and the Assistant Administrator for Policy Analysis, shall exercise all functions transferred under sections 332(1)(B) and all functions transferred under section 332(1)(D).

(b) Export Promotion.—The Assistant Administrator for Export Promotion shall exercise all functions transferred under section 332(2)(A)(i) and section 332(2)(B).

(c) Import Administration.—The Assistant Administrator for Import Administration shall exercise all functions transferred under sections 332(3)(A) and 332(3)(B).

(d) Trade and Policy Analysis.—The Assistant Administrator for Trade and Policy Analysis shall exercise all functions transferred under section 332(2)(A)(ii) and section 332(2)(B).

(e) Export Promotion.—The Assistant Administrator for Export Promotion shall exercise all functions transferred under sections 332(3)(A)(i) and section 332(3)(B).

(f) Import Administration.—The Assistant Administrator for Import Administration shall exercise all functions transferred under section 332(3)(B).

(g) Trade and Policy Analysis.—The Assistant Administrator for Trade and Policy Analysis shall exercise all functions transferred under section 332(2)(A)(ii) and section 332(2)(B).

(h) Functions of Assistant Administrators.—

(1) Trade Representative for Negotiations.—The Trade Representative for Negotiations shall exercise all functions transferred under section 331 relating to trade negotiations and such other functions as the Trade Representative may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative to the WTO.—The Deputy Trade Representative to the WTO shall exercise all functions relating to representation in or to the World Trade Organization and shall have the rank and status of Ambassador.

(3) Deputy Trade Representative for Administration.—

(A) Absence, Disability, or Vacancy of Trade Representative.—The Deputy Trade Representative for Administration shall perform the functions and duties of the Trade Representative for Administration whenever the Trade Representative shall be absent, disabled, or has vacated the office of the Trade Representative.

(B) Appointment.—The Deputy Trade Representative for Administration shall be appointed by the President, by and with the advice and consent of the Senate.

(C) Functions of Deputy Trade Representative for Administration.—

(1) Deputy Trade Representative for Negotiations.—The Deputy Trade Representative for Negotiations shall exercise all functions transferred under section 331 relating to trade negotiations and such other functions as the Deputy Trade Representative for Negotiations may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative to the WTO.—The Deputy Trade Representative to the WTO shall exercise all functions relating to representation in or to the World Trade Organization and shall have the rank and status of Ambassador.

(3) Deputy Trade Representative for Administration.—

(A) Absence, Disability, or Vacancy of Trade Representative.—The Deputy Trade Representative for Administration shall perform the functions and duties of the Trade Representative for Administration whenever the Trade Representative shall be absent, disabled, or has vacated the office of the Trade Representative.

(B) Appointment.—The Deputy Trade Representative for Administration shall be appointed by the President, by and with the advice and consent of the Senate.

(C) Functions of Deputy Trade Representative for Administration.—

(1) Deputy Trade Representative for Negotiations.—The Deputy Trade Representative for Negotiations shall exercise all functions transferred under section 331 relating to trade negotiations and such other functions as the Deputy Trade Representative for Negotiations may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative to the WTO.—The Deputy Trade Representative to the WTO shall exercise all functions relating to representation in or to the World Trade Organization and shall have the rank and status of Ambassador.

(3) Deputy Trade Representative for Administration.—

(A) Absence, Disability, or Vacancy of Trade Representative.—The Deputy Trade Representative for Administration shall perform the functions and duties of the Trade Representative for Administration whenever the Trade Representative shall be absent, disabled, or has vacated the office of the Trade Representative.

(B) Appointment.—The Deputy Trade Representative for Administration shall be appointed by the President, by and with the advice and consent of the Senate.

(C) Functions of Deputy Trade Representative for Administration.—

(1) Deputy Trade Representative for Negotiations.—The Deputy Trade Representative for Negotiations shall exercise all functions transferred under section 331 relating to trade negotiations and such other functions as the Deputy Trade Representative for Negotiations may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative to the WTO.—The Deputy Trade Representative to the WTO shall exercise all functions relating to representation in or to the World Trade Organization and shall have the rank and status of Ambassador.

(3) Deputy Trade Representative for Administration.—

(A) Absence, Disability, or Vacancy of Trade Representative.—The Deputy Trade Representative for Administration shall perform the functions and duties of the Trade Representative for Administration whenever the Trade Representative shall be absent, disabled, or has vacated the office of the Trade Representative.

(B) Appointment.—The Deputy Trade Representative for Administration shall be appointed by the President, by and with the advice and consent of the Senate.

(C) Functions of Deputy Trade Representative for Administration.—

(1) Deputy Trade Representative for Negotiations.—The Deputy Trade Representative for Negotiations shall exercise all functions transferred under section 331 relating to trade negotiations and such other functions as the Deputy Trade Representative for Negotiations may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative to the WTO.—The Deputy Trade Representative to the WTO shall exercise all functions relating to representation in or to the World Trade Organization and shall have the rank and status of Ambassador.
in accordance with the Inspector General Act of 1978, as amended by section 371(a) of this chapter.

SEC. 325. CHIEF FINANCIAL OFFICER.

There shall be in the Trade Administration a Chief Financial Officer who shall be appointed in accordance with section 901 of title 31, United States Code, as amended by section 2 of title 2 of this chapter. The Chief Financial Officer shall perform all functions prescribed by the Deputy Trade Representative for Administration, under the direction of the Deputy Trade Representative.

Subpart C—Transfers to the Trade Administration

SEC. 331. OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

(a) Abolishment of Office of the USTR—

Effective on the applicable date specified in section 102(c), the Office of the United States Trade Representative established by section 141 of the Trade Act of 1974 (19 U.S.C. 141) as in effect on the day before the applicable date specified in section 102(c) is abolished.

(b) Transfer of Functions—

Except as otherwise provided in this chapter, all functions of the Office of the United States Trade Representative acting in that capacity, or any agency or office of the Office of the United States Trade Representative, are transferred under this title effective on that date.

(c) Determination of Certain Functions—

If necessary, the Office of Management and Budget shall make any determination of the functions that are transferred under this title.

SEC. 332. TRANSFERS FROM THE DEPARTMENT OF COMMERCE.

There are transferred to the Trade Administration the following functions:

(1) All functions of, and all functions performed under the direction of, the following officers and employees of the Department of Commerce:

(A) The Under Secretary of Commerce for International Trade.

(B) The Director General of the United States Trade Representative.

(C) The Assistant Secretary of Commerce for Export Administration.

(D) The Assistant Secretary of Commerce for Import Administration.

(2) All functions of the Secretary of Commerce relating to the National Trade Data Bank.

(3) All functions of the Secretary of Commerce under the Tariff Act of 1930, the Uruguay Round Agreements Act, the Trade Act of 1974, and other Acts relating to international trade for which responsibility is not otherwise assigned under this title.

SEC. 333. TRADE AND DEVELOPMENT AGENCY.

There are transferred to the Assistant Administrator for Export Promotion all functions of the Trade and Development Agency and all functions of the Director of the Trade and Development Agency.

SEC. 334. EXPORT-IMPORT BANK.

(a) In General—

(1) Transfer of Functions—There are transferred to the Trade Representative all functions of the Committee relating to the Export-Import Bank of the United States.

(2) Conforming Amendment—Section 3(c)(1) of the Export-Import Bank Act of 1945 (12 U.S.C. 635a(c)(1)) is amended to read as follows:

"There shall be a Board of Directors of the Bank consisting of the United States Trade Representative (who shall serve as Chairman), the President of the Export-Import Bank (who shall serve as Vice Chairman), the first Vice President, and 2 additional persons appointed by the President of the United States, by and with the advice and consent of the Senate.

(b) Ex Officio Member of Export-Import Bank Board of Directors—The Assistant Administrator for Export Promotion shall serve as an ex officio nonvoting member of the Board of Directors of the Export-Import Bank.

(c) Amendments to Related Banking and Trade Acts—Section 2303(h) of the Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 4272(h)) is amended to read as follows:

"(h) Assistance to Export-Import Bank—The Commercial Service shall provide such services as the Assistant Administrator for Export Promotion of the United States Trade Representative shall determine necessary to assist the Export-Import Bank of the United States to carry out the lending, loan guarantee, insurance, and other activities described in section 2303(c)(1) of this title.; and

(d) Transfer of Functions—Those functions delegated to CITA that relate to the assessment of the impact of textile imports on domestic industry are transferred to the International Trade Commission. The International Trade Commission shall make a determination and advise the President of the determination not later than 60 days after receiving a request for an investigation.

SEC. 335. OVERSEAS PRIVATE INVESTMENT CORPORATION.

(a) Board of Directors—The second and third sentences of section 233(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2193(b)) are amended to read as follows: "The United States Trade Representative shall be the Chairman of the Board. The Administrator of the Agency for International Development (who shall serve as Vice Chairman) shall serve on the Board.

(b) Ex Officio Member of Overseas Private Investment Corporation Board of Directors—The Assistant Administrator for Export Promotion of the United States Trade Administration shall serve as an ex officio nonvoting member of the Board of Directors of the Overseas Private Investment Corporation.

SEC. 336. CONSOLIDATION OF EXPORT PROMOTION AND FINANCING ACTIVITIES.

(a) Submission of Plan—

(1) In General—Not later than 180 days after the date of enactment of this chapter, the President shall transmit to Congress a comprehensive plan:

(A) to consolidate Federal nonagricultural export promotion activities and export financing activities; and

(B) to transfer those functions to the Trade Administration.

(2) Contents of Plan—The plan under paragraph (1) shall include:

(A) the elimination of overlap and duplication among all Federal nonagricultural export promotion activities and export financing activities identified under subparagraph (A); and

(B) a unified budget for all Federal nonagricultural export promotion activities which eliminates funding for overlapping and duplicative activities identified under paragraph (1).

(3) Activities Authorized—The plan shall authorize:

(A) a unified budget for all Federal nonagricultural export promotion activities which eliminates funding for overlapping and duplicative activities identified under subparagraph (A); and

(B) a unified budget for all Federal nonagricultural export promotion activities which eliminates funding for overlapping and duplicative activities identified under paragraph (1).

(b) Plan Elements—The plan under subsection (a) shall:

(1) plant a long-term agenda for developing better cooperation between local, State, and Federal programs and activities designed to stimulate or assist United States businesses in exporting nonagricultural goods or services that are products of the United States.

(2) Functions Related to Textile Agreements.

(a) Functions of CITA—

(1) In General—Subject to paragraph (2), those functions delegated to the Committee for the Implementation of Textile Agreements established under Executive Order No. 11651 (7 U.S.C. 1854 note) (in this subsection referred to as "CITA") are transferred to the Trade Administration.

(b) Abolition of CITA—CITA is abolished.

Subpart D—Administrative Provisions

SEC. 341. PERSONNEL PROVISIONS.

(a) Appointments—The Trade Representative may appoint and, in the case of any individual whose services are sought by the Executive, the compensation of such officers and employees, including investigators, attorneys, and administrative law judges, as may be necessary to carry out the functions of the Trade Representative and the Trade Administration. Except as otherwise provided by law, such officers and employees shall be appointed in accordance with the civil service laws and the compensation fixed in accordance with title 5, United States Code.

(b) Positions Above GS-15—In general, at the request of the Trade Representative, the Director of the Office of Personnel Management shall, under section 5108 of title 5, United States Code, provide such positions above GS-15 as are required to enforce the grade level above GS-15 of the General Schedule, and in the Senior Executive Service, of a number of positions in the Trade Administration equal to the number of positions in that grade level which—

(A) were used primarily for the performance of functions and offices transferred by this title; and

(B) were assigned and filled on the day before the effective date of this title.
the provisions of section 3111 of title 5,
accept volunteer service in accordance
The Trade Representative is authorized to
provide voluntary services under subpara-
dental expenses, including transportation,
such title for persons in Government service
Trade Representative may pay experts and
poses of chapter 81 of title 5, United States
(1)(A) shall not be considered a Federal em-
vides voluntary services under paragraph
section 3324 of title 5, United States Code, if
the administration of such functions.
the effective date of this title.
the Trade Administration that is incon-
to this subsection.
subsection (a) shall continue to serve in that
capacity until the absence or disability of
The Trade Representative may, when au-
function to another within the Trade Adminis-
lines, and by way of advance or reim-
into contracts or to make payments under
this chapter shall be effective only to such
in advance in appropriation Acts. This sub-
section does not apply with respect to the
authority granted under section 349.
SEC. 340. USE OF FACILITIES.
(a) USE BY TRADE REPRESENTATIVE.—In
carrying out any function of the Trade Rep-
representative or the Trade Administration, the
Trade Representative, with or without reim-
bursement, may use the research, services, equip-
ment, and facilities of—
(1) an individual;
(2) a public or private nonprofit agency or organization, including any agency or in-
strumentality of the United States or of any
State, the District of Columbia, the Com-
monwealth of Puerto Rico, or any territory or possession of the United States;
(3) any political subdivision of any State,
the District of Columbia, the Commonwealth
of Puerto Rico, or any territory or posses-
sion of the United States; or
(4) any foreign government.
(b) USE OF TRADE REPRESENTATIVE FACILI-
ties.—The Trade Representative, under
terms, at rates, and for periods that the
Trade Representative considers to be in the
public interest, may permit the use by public
facilities, structures, and improvements used by such permit-
SEC. 345. RULES.
(a) IN GENERAL.—Subject to the provisions
of chapters 5 and 6 of title 5, United States Code, such rules and regulations as the
Trade Representative considers necessary or
neous or otherwise prohibited
by law or otherwise provided by this title,
the Trade Representative may delegate any
of the functions transferred to the Trade
representative by this title and any function
transferred or granted to the Trade
representative after the effective date of this
title to such officers and employees of the
Trade Administration as the Trade
representative may designate, and may author-
ize such officers or employees to exercise
such functions as may be necessary or appropriate. No delegation of functions by the Trade
Representative under this section or under any
other section of this title shall relieve the
Trade Representative of responsibility for
the administration of such functions.

(b) Exception.—Notwithstanding any other
 provision of this title, the authority to enter
into contracts or to make payments under
this chapter shall be effective only to such

SEC. 346. FUNDING.
The Trade Representative may, when au-
thorized in an appropriation Act in any fis-
cal year, transfer funds from one appropri-
tion to another within the Trade Adminis-
tration, except that—
(1) no appropriation for any fiscal year
shall be either increased or decreased by
more than 10 percent; and
(2) no such transfer shall result in increas-
ing any such appropriation above the
amount authorized to be appropriated for
that purpose.

SEC. 347. CONTRACTS, GRANTS, AND COOPERA-
TIVE AGREEMENTS.
(a) IN GENERAL.—Subject to the provisions
of the Federal Property and Administrative
Services Act of 1949, the Trade Representa-

SEC. 348. DELEGATION OF AUTHORITY.—The
authority under this subsection with respect to
any position established at a grade level
above GS-15 shall terminate when the person
first appointed to fulfills such position ceases
to hold such position.

SEC. 341. GIFTS AND BEQUESTS.
(a) IN GENERAL.—The Trade Representative
is authorized to accept, hold, administer, and
utilize gifts and bequests of property, both
real and personal, for the purpose of aiding or
facilitating the work of the Trade Admin-
istration. Gifts and bequests of money and
the proceeds from sales of other property re-
ceived as gifts or bequests shall be deposited in the United States Treasury in a separate
fund and shall be either increased or decreased by

(b) Exception.—Notwithstanding any other
 provision of this title, the authority to enter
into contracts or to make payments under
this chapter shall be effective only to such

SEC. 345. RULES.
(a) IN GENERAL.—Subject to the provisions
of chapters 5 and 6 of title 5, United States Code, such rules and regulations as the
Trade Representative considers necessary or
neous or otherwise prohibited
by law or otherwise provided by this title,
the Trade Representative may delegate any
of the functions transferred to the Trade
representative by this title and any function
transferred or granted to the Trade
representative after the effective date of this
title to such officers and employees of the
Trade Administration as the Trade
representative may designate, and may author-
ize such officers or employees to exercise
such functions as may be necessary or appropriate. No delegation of functions by the Trade
Representative under this section or under any
other section of this title shall relieve the
Trade Representative of responsibility for
the administration of such functions.
services as the Trade Representative shall find to be desirable in the interest of economy and efficiency, including—

(1) a central supply service for stationery and office equipment to the extent that adequate stocks may be maintained to meet in whole or in part the requirements of the Trade Administration and its components;

(2) central messenger, mail, and telegraph service and other communications services;

(3) office space and central services for document reproduction and for graphics and visual aids;

(4) a central library service; and

(5) such other services as may be approved by the Director of the Office of Management and Budget.

(b) Operation of Fund.—

(1) In general.—The capital of the fund shall consist of any appropriations made for the purpose of providing working capital and the fair and reasonable value of such stocks of supplies, equipment, and other assets and inventories on order as the Trade Representative may transfer to the fund, less the related liabilities and unpaid obligations.

(2) Advance Reimbursements.—The fund shall be reimbursed in advance from available assets and offices in the Trade Administration, or from other sources, for supplies and services at rates which will approximate the expense of operation, including the accrual of annual leave and the depreciation of equipment.

(3) Other Credits.—In addition to the credits made under paragraph (1), the fund shall be credited with receipts from sale or exchange of property and receipts in payment for loss or damage to property owned by the fund.

(4) Genius.—There shall be covered into the United States Treasury as miscellaneous receipts any surplus of the fund (all assets, liabilities, and prior losses considered) above the appropriated or appropriated to establish and maintain the fund.

(5) Transfers to Fund.—There shall be transferred to the fund the stocks of supplies, equipment, other assets, liabilities, and unpaid obligations relating to those services which the Trade Representative determines will be performed.

SEC. 352. Service Charges.

(a) Authority.—Notwithstanding any other provision of law, the Trade Representative may establish reasonable fees and commissions with respect to applications, documents, awards, loans, grants, research data, services, or assistance concerned; and any public service which occurs through the provision of such items, information, services, or assistance which may be attributed to benefits for the general public rather than exclusively for the person to whom the items, information, services, or assistance is provided;

(b) Operation of Fund.—

(1) In general.—The capital of the fund shall consist of any appropriations made for the purpose of providing working capital and the fair and reasonable value of such stocks of supplies, equipment, and other assets and inventories on order as the Trade Representative may transfer to the fund, less the related liabilities and unpaid obligations.

(2) Advance Reimbursements.—The fund shall be reimbursed in advance from available assets and offices in the Trade Administration, or from other sources, for supplies and services at rates which will approximate the expense of operation, including the accrual of annual leave and the depreciation of equipment.

(3) Other Credits.—In addition to the credits made under paragraph (1), the fund shall be credited with receipts from sale or exchange of property and receipts in payment for loss or damage to property owned by the fund.

(4) Genius.—There shall be covered into the United States Treasury as miscellaneous receipts any surplus of the fund (all assets, liabilities, and prior losses considered) above the appropriated or appropriated to establish and maintain the fund.

(5) Transfers to Fund.—There shall be transferred to the fund the stocks of supplies, equipment, other assets, liabilities, and unpaid obligations relating to those services which the Trade Representative determines will be performed.

SEC. 353. Seal of Office.

The Trade Representative shall cause a seal of office to be made for the Trade Administration of such design as the Trade Representative considers appropriate. Judicial notice shall be taken of such seal.

Subpart E—Related Agencies

SEC. 361. Interagency Trade Organization.

Section 242(a)(3) of the Trade Expansion Act of 1962 (39 U.S.C. 1972a(a)(3)) is amended to read as follows:

"(3)(A) The interagency organization established under subsection (a) shall be comprised of—

(i) the United States Trade Representative, who shall be the chairman,

(ii) the Secretary of Agriculture, (iii) the Secretary of Commerce, (iv) the Secretary of Labor, (v) the Secretary of State, and (vi) the representatives of such other departments and agencies as the United States Trade Representative shall designate.

(B) The United States Trade Representative may invite representatives from other agencies to attend meetings if subject matters of specific functional interest to such agencies are under consideration. It shall meet at such times and with respect to such matters as the President or the chairman shall direct.


The fourth paragraph of section 101(a) of the National Security Act of 1947 (50 U.S.C. 403(a)) is amended by redesignating paragraphs (5), (6), and (7) as paragraphs (6), (7), and (8), respectively; and by inserting after paragraph (4) the following new paragraph:

"(5) The United States Trade Representative:

SEC. 363. International Monetary Fund.

Section 3 of the Bretton Woods Agreement Act (22 U.S.C. 286a) is amended by adding at the end the following new subsection:

"(e) The United States Trade Representative of the Fund shall consult with the United States Trade Representative with respect to matters under consideration by the Fund which relate to trade.

Subpart F—Conforming Amendments


(a) Inspector General.—The Inspector General Act of 1978 (5 U.S.C. App. 1 et seq.) is amended—

(1) in section 9(a)(1) by adding after subparagraph (W) the following:

"(X) The Trade Representative, all functions of the Inspector General of the Department of Commerce and the Office of the Inspector General of the Department of Commerce relating to the functions transferred to the United States Trade Representative by section 332 of the Department of Commerce Dismantling Act; and"

(2) in section 11—

(A) in paragraph (1) by inserting "the United States Trade Representative;" after "Secretary;"

(B) in paragraph (2) by inserting "the United States Trade Administration;" after "Treasury;"

amended to read as follows:

"(B) with respect to other personnel of the United States Trade Administration to the extent the President determines to be necessary in order to enable the United States Trade Administration to carry out functions which require service abroad.

(e) Chief Financial Officers.—Section 901(b)(1) of title 18, United States Code, is amended to read as follows:

"(B) The Trade Administration."
SEC. 372. REPEALS.
(a) DEPARTMENT OF COMMERCE.—The first section of the Act entitled “An Act to establish the Department of Commerce and Labor”, approved February 14, 1903 (15 U.S.C. 1501), is repealed.
(b) UNDER SECRETARY; ASSISTANT SECRETARIES; OTHER POSITIONS.—
(2) The second section of the Act entitled “An Act to provide for the appointment of one additional Assistant Secretary of Commerce, and for other purposes”, approved July 15, 1947 (15 U.S.C. 1505), is repealed.
(b) (A) The first section of the chapter of March 9, 1984 (23 Stat. 135; chapter 716; 15 U.S.C. 1508), is repealed.
(B) Section 2 of the chapter of July 17, 1952 (66 Stat. 758; chapter 932; 15 U.S.C. 1508), is repealed.
(c) BUREAUS IN DEPARTMENT.—
(1) Sections 4 and 12 of the chapter entitled “An Act to Establish the Department of Commerce and Labor”, approved February 14, 1903 (15 U.S.C. 1513), are repealed.
(2) The first section of the chapter of January 5, 1923 (42 Stat. 1109; chapter 23; 15 U.S.C. 1513), is repealed.
(3) The first section of the chapter of May 27, 1936 (49 Stat. 1380; chapter 463; 15 U.S.C. 1511), is repealed.
(d) ANNUAL REPORTS.—Section 8 of the Act entitled “An Act to establish the Department of Commerce and Labor”, approved February 14, 1903 (15 U.S.C. 1519), is repealed.
(e) WORKING CAPITAL FUND.—Title III of the Act entitled “An Act making appropriations for the Departments of State, Justice, and Commerce for the fiscal year ending June 30, 1945, and for other purposes”, approved June 28, 1944 (15 U.S.C. 1521), is amended by striking the paragraph relating to the working capital fund of the Department of Commerce.
(f) GIFTS, BEQUESTS, INVESTMENTS.—Sections 3, 7, 9, and 12 of Public Law 98-613 (15 U.S.C. 1522, 1523, 1524) are repealed.

SEC. 373. CONFORMING AMENDMENTS RELATING TO EXECUTIVE SCHEDULE POSITIONS.
(a) POSITIONS AT LEVEL II.—Section 5313 of title 5, United States Code, is amended by adding at the end the following:
“Department of United States Trade Representatives (3).”
(b) POSITIONS AT LEVEL III.—Section 5314 of title 5, United States Code, is amended by striking the item relating to Deputy United States Trade Representatives and inserting the following:
“Assistant Administrators, United States Trade Administration (4).”
(c) POSITIONS AT LEVEL IV.—Section 5315 of title 5, United States Code, is amended by adding the following:
“General Counsel, United States Trade Administration.”
“Chief Financial Officer, United States Trade Administration.”

Subpart G—Miscellaneous

SEC. 381. EFFECTIVE DATE.
(a) IN GENERAL.—This title shall take effect on the date of enactment of this title.
(b) APPLICABILITY.—This title shall apply to functions transferred under section 404 and such other functions as the President may designate by written direction.

SEC. 382. WORKING CAPITAL FUND.
(a) PURPOSE.—The working capital fund of the Department of Commerce is hereby transferred to the Department of Treasury, as provided in such chapter.
(b) INCOME.—The income of the working capital fund shall be administered through the Department of the Treasury, and the expenses of the working capital fund shall be paid from the funds of the Department of Commerce, as provided in such chapter.
(c) TRANSFER.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

SEC. 383. ANNUAL REPORT.
(a) IN GENERAL.—The Secretary of Commerce shall include in each report of the Office of the Office of Management and Budget a description of the functions taken to comply with the requirements of this section.
(b) DUTIES.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

SEC. 384. REPEALS.
(a) DEPARTMENT OF COMMERCE.—The Department of Commerce is hereby transferred to the Department of Treasury, as provided in such chapter.
(b) OTHER PROVISIONS.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

SEC. 385. AMENDMENTS.
(a) GENERAL.—The provisions of this title shall apply to functions transferred under section 404 and such other functions as the President may designate by written direction.
(b) DUTIES.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

SEC. 386. TRANSFERS TO THE OFFICE.
(a) TRANSFER OF OFFICE.—The Office of the Office of Management and Budget is hereby transferred to the Department of Treasury, as provided in such chapter.
(b) DUTIES.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

SEC. 387. AMENDMENTS.
(a) GENERAL.—The provisions of this title shall apply to functions transferred under section 404 and such other functions as the President may designate by written direction.
(b) DUTIES.—The Secretary of Commerce shall transmit to the Secretary of the Treasury the working capital fund and its funds, and shall transfer, sell, lease, exchange, or otherwise dispose of the working capital fund and its funds, if approved by Congress.

Subchapter D—Establishment of the Office of Patents, Trademarks, and Standards

PART I—ESTABLISHMENT

SEC. 401. DEFINITIONS.
For purposes of this title—
(1) the term “Director” means the Director of the Office of Patents, Trademarks, and Standards; and
(2) the term “Office” means the Office of Patents, Trademarks, and Standards.

SEC. 402. ESTABLISHMENT OF THE OFFICE OF PATENTS, TRADEMARKS, AND STANDARDS.
There has been established the Office of Patents, Trademarks, and Standards which shall be an independent establishment in the executive branch of the Government, under section 104 of title 5, United States Code. There shall be a Director of the Office of Patents, Trademarks, and Standards who shall administer the Office and shall be appointed by the President, by and with the advice and consent of the Senate.

SEC. 403. FUNDING REDUCTIONS.
The Director shall perform all functions transferred under section 404 and such other functions as the President may assign or delegate.

SEC. 404. TRANSFERS TO THE OFFICE.
(a) TRANSFER OF FUNCTIONS.—There are transferred to the Office all functions of, and functions performed by, the Director of the Office of the United States Trade Representative (or any official or component thereof), with respect to the functions transferred by this title, as may be used, with approval of the Director of Management and Budget, to pay the compensation and expenses of an officer appointed under subsection (a) who will carry out such functions until funds for that purpose are otherwise available.
(b) TRANSFER OF OFFICES.—There are transferred to the Office all functions of, and functions performed by, the Director of the Office of the United States Trade Representative (or any official or component thereof), with respect to the functions transferred by this title, as may be used, with approval of the Director of Management and Budget, to pay the compensation and expenses of an officer appointed under subsection (a) who will carry out such functions until funds for that purpose are otherwise available.

SEC. 405. ADDITIONAL OFFICERS.
(a) GENERAL COUNSEL.—There shall be in the Office a General Counsel, who shall be appointed by the President, by and with the advice and consent of the Senate. The General Counsel shall provide legal assistance to the Director concerning the activities, programs, and policies of the Office.
(b) INSPECTOR GENERAL.—
(1) There shall be in the Office an Inspector General who shall be appointed in accordance with the Inspector General Act of 1978, as amended by this subsection.
(2) Section 11 of the Inspector General Act of 1978 (as amended by this Act) is further amended—
(A) in paragraph (1) by inserting “the Director of the Office of Patents, Trademarks, and Standards after the name of the Secretary of Commerce;” and
(B) in paragraph (4) by inserting “the Office of Patents, Trademarks, and Standards after the Corporation for National and Community Service,”;
in accordance with title 5, United States Code, employees shall be appointed in accordance with chapter 3 of title 5, United States Code, and may designate, and may authorize such successive redeclarations of such functions in the Office as may be necessary or appropriate.

(2) transfer of functions under chapter 81 of title 5, United States Code, are amended by striking out ``, subject to the approval of the Secretary of Commerce''.

8. Subchapter E—Statistical Consolidation

PART I—GENERAL PROVISIONS

501. FINDINGS.

Congress, recognizing the importance of statistical information in the development of national priorities and policies and the administration of public programs, finds that—

(1) Improved coordination and planning among the statistical programs of the Federal Government is necessary—

(A) to strengthen and improve the quality and utility of Federal statistics; and

(B) to reduce duplication and waste in the collection, development, and dissemination of statistical data.

(2) statistical forms clearance at the Office of Management and Budget should be better coordinated and consistent with the principles of scale and efficiency; and

(3) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

502. SENSE OF CONGRESS.

The Congress, recognizing the importance of statistical information in the development of national priorities and policies and the administration of public programs, finds—

(1) improved coordination and planning among the statistical programs of the Federal Government is necessary—

(A) to strengthen and improve the quality and utility of Federal statistics; and

(B) to reduce duplication and waste in the collection, development, and dissemination of statistical data;

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development;

(3) statistical forms clearance at the Office of Management and Budget should be better coordination and planning among the statistical programs of the Federal Government is necessary—

(A) to strengthen and improve the quality and utility of Federal statistics; and

(B) to reduce duplication and waste in the collection, development, and dissemination of statistical data.

521. PATENT AND TRADEMARK OFFICE.

SEC. 411. RULES.

A PPOINTMENTS.ÐIn the performance of the functions of the Director under this section or under any other provision of this Act shall relieve the Director of responsibility for the administration of such functions.

SEC. 412. DELEGATION.

The Director is authorized to delegate any function to such other officers and employees of the Office as the Director may designate, and may authorize such successive redecllaraions of such functions in the Office as may be necessary or appropriate.

SEC. 413. PERSONNEL AND SERVICES.

APPPOINTMENTS.ÐIn the performance of the functions of the Director under this section or under any other provision of this Act shall relieve the Director of responsibility for the administration of such functions.

SEC. 416. GIFTS AND BEQUESTS.

The Director is authorized to accept gifts, grants, and donations, or bequests of property, real or personal, for purposes of carrying out the functions of the Director under this section or under any other provision of this Act and in the performance of such functions in the Office as may be necessary or appropriate.

SEC. 417. TRANSFERS OF FUNDS FROM OTHER FEDERAL AGENCIES.

The Director is authorized to transfer funds from other Federal agencies to the Office for purposes of carrying out the functions of the Director under this section or under any other provision of this Act.

522. PATENT AND TRADEMARK OFFICE.

SEC. 421. PATENT AND TRADEMARK OFFICE.

(a) ESTABLISHMENT.ÐSection 1 of title 35, United States Code, is amended by striking out ``, subject to the approval of the Secretary of Commerce''.

(b) REFERENCE TO ASSISTANT SECRETARY OF COMMERCE.ÐSection 3 of title 35, United States Code, is amended by striking out subsection (d).

(c) GENERAL REFERENCES TO SECRETARY AND DEPARTMENT.ÐSection 3 of title 35, United States Code, is amended by striking out subsection (d).

523. SEAL OF OFFICE.

The Director shall cause a seal of office to be made for the Office of such design as the Director may designate.

524. TRANSFERS OF FUNDS FROM OTHER FEDERAL AGENCIES.

The Director is authorized to accept transfers from other Federal agencies of funds which are available to carry out functions transferred by this Act to the Director or functions associated by law to the Director after the date of enactment of this Act.

525. SEAL OF OFFICE.

The Director shall cause a seal of office to be made for the Office of such design as the Director shall approve.

526. STATUS OF OFFICE UNDER CERTAIN LAWS.

For purposes of section 552b of title 5, United States Code, the Office is an agency.

PART III—CONFORMING AMENDMENTS

SEC. 422. PATENT AND TRADEMARK OFFICE.

(a) ESTABLISHMENT.ÐSection 1 of title 35, United States Code, is amended by striking out ``, Department of Commerce'' and inserting in lieu thereof ``, Department of Commerce, Trade Marks, and Standards''.

(b) REFERENCE TO ASSISTANT SECRETARY OF COMMERCE.ÐSection 3 of title 35, United States Code, is amended by striking out subsection (d).

(c) GENERAL REFERENCES TO SECRETARY AND DEPARTMENT.ÐSection 3 of title 35, United States Code, is amended by striking out subsection (d).

502. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

503. FINDINGS.

Congress, recognizing the importance of statistical information in the development of national priorities and policies and the administration of public programs, finds that—

(1) to strengthen and improve the quality and utility of Federal statistics; and

(2) to reduce duplication and waste in the collection, development, and dissemination of statistical data.

504. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

505. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

506. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

507. SENSE OF CONGRESS.

It is the sense of Congress that—

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(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

508. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

509. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

510. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.

511. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) a more centralized statistical system is integral to efficiency; and

(2) the Chief Statistician should have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical and survey design, data collection methods, data quality assurance, and statistical research and development.
distinguished from regulatory forms clear-
ance; and
(5) recognizing that the Chief Statistician has
numerous responsibilities with respect to
statistical purposes with State agencies cooperating
sharing of confidential data for statistical
purposes within the Federal Statistical Serv-
vice and special arrangements to permit the
sharing of confidential data for statistical
purposes with State agencies cooperating
with Federal agencies in statistical pro-
grams.
(c) DECENNIAL CENSUSES.—It is the sense of
Congress that the budget and functions of the
Bureau of the Census relating to any de-
cennial census of population should be seg-
regated from the budget and functions of the Bureau of the Census.

SEC. 503. DEFINITIONS.
In this title:
(1) ADMINISTRATOR.—The term “Adminis-
trator” means the Administrator of the Fed-
eral Statistical Service.
(2) CENSUS OF POPULATION.—The term “cen-
sus of population” has the meaning given
such term by section 141(g) of title 13, United
States Code.
(3) CHIEF STATISTICIAN.—The term “Chief
Statistician” means the Chief Statistician of
the Office of Management and Budget.
(4) COUNCIL.—The term “Council” means the
Federal Council on Statistical Policy
under section 513.
(5) DEPUTY ADMINISTRATOR.—The term
“Deputy Administrator” means the Deputy
Administrator of the Federal Statistical Service.
(6) FEDERAL AGENCY.—The term “Feder-
al agency” has the meaning provided the term
“agency” in section 551(1) of title 5, United
States Code.
(7) FUNCTION.—The term “function” in-
cludes any duty, obligation, power, author-
ity, responsibility, right, privilege, activity,
or program.
(8) OFFICE.—The term “office” includes any
office, bureau, institute, council, unit, or
organization, or any component thereof.
(9) SERVICE.—The term “Service” means the
Federal Statistical Service.

PART II—ESTABLISHMENT OF THE
FEDERAL STATISTICAL SERVICE
SEC. 511. ESTABLISHMENT.
The Federal Statistical Service is estab-
lished as an independent establishment, as
that term is defined in section 104 of title 5, United
States Code, in the executive branch of the
Federal Government.
SEC. 512. PRINCIPAL OFFICERS.
(a) ADMINISTRATOR.—
(1) IN GENERAL.—There shall be at the head
of the Service an Administrator of the Fed-
eral Statistical Service, who shall be ap-
pointed, from among individuals nominated
for this purpose by the Federal Council on
Statistical Policy who are experienced in the
collection and utilization of statistical data or
survey research, by the President, or by
the Congress, as appropriate, by the Senate.
(2) ADMINISTRATION.—The Service, includ-
ing all functions and offices transferred to
the Service under this title, shall be admin-
istered, in accordance with the provisions of
such title, under the supervision and direc-
tion of the Administrator.
(3) COMPENSATION OF ADMINISTRATOR.—The
Administrator shall receive basic pay at the
rate payable for level II of the Executive
Schedule under section 5313 of title 5, United
States Code.
(b) DEPUTY ADMINISTRATOR.—
(1) IN GENERAL.—There shall be in the Serv-
ice a Deputy Administrator of the Federal
Statistical Service who shall be appointed,
from among individuals nominated for that
purpose by the Federal Council on Statis-
tical Policy who are experienced in the col-
collection and utilization of statistical data or
survey research, by the President, or with
the advice and consent of the Senate.
(2) DUTIES OF DEPUTY ADMINISTRATOR.—
During the absence or disability of the Ad-
ministrator, or in the event of a vacancy in
the office of the Administrator, the Deputy
Administrator shall act as Administrator.
(3) COMPENSATION OF DEPUTY ADMINIS-
TRATOR.—The Deputy Administrator shall
receive basic pay at the rate payable for level III of the Executive Schedule under
section 5314 of title 5, United States Code.
(c) BUREAU DIRECTORS.—
(1) IN GENERAL.—There shall be in the
Service:
(A) a Director of the Census who shall, on
the transfer of functions and offices under
section 203, serve as the head of the Bureau of
the Census;
(B) a Director of the Bureau of Economic
Analysis who shall, on the transfer of func-
tions and offices under section 203, serve as
the head of the Bureau of Economic Analy-
sis;
(C) a Director of the Bureau of Labor Statis-
tics who shall, on the transfer of functions
and offices under subtitle C, serve as the
(2) APPOINTMENT.—Each of the Directors
referred to in paragraph (1) shall be ap-
pointed by the President, by and with the ad-
vise and consent of the Senate.
(3) COMPENSATION OF DIRECTOR OF BUREAU
OF ECONOMIC ANALYSIS.—
(A) IN GENERAL.—The position of Director of
the Bureau of Economic Analysis shall be a
Senior Executive Service position.
(B) SENIOR EXECUTIVE SERVICE DEFINED.—
For purposes of subparagraph (A), the term
“Senior Executive Service position” shall have
the same meaning as in section 3132(a) of
title 5, United States Code.
(4) TERMS.—The term of office for each Di-
rector referred to in paragraph (1) shall be as
specified in the predecessor under the appli-
cable provision of law in effect on the day be-
fore the date of enactment of this Act, ex-
cept that, notwithstanding section 21 of title
13, United States Code, the term of the Di-
rector of the Censuses shall be 4 years.
(d) GENERAL COUNSEL.—There shall be in
the Service a General Counsel who shall ad-
minister the Office of General Counsel of the
Federal Statistical Service. The General
Counsel shall be appointed by the President,
by and with the advice and consent of the
Senate.
(e) INSPECTOR GENERAL.—There shall be in
the Service an Inspector General appointed in
accordance with the Inspector General Act
of 1978 (5 U.S.C. App.).
SEC. 513. FEDERAL COUNCIL ON STATISTICAL
POLICY.
(a) ESTABLISHMENT.—A Federal Council on
Statistical Policy is established in the Service.
(b) COMPOSITION.—The Council shall be
composed of 9 members as follows:
(1) The Administrator of the Federal Sta-
tistical Service.
(2) The Director of the Census.
(3) The Director of the Bureau of Labor
Statistics.
(4) The Director of the Bureau of Economic
Analysis.
(5) The Chief Statistician of the Office of
Management and Budget.
(6) Two members appointed by the Major-
ity Leader of the Senate from among indi-
viduals who—
(A) are not officers or employees of the
Government; and
(B) are especially qualified to serve on the
Council by virtue of experience relating to
1 or more of the bureaus referred to in title
III.
(7) Two members appointed by the Speaker
of the House of Representatives from among
individuals who—
(A) are not officers or employees of the
Government; and
(B) are especially qualified to serve on the
Council by virtue of experience relating to
1 or more of the bureaus referred to in section
203 or subtitle C.
(c) TERMS.—
(1) IN GENERAL.—Each member under sub-
section (b)(6) shall be appointed for a term of
5 years, except that, of the members first
appointed—
(A) 1 shall be appointed for a term of 5
years; and
(B) 1 shall be appointed for a term of 3
years.
(2) STAGGERED TERMS.—Each member under
subsection (b)(7) shall be appointed for a
term of 5 years, except that, of the mem-
bers first appointed—
(A) 1 shall be appointed for a term of 5
years; and
(B) 1 shall be appointed for a term of 2
years.
(d) FUNCTIONS.—
(1) IN GENERAL.—The Council shall—
(A) make any nominations required under
section 512(a)(1);
(B) serve as an advisory body to the Chief
Statistician on confidentiality issues, such as
those relating to—
(i) the collection or sharing of data for sta-
tistical purposes among Federal agencies;
and
(ii) the sharing of data, for statistical pur-
purposes, by States and political subdivi-
sions with the Federal Government; and
(C) establish a statistical policy as de-
scribed in section 501(3).
(2) STUDY AND REPORT AS PROCEDURES.—
(A) STUDY.—The Council shall study pro-
due to the release of major economic and
social indicators by the Federal Government.
(B) REPORT.—Not later than 18 months
after the date of enactment of this Act, the
Council shall submit to Congress a report on
the findings of the study under subparagraph
(A).

(3) STUDY OF FUNCTIONS.—
(A) STUDY.—The Council shall study—
(i) whether or not the functions of the Bu-
reau of the Census relating to decennial cen-
suses of population could be delineated from
other functions of the Bureau; and
(ii) if the functions referred to in clause (i)
could be delineated from other functions of
the Bureau, recommendations on how such a
delineation of functions might be achieved
(3) STUDY AND REPORT ON FIELD OFFICES.—
(A) STUDY.—The Council shall study—
(i) making as appropriate, the field offices
of the Bureau of the Census part of the field
offices of the Bureau of Labor Statistics; and
(i) any savings anticipated as a result of the implementation of clause (i).

(B) REPORT.—Not later than 12 months after the date of enactment of this Act, the Council, in consultation with the Administrator, shall submit to Congress a report on the findings of the study conducted under subparagraph (A).

(e) COMPENSATION.—Members of the Council shall be entitled to receive the daily equivalent of the rate of basic pay for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Council.

(f) CHAIRPERSON.—The Chairperson of the Council shall be elected by and from the members for a term of 1 year.

PART III—TRANSFERS OF FUNCTIONS AND OFFICES

SEC. 521. TRANSFER OF THE BUREAU OF LABOR STATISTICS.

There is transferred to the Service the Bureau of Labor Statistics of the Department of Labor, along with all of its functions and offices.

SEC. 522. TRANSFER DATE.

The transfers of functions and offices under this title shall be effective on the date specified in such transfer.

PART IV—ADMINISTRATIVE PROVISIONS

SEC. 531. OFFICERS AND EMPLOYEES.

The Administrator may appoint and fix the compensation of such officers and employees as may be necessary to carry out the functions of the Administrator and the Service. Except as otherwise provided by law, such officers and employees shall be appointed in accordance with the civil service laws and their compensation shall be fixed in accordance with title 5, United States Code.

SEC. 532. EXPERTS AND CONSULTANTS.

The Administrator, as may be provided in appropriation Acts, obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code, and may compensate such experts and consultants at rates not to exceed the daily rate prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

SEC. 533. ACCEPTANCE OF VOLUNTARY SERVICES.

(a) IN GENERAL.—Notwithstanding section 1342 of title 31, United States Code, the Administrator may accept, subject to regulations of the head of the Office of Personnel Management, voluntary services if such services—

(1) are to be uncompensated; and

(2) are not used to displace any employee.

(b) TREATMENT.—Any individual who provides voluntary services under this section shall not be considered a Federal employee for any purpose other than for purposes of chapter 81 of title 5, United States Code (relating to compensation and retirement) and sections 2671 through 2680 of title 28, United States Code (relating to tort claims).

SEC. 534. GENERAL AUTHORITY.

In carrying out any function transferred by this Act, the Administrator, or any officer or employee of the Service, may exercise any authority available by law with respect to such function to the official or agency from which such function is transferred, and the Administrator, or any officer or employee exercising such authority shall have the same force and effect as when exercised by such official or agency.

SEC. 535. DELEGATION.

Except as otherwise provided in this title, the Administrator may delegate any function to such officers and employees of the Service as the Administrator may designate, and may authorize such successive redelegations of such functions within the Service as may be necessary or appropriate. No delegation—

SEC. 536. REORGANIZATION.

The Administrator may allocate or reallocate functions among the officers of the Service, alter, reorganize, or abolish such offices or positions within the Service as may be necessary or appropriate.

SEC. 537. CONTRACTS.

(a) IN GENERAL.—Subject to the Federal Property and Administrative Services Act of 1949 and other applicable Federal law, the Administrator may make, enter into, and perform such contracts, grants, leases, cooperative agreements, and other similar transactions with Federal or other public agencies (including State and local governments) and private organizations and persons, and to make such payments, by way of advance or reimbursement, as the Administrator may determine necessary or appropriate to carry out any function of the Administrator or the Service.

(b) APPROPRIATION AUTHORITY REQUIRED.—No authority contained in this title shall be exercised until such authority is provided for in an appropriation Act.

SEC. 538. REGULATIONS.

The Administrator may prescribe such rules and regulations as the Administrator considers necessary or appropriate to administer and carry out the functions of the Administrator or the Service.

SEC. 539. SEAL.

The Administrator shall cause a seal of office to be made for the Service of such design as the Administrator shall approve. Judicial notice shall be taken of such seal.

SEC. 540. ANNUAL REPORT.

The Administrator, in consultation with the Council, shall, as soon as practicable after the close of each fiscal year, make a report to the President for transmission to Congress on the activities of the Service during such fiscal year.

PART V—MISCELLANEOUS

SEC. 541. INVESTIGATIVE TRANSFERS.

The Director of the Office of Management and Budget, in consultation with the Administrator, shall make such determinations as may be necessary with regard to the functions, offices, or portions thereof transferred by this title, and make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, and agreements and other similar transactions as may be necessary or appropriate to carry out such transfers.

SEC. 542. REFERENCES.

With respect to any function transferred by this title and exercised on or after the date of such transfer under any Federal law to any department, commission, or agency or any officer or office the functions of which so transferred shall be deemed to refer to the Administrator, other official, or component of the Service to which this title transfers such functions.

SEC. 543. USE OF FUNDS.

Not later than 90 days after the date of enactment of this Act, the President shall submit to Congress a description of any changes in the expenditure of funds, the making of expenditures, or the amount of any transfers or other measures under this title.

SEC. 544. TRANSITION.

(a) USE OF FUNDS.—Funds available to any department or agency (or any official or component thereof), the functions or offices of which are transferred to the Administrator under this title shall, in accordance with the approval of the Director of the Office of Management and Budget, be used to pay the compensation and expenses of any officer appointed pursuant to the provisions of this title.

(b) USE OF PERSONNEL.—With the consent of the appropriate department or agency head concerned, the Administrator may utilize the services of such officers, employees, and personnel of the departments and agencies from which such functions have been transferred to the Administrator or the Service, for such period of time as shall be necessary to facilitate the orderly implementation of this title.

SEC. 545. INTERIM APPOINTMENTS.

(a) AUTHORITY TO APPOINT.—Notwithstanding any other provision of law, in the event that 1 or more officers required by this title to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the date of the transfer of functions and offices under section 203 or title C, the President may designate an individual to act in such office for a period of 120 days or until the office is filled as provided in this title, whichever occurs first.

(b) COMPENSATION.—Any officer acting in an office in the Department pursuant to the provisions of subsection (a) shall receive compensation at the rate prescribed for such office by law.

SEC. 546. CONFORMING AMENDMENTS.

(a) DIRECTOR, BUREAU OF LABOR STATISTICS.—Section 5315 of title 5, United States Code, as amended by section 3(a), is further amended by adding at the end the following new item:

``Director, Bureau of Labor Statistics.''.

(b) GENERAL COUNSEL, INSPECTOR GENERAL.—Section 5315 of title 5, United States Code, as amended by subsection (a), is further amended by adding at the end the following new item:

``General Counsel, Bureau of Labor Statistics.''.

(c) INSPECTOR GENERAL, BUREAU OF LABOR STATISTICS.—Section 5315 of title 5, United States Code, as amended by subsection (b), is further amended by adding at the end the following new item:

``Inspector General, Bureau of Labor Statistics.''.

SEC. 547. TRANSFER OF THE BUREAU OF LABOR STATISTICS.

There is transferred to the Service the Bureau of Labor Statistics of the Department of Labor, along with all of its functions and offices.

SEC. 548. REFERENCES.

With respect to any function transferred by this title and exercised on or after the date of such transfer under any Federal law to any department, commission, or agency or any officer or office the functions of which so transferred shall be deemed to refer to the Administrator, other official, or component of the Service to which this title transfers such functions.

SEC. 549. USE OF FUNDS.

Not later than 90 days after the date of enactment of this Act, the President shall submit to Congress a description of any changes in the expenditure of funds, the making of expenditures, or the amount of any transfers or other measures under this title.

SEC. 550. TRANSITION.

(a) USE OF FUNDS.—Funds available to any department or agency (or any official or component thereof), the functions or offices of which are transferred to the Administrator under this title shall, in accordance with the approval of the Director of the Office of Management and Budget, be used to pay the compensation and expenses of any officer appointed pursuant to the provisions of this title.

(b) USE OF PERSONNEL.—With the consent of the appropriate department or agency head concerned, the Administrator may utilize the services of such officers, employees, and personnel of the departments and agencies from which such functions have been transferred to the Administrator or the Service, for such period of time as shall be necessary to facilitate the orderly implementation of this title.

SEC. 551. INTERIM APPOINTMENTS.

(a) AUTHORITY TO APPOINT.—Notwithstanding any other provision of law, in the event that 1 or more officers required by this title to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the date of the transfer of functions and offices under section 203 or title C, the President may designate an individual to act in such office for a period of 120 days or until the office is filled as provided in this title, whichever occurs first.

(b) COMPENSATION.—Any officer acting in an office in the Department pursuant to the provisions of subsection (a) shall receive compensation at the rate prescribed for such office by law.

SEC. 552. CONFORMING AMENDMENTS.

(a) DIRECTOR, BUREAU OF LABOR STATISTICS.—Section 5315 of title 5, United States Code, as amended by section 3(a), is further amended by adding at the end the following new item:

``Director, Bureau of Labor Statistics.''.

(b) GENERAL COUNSEL, INSPECTOR GENERAL.—Section 5315 of title 5, United States Code, as amended by subsection (a), is further amended by adding at the end the following new item:

``General Counsel, Bureau of Labor Statistics.''.

(c) INSPECTOR GENERAL, BUREAU OF LABOR STATISTICS.—Section 5315 of title 5, United States Code, as amended by subsection (b), is further amended by adding at the end the following new item:
Any reference in any other Federal law, Executive order, rule, regulation, or delega-
tion of authority, or any document con-
taining to a department or office from which a function is transferred by this Act—

(1) to the head of such department or office is deemed to refer to the head of the depart-
ment or office to which such function is transferred;

(2) to such department or office is deemed to refer to the department or office to which
such function is transferred.

SEC. 602. EXERCISE OF AUTHORITIES.

Except as otherwise provided by law, a Federal official to whom a function is trans-
ferred by this Act may, for purposes of per-
forming the function, exercise all authorities under any other provision of law that were
available to that official or any employee of such official to whom the function is trans-
ferred by this Act, or any other Government official, or by a court of competent jurisdic-
tion, in the performance of any function that is transferred by this Act; and

SEC. 603. SAVINGS PROVISIONS.

(a) LEGAL DOCUMENTS.—All orders, deter-
minations, rules, regulations, permits, grants, loans, contracts, agreements, certifi-
cates, licenses, and privileges—

(1) that have been issued, made, granted, or
allowed to become effective by the Presi-
dent, the Secretary of Commerce, the United
States Trade Representative, any officer or
employee of any office transferred by this
Act, or any other Government official, or by a
court of competent jurisdiction, in the per-
formance of any function that is transferred by
this Act; and

(2) that are in effect on the effective date of
such transfer (or become effective after
such transfer), are deemed to refer to the depart-
ment or office to which such function is trans-
ferred.

(b) PROCEEDINGS.—This Act shall not affect

(1) any such proceeding shall continue in effect
so much of the personnel, property, records, and unexpended balances of ap-
propriations, allocations, and other funds employed, used, held, available, or to be made available in connection with a function transferred to an official or agency; and

SEC. 604. TRANSFER OF ASSETS.

Except as otherwise provided in this Act, and in all such suits, proceedings, or applications for any

(1) any such proceeding shall continue in effect
so much of the personnel, property, records, and unexpended balances of ap-
propriations, allocations, and other funds employed, used, held, available, or to be made available in connection with a function transferred to an official or agency, respectively, at such time or times as the Director of the Office of Management and Budget directs upon connection with the functions transferred.

SEC. 605. DELEGATION AND ASSIGNMENT.

Except as otherwise expressly prohibited by law or otherwise provided in this Act, an official to whom functions are transferred under this Act (including the head of any of-
fice to which functions are transferred under this Act) may delegate any of the functions so transferred to such officers and employees of the office of the official as the official may designate, and may authorize successive delegations of functions as may be necessary or appropriate. No delegation of functions under this section or under any other provision of this Act shall relieve the official to whom a function is transferred under this Act of responsibility for the ad-
ministration of the function.

SEC. 606. AUTHORITY OF DIRECTOR OF THE OFF-
ICE OF MANAGEMENT AND BUDGET WITH RESPECT TO FUNCTIONS TRANSFERRED.

(a) DETERMINATIONS.—If necessary, the Di-
rector shall make any determination of the functions that are transferred under this
Act.

(b) INCIDENTAL TRANSFERS.—The Director,
at such time or times as the Director shall
provide, may make such determinations as
may be necessary with regard to the func-
tions transferred by this Act, and to make
such additional incidental dispositions of
personnel, assets, liabilities, grants, con-
tracts, property, records, and unexpended
balances of appropriations, authorizations,
allocation and unexpended balances, loca-
tions, and other funds held, used, aris-
ing from, available to, or to be made avail-
ble in connection with such functions, as
may be necessary in connection with the provi-
sions of this Act. The Director shall provide for
the termination of the affairs of all entities
terminated by this Act and for such further
measures and dispositions as may be nec-
essary to effectuate the purposes of this Act.

SEC. 607. CERTAIN VESTING OF FUNCTIONS CON-
SIDERED TRANSFERS.

For purposes of this section, the vesting of
a function in a department or office pursuant to
reestablishment of an office shall be consid-
ered to be the transfer of that function.

SEC. 608. AVAILABILITY OF EXISTING FUNDS.

Existing appropriations and funds avail-
able for the performance of functions, pro-
grams, and activities terminated pursuant to
this Act shall remain available, for the dura-
tion of their period of availability, for nec-
cessary expenses in connection with the ter-
mination and resolution of such functions,
programs, and activities.

SEC. 609. DEFINITIONS.

For purposes of this Act—

(1) the term ‘office’ includes any duty, obli-
gation, power, authority, responsibility,
right, privilege, activity, or program; and

(2) the term ‘office’ includes any office, ad-
ministration, agency, bureau, institute, coun-
cil, unit, organizational entity, or com-
ponent thereof.

SEC. 610. CONFORMING AMENDMENTS.

The Act entitled ‘An Act to authorize the General Act
of 1978 (5 U.S.C. App.) is amended—

(1) in paragraph (1), by striking ‘‘or the Commis-
sioner of the Social Security Admin-
istration,’’ and inserting ‘‘or the Commis-
sioner of the Social Security Administration; the
Administrator of the National Oceanic and
Atmospheric Administration; or the Admin-
istrator of the Federal Statistical Service;’’;

(2) in paragraph (2), by striking ‘‘or the So-
cial Security Administration’’ and inserting
‘‘or the Social Security Administration, the
Administrator of the Federal Statistical Serv-
ices, or the Social Security Administration’’.

TITLE VII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

SEC. 701. SUNSET OF PROVISIONS ACT.

All provisions of, and amendments made by,
this Act which are in effect on September 30,
shall cease to apply as of the close of September 30, 2009.

STEVENS AMENDMENT NO. 1488

(Ordained to lie on the table.)

Mr. STEVENS submitted an amend-
ment intended to be proposed by him
to the bill, S. 1429, supra; as follows:

On page 215, line 18 after “FARMERS” in-
sert “AND FISHERMEN.’’

On page 215, line 26 insert “AND FISHER-
MEN.” before the period.

On page 216, line 1 after “farm” insert “and
fishing’’.

On page 216, insert the following new par-
agraph after subsection (b) and redesignate
subsection (b) as subsection (b)(1) and (b)(2):’’

(b) ALLOWING INCOME AVERAGING FOR
FISHERMEN.—

(1) Section 1301(a) of the Internal Revenue
Code of 1986 is amended by striking “‘farming
business’” and inserting “‘farming business or
fishing business’.”

(2) Section 1301(b)(1)(A)(i) is amended by
striking “(and)” and inserting “or”, and
by striking subsection (b)(1)(A)(ii) and replacing
it with “(b)(1)(A)(ii) a fishing business; and”
and by redesigning subsection (b)(1)(A)(iii)
and subsection (b)(1)(A)(ii)

(3) Section 1301(b) is amended by inserting
the following paragraph after subsection (b):

(4) Fishing business.—The term fishing
business means the conduct of commercial
fishing as defined in Section 3 of the Magnu-
son-Stevens Fishery Conservation and Man-
agement Act (16 U.S.C. 1802).’’.

DEPARTMENT OF THE INTERIOR

ENZI AMENDMENT NO. 1489

(Ordained to lie on the table.)

Mr. ENZI submitted an amendment
intended to be proposed by him
to the bill, H.R. 2466, supra; as follows:
On page 76, line 23, after the word “years,” insert the following: “$6 million shall be available for the Advanced Development Project Powder River Coal Initiative to be located in Gillette, Wyoming, and.”

Mr. DORGAN (for himself and Mr. GRAHAM) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 13, line 8, strike “$221,093,000” and insert “$45,744,000”.
On page 17, line 19, strike “$221,093,000” and insert “$221,593,000”.

TAXPAYER REFUND ACT OF 1999

Mr. MACK (for himself and Mr. GRAHAM) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 13, line 8, strike “$221,093,000” and insert “$104,550,000”.
On page 17, line 19, strike “$221,093,000” and insert “$34,400,000”.

Mr. MOYNIHAN submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 96, line 5, strike “$97,550,000” and insert “$25.905,000”.
On page 96, line 5, strike “$25,905,000” and insert “$26,905,000”.
On page 132, between lines 20 and 21, insert the following:

SEC. __._-_SENSE OF CONGRESS REGARDING THE NEED TO ENCOURAGE IMPROVEMENTS IN MAIN STREET BUSINESSES BY EXPANDING EXISTING SMALL BUSINESS TAX EXPENSING RULES TO INCLUDE INVESTMENTS IN BUILDINGS AND OTHER DEPRECIABLE REAL PROPERTY.

(a) FINDINGS.—Congress finds that—
(1) under current tax law, small businesses can immediately deduct, that is, “expense,” up to $19,000 in purchases of equipment and similar assets;
(2) there is bipartisan support for increasing the amount of this expensing provision because it helps many small businesses make the investments in equipment and machinery they need by allowing them to immediately write off the costs of such investments and bolstering their cash flow;
(3) this expensing provision, however, is not as helpful to small businesses because it does not cover their investments in improving the storefront or the buildings in which they conduct their business;
(4) in many small towns, the local drug store, shoe store, or grocery store doesn’t have much need for new equipment, but it does need to improve the storefront or the interior;
(5) although such investments are good for Main Streets across this Nation, our current tax law creates a disincentive to make them by requiring a small business owner to depreciate the costs of the building improvements over 20 years for tax purposes;
(6) the legislation to expand the current expensing provision to cover investments in depreciable real property was recently introduced in the Senate with broad bipartisan cosponsorship, including the leaders of the Republican and Democratic parties;
(7) this proposal is also strongly supported by small business-oriented trade groups, including the National Federation of Independent Business, the Small Business Legislative Council, and the National Association of Realtors; and
(8) the Department of the Treasury is currently conducting a comprehensive study of all depreciation provisions in our tax laws; and
(9) Congress should consider expanding the existing expensing provision to cover investments in storefront improvements and other
dependable real property in any reform legislation that results from this study or, if possible, in any earlier legislation.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—
(1) many small businesses trying to improve their storefronts on Main Street or investing to upgrade their property would benefit if Congress expanded the expensing provision to cover investments in depreciable real property; and
(2) Congress should consider including this proposal in any future tax legislation.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

Mr. BENNETT (for himself, Mr. JEFFORDS, and Others) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 76, line 23, after the word “years,” insert “$34,400,000”.

(6) SENSE OF CONGRESS.ÐIt is the sense of Congress that—
(1) many small businesses trying to improve their storefronts on Main Street or investing to upgrade their property would benefit if Congress expanded the expensing provision to cover investments in depreciable real property; and
(2) Congress should consider including this proposal in any future tax legislation.

BENNETT (AND OTHERS) AMENDMENT NO. 1493

(6) SENSE OF CONGRESS.ÐIt is the sense of Congress that—
(1) many small businesses trying to improve their storefronts on Main Street or investing to upgrade their property would benefit if Congress expanded the expensing provision to cover investments in depreciable real property; and
(2) Congress should consider including this proposal in any future tax legislation.

Mr. JEFFORDS submitted an amendment intended to be proposed by him to the bill, H.R. 2466, supra; as follows:

On page 78, line 18, strike “$698,187,000” and insert “$90,000,000”.
On page 78, line 19, strike “account:” and insert “account.”

Mr. GRAMS. Mr. President, I ask unanimous consent that the Special Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, July 29, 1999. The purpose of this meeting will be to discuss the markup of the original bill regarding the Livestock Mandatory Report Act of 1999.

The PRESIDING OFFICER. Without objection, it is so ordered.

SPECIAL COMMITTEE ON THE YEAR 2000 TECHNOLOGY PROBLEM

Mr. GRAMS. Mr. President, I ask unanimous consent that the Special Committee on the Year 2000 Technology Problem be permitted to meet on July 29, 1999, at 9:30 a.m., for the purpose of conducting a hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON CLEAN AIR, WETLANDS, PRIVATE PROPERTY AND NUCLEAR SAFETY

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on Clean Air, Wetlands, Private Property, and Nuclear Safety be granted permission to conduct a hearing on the Environmental Protection Agency’s proposed sulfur standards for gasoline as contained in the proposed Tier Two standards for automobiles Thursday, July 29, 9:30 a.m., hearing room (SD-406).
The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON EMPLOYMENT, SAFETY, AND TRAINING

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Health, Education, Labor, and Pensions, Subcommittee on Employment, Safety, and Training be authorized to meet for a hearing on “The FAIR Act: Balancing the Scale of Justice for Small Business” during the session on Thursday, July 29, 1999, at 9:30 a.m., to hold a hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON EUROPEAN AFFAIRS

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on European Affairs be authorized to meet during the session of the Senate on Thursday, July 29, 1999, at 3 p.m., to hold a hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION AND RECREATION

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on National Parks, Historic Preservation and Recreation of the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Thursday, July 29, for purposes of conducting a subcommittee hearing which is scheduled to begin at 2:15 p.m. The purpose of this hearing is to receive testimony on S. 710, a bill to authorize a feasibility study on the preservation of certain Civil War battlefields along the Vicksburg Campaign Trail; S. 905, a bill to establish the Lackawanna Valley American Heritage Area; S. 1093, a bill to establish the Galisteo Basin Archeological Protection Sites and to provide for the preservation of archeological sites in the Galisteo Basin of New Mexico, and for other purposes; and S. 1117, a bill to establish the Corinth Unit of the Shiloh National Military Park, in the vicinity of the city of Corinth, Mississippi, and in the State of Tennessee, and for other purposes; S. 1224, a bill to expand the boundaries of Gettysburg National Military Park to include the Wills House, and for other purposes; and S. 1349, a bill to direct the Secretary of the Interior to conduct special resource studies to determine the national significance of specific sites as well as the suitability and feasibility of their inclusion as units of the National Park System.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON OCEANS AND FISHERIES

Mr. GRAMS. Mr. President, I ask unanimous consent that the Oceans and Fisheries Subcommittee of the Senate Committee on Commerce, Science, and Transportation be authorized to meet on Thursday, July 29, 1999, at 9:30 a.m., on Magnuson Act reauthorization.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA

Mr. GRAMS. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs, Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia be permitted to meet on Thursday, July 29, 1999, at 9:30 a.m., for a hearing on “Total Quality Management: State Success Stories as a Model for the Federal Government.”

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON SECURITIES

Mr. GRAMS. Mr. President, I ask unanimous consent that the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Thursday, July 29, 1999, to conduct a hearing on “Accounting for Loan Loss Reserves.”

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

THE LAWSUITS AGAINST THE FIREARM INDUSTRY

Mr. LEVIN. Mr. President, there is no way to measure the costs of gun crime. However, we have attempted to estimate that the put the price at $75 billion for one year of pain, suffering, and loss of quality of life caused by gun violence, but there is no real way to determine the incalculable human cost of gun-related deaths. The most method to measure other financial costs associated with firearm crime. For instance, the estimated cost of health care for firearms-related injuries in the United States was $4 billion in 1995. The average per-person disfigurement and disfigurement fatality is $373,000 per death, higher than any injury-related death. And, on average, it costs more than $14,000 to treat each child wounded by a firearm.

Cities spend millions each year on these costs and others associated with gun-related emergencies. The expenses incurred by cities include medical treatment for victims, additional police protection, and counseling services for survivors of murder victims. These additional costs are the basis of the class-action lawsuits against the firearm manufacturers, distributors and dealers. Nearly two dozen local governments, including Wayne County and Detroit, have filed suit against the manufacturers and distributors of firearms to recoup the costs of firearm-related crime. And following their lead, the NAACP filed a lawsuit that does not seek monetary damages, but instead, seeks to put an end to the emotional costs of gun violence incurred by the African-American community.

The recent wave of class-action lawsuits against the firearms industry are based on the industry’s failure to monitor the transmission of their product to the underground markets. These class-action lawsuits seek to alter the marketing, distribution and sales of firearms. More specifically, they are an attempt to remedy the industry’s failure to prevent unauthorized users from gaining access to the distribution system that permits firearms to be easily trafficked from the legal marketplace to the illegal marketplace, and eliminate deceptive advertising regarding the risks posed by having firearms in the home. Stated simply, these lawsuits are about distributing firearms responsibly.

The NAACP lawsuit is slightly different because it does not seek to recover monetary damages, but the effect of the lawsuit would be the same. It seeks to change the sale, marketing, and distribution of the gun industry, whose alleged negligence permits the free flow of weapons in to the hands of juveniles and criminals. It asks for a court order to limit the number of firearms a single buyer can purchase each month and would require gun manufacturers to train retailers about “straw” purchases, and supervise the sales practices of firearms distributors and retailers. It would also require that dealers operate from a fixed retail location, and ensure that firearms are manufactured with safety devices.

If the gun industry is found liable, it will draw a direct line of responsibility from the gun manufacturers to the unauthorized distributors, who provide firearms to felons. The gun industry would no longer be able to oversupply certain markets, thereby allowing guns to flow into the hands of juveniles and criminals. Manufacturers would no longer be able to turn a blind eye to the carnage produced by their products. If the gun industry is found liable, it may put an end to a majority of the gun violence caused by the unlawful, unregulated, underground firearm market.

RECOGNIZING LANCE ARMSTRONG

Mrs. HUTCHISON. Mr. President, today I recognize the remarkable achievements of Lance Armstrong, winner of the prestigious Tour de France bicycle race. On Sunday, July 25, less than 3 years after being diagnosed with testicular cancer, he sprinted to an inspirational victory in Paris. Lance Armstrong is an example of strength and courage to all cancer patients and athletes. He is only the second American in history to win the Tour de France, one of the world’s most grueling athletic contests, and he is the first cancer survivor to achieve the feat.

Lance Armstrong was born in Dallas, Texas, and grew up in nearby Plano. He first competed in athletics as a swimmer and took up the triathlon, which includes swimming, running, and cycling, at age 14. At 17, after his potential was recognized by the U.S. national cycling team coach, he switched to cycling full-time. Lance Armstrong...
Train and competed at the highest level in the world, and began focusing on distance bicycle racing in his early twenties. Then, in the fall of 1996, when he was just twenty-five years old, Armstrong was diagnosed with advanced testicular cancer, which had already spread to his abdomen, lungs and brain. He was given a fifty percent chance of survival and underwent two operations and twelve weeks of chemotherapy. Throughout his fight with the disease, Lance Armstrong never gave up. After each one-week cycle of chemotherapy, he would ride 30 to 50 miles per day on his bicycle. By the summer of 1997, Armstrong had conquered cancer and began to turn his bicycle racing with new determination.

Lance Armstrong dominated this year's Tour de France and after three weeks, 2,290 miles, and two mountain ranges, his domination was most prestigious and rugged race by more than 7½ minutes. Lance Armstrong dedicated his victory to other cancer survivors, whom he hoped would be inspired by his success. He was motivated by his personal experience with other cancer patients and said upon winning, "I hope this sends out a fantastic message to all survivors: We can return to what we were before—and even better."

Lance Armstrong is one of the success stories in our ongoing fight against cancer. After overcoming the disease he dedicated himself, not only to cycling, but also to fighting cancer by founding the Lance Armstrong Foundation, whose mission is "Fighting Urological Cancer through Education, Awareness, and Research."

Unfortunately, Lance Armstrong is not alone in his fight with cancer. Rates of testicular cancer have increased sharply over the past thirty years, especially among young men. The American Cancer Society estimates that about 7,600 new cases of testicular cancer are diagnosed each year in the United States. Dr. Charles Schlegel graduated to advance his early detection and treatment, many of them the result of research funded by the National Institutes of Health, U.S. statistics show a 70% decline in death rates from testicular cancer since 1973. As our commitment to cancer research continues to grow hand-in-hand with advances in the fight against cancer, and as more and more courageous Americans like Lance Armstrong show cancer can be beat, I am increasingly confident that we will beat this dreaded disease.

I am proud that Lance Armstrong is an American and a Texan. His athletic victory and personal triumph make him a role model, not just to cancer survivors but to all Americans. His remarkable achievements and inspirational influence on others can be simply summarized in the words written on a banner which was flown along the course of the Tour de France on the last day: "Victory is sweet. Living is triumph. Where there's a will, there's a way. Thank you for showing us a winning one." •

TRIBUTE TO "THE FOUR SEAS" OF CENTERVILLE

Mr. KENNEDY. Mr. President, it is a privilege to take this opportunity to recognize an outstanding business in Centerville, Massachusetts, "The Four Seas" ice cream parlor. Our family has known for decades that the Four Seas has always produced excellent ice cream.

I am delighted to bring my colleagues' attention today to a New York Times article last Sunday on "The Four Seas" and owner Richard Warren's extraordinary relationship with his employees and the entire community. The article recognizes "The Four Seas" as a business which makes some of the best ice cream on Cape Cod, and which also treats its employees with the respect and generosity that make it a model for other employers.

It is gratifying to see the Four Seas receive this recognition that it eminently deserves. It is an honor to pay tribute to this extraordinary institution that is so beloved at Cape Cod. I ask that the New York Times article may be printed in the RECORD.

[From the New York Times, July 25, 1999]

PRIZED ICE CREAM JOBS CREATE EXTENDED FAMILY

(By Sara Rimer)

CENTERVILLE, MA.—Cory Sinclair, 17, was scooping ice cream at the Four Seas as fast as he could and talking about the future. "I want to be President," he said. "I'm serious.

Kelly O'Neil, 18, had more prosaic concerns. "I'm sorry, we don't have jimmys," she informed a customer. (As any Four Seas regular knows, jimmys don't belong on good ice cream.)

Mixing up a batch of coconut, Bryan Schlegel, 22, was feeling restless and wistful. "It's time to move on," he said. "I've been here six summers."

The Four Seas, a white cottage with blue shutters and a white formla counter with 12 seats, stands on South Main Street of this Cape Cod village for 65 summers.

The owner, Richard Warren, 64, who has been on the job for 45 years, makes what is indisputably delicious ice cream. He uses fresh peaches, strawberries, blueberries and ginger, expensive chocolate and loads of butterscotch, and he tastes every batch himself. He does not add candy or try bizarre flavors. But what also distinguishes the Four Seas is the help.

Summer after summer, the young men and women behind the counter seem as unchanging as the decor, the ice cream and the Coalition on the radio. They are clean-cut and sport no visible tattoos or strange piercing. They are not rude. Things do change at the Four Seas. As hard-working as his 25 employees are, Mr. Warren said that most do not want to put in more than 20 hours a week after Labor Day, and after Labor Day races from the counter to the ice cream and back to keep up with the crowds. There are higher paying summer jobs—the Four Seas is minimized, with income of about $30 an hour—but Mr. Warren never has any trouble finding help.

He solicits recommendations from the faculty at Barnstable High, which also treats its employees with the highest ratings for interviews.

"It's known that you can't apply," Mr. Sinclair said.

Inspired by his success, he was motivated by his determination to encourage his victory to other cancer survivors. He was motivated by his personal experience with other cancer patients and said upon winning, "I hope this sends out a fantastic message to all survivors: We can return to what we were before—and even better."

Lance Armstrong is one of the success stories in our ongoing fight against cancer. After overcoming the disease he dedicated himself, not only to cycling, but also to fighting cancer by founding the Lance Armstrong Foundation, whose mission is "Fighting Urological Cancer through Education, Awareness, and Research."

Unfortunately, Lance Armstrong is not alone in his fight with cancer. Rates of testicular cancer have increased sharply over the past thirty years, especially among young men. The American Cancer Society estimates that about 7,600 new cases of testicular cancer are diagnosed each year in the United States. The disease is known for decades that the Four Seas has always produced excellent ice cream.

I am proud that Lance Armstrong is an American and a Texan. His athletic victory and personal triumph make him a role model, not just to cancer survivors but to all Americans. His remarkable achievements and inspirational influence on others can be simply summarized in the words written on a banner which was flown along the course of the Tour de France on the last day: "Victory is sweet. Living is triumph. Where there's a will, there's a way. Thank you for showing us a winning one." •
TRIBUTE TO THE HENIKA PUBLIC LIBRARY

Mr. ABRAHAM. Mr. President, I rise today to commemorate the Henika Public Library on its historic one hundredth anniversary.

Recently named a district library, Henika library has served Allegan county since 1899 when Mrs. Julia Robinson Henika bequeathed two thousand dollars to the Wayland Ladies Library Association for construction of a library building. At that time there were only 500 volumes of literature, none of which could be checked out. Since then, the library has grown to over 35,000 volumes.

In 1916, Fannie Hoyt was hired as the first librarian and, for the first time, books could be checked out of the library. Between 1916 and 1966 only four librarians have managed the Henika Public Library. This stability helps explain the unique environment that has allowed this library to prosper for one hundred years.

In the mid 1990's the library underwent a series of renovations. The final result of this remodeling is an historic building, complete with Victorian charm, that can accommodate the most recent information technology. After serving Allegan county for almost the entire 20th century, Henika Public Library is now ready to take on the 21st century.

This library is truly one of the great educational tools in our country with a value matched by few others. We owe a debt of gratitude.

CARLY FIORINA

Mrs. BOXER. Mr. President, I rise to salute Carleton (Carly) Fiorina of California, who was recently named president and chief executive officer of Hewlett-Packard Company. I wish to congratulate Ms. Fiorina and express my best wishes for success in her new position.

Founded by technology pioneers William Hewlett and David Packard, Hewlett-Packard (HP) is the world's second-largest computer company. Based in Palo Alto, California, HP employs more than 120,000 people worldwide and has a total revenue of $47.1 billion in its fiscal year 1998, including $39.5 in computer-related revenue. The company is a leader in the industry and a cornerstone of California's economy.

In succeeding Lewis Platt, Ms. Fiorina has some big shoes to fill. In Lew Platt's seven years as CEO, HP raised its revenues 187 percent and its earnings 436 percent.

But Carly Fiorina is prepared to build on HP's success and guide the company into new territory. She comes to HP with nearly 20 years of experience in technology and telecommunications at AT&T and Lucent Technologies. As president of Lucent's Global Service Provider Business, she led the division to dramatic increases in its growth rate, revenues, and market share. She gained reputation for developing clear corporate strategies, building strong leadership teams, and accelerating growth in large technology businesses.

Carly Fiorina's move to the top of Hewlett-Packard has implications beyond the company, the industry, and our state. That is because she is the first woman to be named CEO of a Fortune 50 company or a company listed in the Dow-Jones Industrial Average. So this important accomplishment for her as an individual is also an important milestone for American women. It is only fitting that a pioneering company in such a forward-looking industry would break this critical barrier.

HP chose Ms. Fiorina to lead the company because of her merits, not her gender. That is clear. However, her selection is important for every American woman. In July 1999, the same month that the U.S. women's soccer team won the World Cup, millions of American girls, Carly Fiorina inspired American women to raise the bar and reach for the [TRIBUTE TO THE SANDERS-CUNNINGHAM FAMILY]

Mr. DURBIN. Mr. President, I rise today to salute the Sanders/Cunningham family as they celebrate their fifth annual reunion. This extended family of more than 100 members has traced its roots back to a Georgia plantation in 1750, and before that to Ghana and Sierra Leone.

As descendants of Wiley and Annie Cunningham Sanders of Aberdeen, Mississippi, they will gather together this weekend, July 30th through August 1st, in Springfield, Illinois, to celebrate their history, their common bonds, and their future.

The Sanders/Cunningham family considers their reunion to be an Empowerment Summit, an opportunity to dispel false stereotypes, reject negative images, and celebrate who they are. They have noted Dr. Martin Luther King Jr.'s statement that "when the history books are written they will tell of a Great People, a Proud People, a Black People." They know they are part of that people and that their heritage is a cause for joy. With an extended family that includes doctors and lawyers, business owners and farmers, educators and blue collar workers, they come together to celebrate their unity.

This 6th generation family is diverse, unique, and special. The Sanders/Cunningham family's unity and strength is a reflection of what an American family should represent. Additionally, this family is full of rich history. The family matriarch is 94 years young, Edna Sanders Brandon, She is a mother of five, a grandmother of 12, a great-grandmother of 16, an aunt, and a great aunt to many.

Mr. Wilson served as a tech-sargent during World War II in Germany when he was only 18 years old. He was a teacher in the Detroit Public School District, a devoted family man, and an active citizen. The challenges he successfully faced in these capacities have distinguished him within his family, his town, his state, and his country.

As a very young boy, he sold "Liberty" magazines to supplement his family's income during the Great Depression. Growing up during a time of financial strife led him to find solace in nature. Mr. Wilson was exposed to nature during his experience in the military and developed a love and knowledge of it. As a young adult he was able to identify a variety of birds, insects, trees, and flowers. He then went on to form and preside over a group of citizens that forced new construction to adhere to guidelines designed to protect nearby lakes.

Once he reached adulthood, Mr. Wilson found his real love, Dolores. Together they found great joy in their children and grandchildren. Mr. Wilson wanted to ensure that they received all the advantages that he did not have. He inspired his children to put themselves through college. He provided them with the opportunity to grow up in a safe environment, allowing them to mature at a more deliberate pace than the one that was forced upon him. His wife, Dolores, expresses the best tribute to Mr. Wilson when she writes "this brave, honest, dedicated, ordinary man was to his family and America the 'staff of life' that fuels generations to come."

Mr. Wilson expressed his passion for education through his involvement with children as a teacher of thirty

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years in the Detroit Public Schools. He gave and received respect from all he knew. He not only led by lecture but, more importantly and effectively, by example. He never left any doubt as to where he stood in a debate and firmly believed in right and writing. Mr. Wilson offered little patience for individuals passing on responsibility as an excuse for negligent or bad behavior. Personifying Winston Churchill's statement, We make a living by what we get, but we make a life by what we give," Mr. Francis M. Wilson left this world an honorable, loyal, selfless servant to his country and a loved and missed father, grandfather and husband.

ANNIVERSARY OF THE PURPLE HEART MEDAL

Mr. WELLSTONE. Mr. President, I rise in recognition of the anniversary of the Purple Heart Medal.

This medal has been given to U.S. soldiers for wounds received in military action ever since George Washington invented the award during the Revolutionary War. Recipients of this award have demonstrated courage and love of country. Many of their recipients have made the ultimate sacrifice in defense of freedom. We must never forget the sacrifices made by Americans who have fought for our democracy and prosperity.

In celebration of this anniversary and to stand as a permanent token of America's gratitude for the sacrifices made by recipients of this distinguished medal, a memorial will be dedicated at Fort Snelling National Cemetery in the great State of Minnesota on August 7, 1999. I wish to publicly thank those who made the memorial a reality, and I especially wish to publicly thank those veterans who have earned the Purple Heart Medal by giving selflessly for democracy and our country.

SAN FRANCISCO STATE UNIVERSITY AT 100

Mrs. BOXER. Mr. President. I rise today to offer my congratulations to San Francisco State University as its friends, faculty, staff and students celebrate its Centennial Year.

On March 22, 1899, the California Legislature established the San Francisco Normal School to provide training for the region's teachers for an initial student body of 31. Today San Francisco State University has evolved into a major metropolitan university serving some 27,000 students and offering more than 200 undergraduate and graduate degrees. From nationally recognized biology, creative writing and journalism programs to the nation's largest multimedia studies program, San Francisco State University is a vibrant academic force for its students and a valuable resource for the entire Bay Area.

For 100 years, San Francisco State University has been a leader in providing quality, accessible higher education for California residents. I am confident that the University's second century will be distinguished by creating an even stronger educational experience for students through promoting excellence in teaching and learning, embracing diversity and fostering community partnerships that will enrich the cultural and economic life of the Bay Area.

I commend and congratulate San Francisco State University for all of its successes over the last 100 years.

CONGRATULATING THE BLACK BEARS OF THE UNIVERSITY OF MAINE

Mr. ROTH. Mr. President, I ask unanimous consent that the Judiciary Committee be discharged from further consideration of S. Res. 164, and that the Senate proceed to its consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report the resolution as follows:

A resolution (S. Res. 164) congratulating the Black Bears of the University of Maine for winning the 1999 NCAA hockey championship.

There being no objection, the Senate proceeded to consider the resolution.

Mr. ROTH. I ask unanimous consent that the resolution be agreed to, the preamble be stricken from the table, and that any statements relating to the resolution be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 164) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. Res. 14

Whereas the Black Bears of the University of Maine defeated the Wildcats of the University of New Hampshire by a score of 3 to 2 in overtime in Anaheim, California, on April 3, 1999, to win the 1999 NCAA hockey championship; Whereas the Maine Black Bears finished their season with an impressive record of 31-6-4, losing only 1 game at home; Whereas the Maine Black Bears have brought the NCAA hockey championship home to Maine for the 2d time this decade; Whereas the Maine Black Bears coaching and players displayed outstanding dedication, teamwork and sportsmanship throughout the season to achieve collegiate hockey's highest honor; and Whereas the Maine Black Bears have brought pride and honor to the State of Maine:

NOW, therefore, be it
Resolved, That the Senate congratulates the Black Bears of the University of Maine for winning the 1999 NCAA hockey championship.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to the president of the University of Maine.

FEDERAL MARITIME COMMISSION AUTHORIZATION ACT OF 1999

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 127, S. 920.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative clerk read as follows:


There being no objection, the Senate proceeded to consider the bill, which has been reported from the Committee on the Energy and Natural Resources, with an amendment; as follows:

(The part of the bill intended to be inserted is printed in italic.)

S. 920

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Maritime Commission Authorization Act of 1999".

SEC. 2. AUTHORIZATION OF APPROPRIATIONS FOR FEDERAL MARITIME COMMISSION.

There are authorized to be appropriated to the Federal Maritime Commission:

(1) for fiscal year 2000, $15,685,000; and
(2) for fiscal year 2001, $16,312,000.

SEC. 3. CHAIRMAN DESIGNATED WITH SENATE CONFIRMATION.

Section 102(b) of the Reorganization Plan No. 7 of 1961 (5 U.S.C. 903 nt) is amended by striking "President" and inserting "President, by and with the advice and consent of the Senate.

Mr. ROTH. I ask unanimous consent that the committee amendment be agreed to.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendment was agreed to.

Mr. ROTH. I ask unanimous consent that the bill, as amended, be read a third time, and that H.R. 819 be discharged from the Committee on Merchant Marine and Fisheries. I further ask consent that the Senate proceed to its consideration, all after the enacting clause be stricken, and the text of S. 920, as amended, be inserted in lieu thereof. I further ask that the bill then be read a third time, and passed, the motion to reconsider be laid on the table, and that any statements relating to the bill be printed in the Record. Finally, I ask consent that S. 920 be placed back on the calendar.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (H.R. 819), as amended, was read the third time and passed.

ORDERS FOR FRIDAY, JULY 30, 1999

Mr. ROTH. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 8:30 a.m. on Friday, July 30. I further ask unanimous consent that when the Senate reconvenes on Friday, immediately following the prayer, the routine requests through the morning hour be granted to the Senate when the Senate resumes consideration of S. 1249, the reconciliation bill, as previously ordered.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The Senate will now resume order.
Mr. ROTH. For the information of all Senators, when the Senate reconvenes on Friday, there will be 30 minutes for closing remarks with respect to the Bingaman amendment and the Hutchison amendment. Two back-to-back votes will then occur at 9 a.m. Following those two votes, any additional amendments will be limited to 2 minutes of debate. Therefore, numerous votes will occur in a stacked sequence. Consequently, Senators are asked not to leave the Chamber in order to conclude the voting process as early as possible.

If there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order. There being no objection, the Senate, at 10:21 p.m., adjourned until Friday, July 30, 1999, at 8:30 a.m.
Thursday, July 29, 1999

Daily Digest

Senate

Chamber Action

Routine Proceedings, pages S9651-S9883

Measures Introduced: Eleven bills were introduced, as follows: S. 1456-1466. Pages S9743-44

Measures Reported: Reports were made as follows:

Special Report entitled “History, Jurisdiction, and a Summary of Activities of the Committee on Energy and Natural Resources During the 105th Congress”. (S. Rept. No. 106-127)

S. 501, to address resource management issues in Glacier Bay National Park, Alaska, with an amendment in the nature of a substitute. (S. Rept. No. 106-128)

S. 953, to direct the Secretary of Agriculture to convey certain land in the State of South Dakota to the Terry Peak Ski Area, with an amendment in the nature of a substitute. (S. Rept. No. 106-129)

S. 953, to direct the Secretary of Agriculture to convey certain land in the State of South Dakota to the Terry Peak Ski Area, with an amendment in the nature of a substitute. (S. Rept. No. 106-129)

S. 1255, to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, with an amendment in the nature of a substitute. Page S9743

Measures Passed:

Congratulations the University of Maine Black Bears: Committee on the Judiciary was discharged from further consideration of S. Res. 164, congratulating the Black Bears of the University of Maine for winning the 1999 NCAA hockey championship, and the resolution was then agreed to. Page S9882

Federal Maritime Commission Authorization: Committee on Commerce, Science, and Transportation was discharged from further consideration of H.R. 819, to authorize appropriations for the Federal Maritime Commission for fiscal years 2000 and 2001, and the bill was then passed, after striking all after the enacting clause and inserting in lieu thereof the text of S. 920, Senate companion measure, and agreeing to a committee amendment. Page S9882

Subsequently, S. 920 was placed back on the calendar. Page S9882

Budget Reconciliation: Senate continued consideration of S. 1429, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000, taking action on the following amendments proposed thereto:

Pending:

Bingaman Amendment No. 1462, to express the sense of the Senate regarding investment in education. Pages S9697-S9719

Hutchinson Modified Amendment No. 1472, to provide for the relief of the marriage tax penalty beginning in the year 2001. Pages S9719-29

Roth (for Grassley) Amendment No. 1388, making technical corrections to the Saver Act. Pages S9729-30

Roth (for Abraham) Amendment No. 1411, to provide that no Federal income tax shall be imposed on amounts received, and lands recovered, by Holocaust victims of their heirs. Pages S9729-30

Roth (for Sessions) Amendment No. 1412, to provide for the Collegiate Learning and Students Savings (CLASS) Act title. Pages S9729-30

Roth (for Collins/Coverdell) Modified Amendment No. 1446, to eliminate the 2-percent floor on miscellaneous itemized deductions for qualified professional development and incidental expenses of elementary and secondary school teachers. Pages S9729-30

Roth (for Abraham) Amendment No. 1455, to amend the Internal Revenue Code of 1986 to expand the deduction for computer donations to schools and to allow a tax credit for donated computers. Pages S9729-30

Withdrawn:

Breaux Amendment No. 1442, in the nature of a substitute. Pages S9683-97

During consideration of this measure today, Senate also took the following action:

By 54 yeas to 46 nays (Vote No. 227), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 305(b)(2) of the Congressional Budget Act of 1974 with respect to consideration of the Abraham Amendment No. 1398, to preserve and protect the surpluses of the social security trust fund.
funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public. Subsequently, a point of order that the amendment was not germane to the bill was sustained, and the amendment thus fell.

By 42 yeas to 58 nays (Vote No. 228), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 305(b)(2) of the Congressional Budget Act of 1974 with respect to consideration of the Baucus motion to recommit the bill to the Committee on Finance, with instructions to report back forthwith. Subsequently, a point of order that the motion was not germane to the bill was sustained, and the motion thus fell.

By 46 yeas to 54 nays (Vote No. 229), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 305(b)(2) of the Congressional Budget Act of 1974 with respect to consideration of the Baucus motion to recommit the bill to the Committee on Finance, with instructions to report back forthwith. Subsequently, a point of order that the amendment was not germane to the bill was sustained, and the amendment thus fell.

By 46 yeas to 54 nays (Vote No. 230), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 305(b)(2) of the Congressional Budget Act of 1974 with respect to consideration of the Robb Amendment No. 1401, to delay the effective dates of the provisions of, and amendments made by, the Act until the long-term solvency of social security and medicare programs is ensured. Subsequently, a point of order that the amendment was not germane to the bill was sustained, and the amendment thus fell.

By 46 yeas to 54 nays (Vote No. 231), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 305(b)(2) of the Congressional Budget Act of 1974 with respect to consideration of the Kennedy motion to recommit to the Committee on Finance, with instructions to report back forthwith with an amendment to modernize and improve the Medicare program by providing a prescription drug benefit, by reducing or deferring certain new tax breaks. Subsequently, a point of order that the amendment was not germane to the bill was sustained, and the amendment thus fell.

A unanimous-consent-time agreement was reached providing for further consideration of the bill and pending amendments, with votes to occur thereon, on Friday, July 30, 1999.

A unanimous-consent agreement was reached providing for a further modification to Amendment No. 1472 (listed above) on Friday, July 30, 1999.

Committee Meetings

(Business Meeting)

Committee on Agriculture, Nutrition, and Forestry: Committee ordered favorably reported the following bills:

S. 935, to amend the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to authorize research to promote the conversion of biomass into biobased industrial products, with an amendment in the nature of a substitute; and

An original bill to amend the Agricultural Marketing Act of 1946 to establish a program of mandatory market reporting for certain meat packers regarding the prices, quantities, and terms of sale for the procurement of domestic cattle, swine, lambs, and products of such livestock, to improve the collection of information regarding the marketing of cattle, swine, lambs, and products of such livestock.

APPROPRIATIONS—CENSUS 2000 SUPPLEMENTAL

Committee on Appropriations: Subcommittee on Commerce, Justice, State, and the Judiciary concluded hearings on the Census Bureau’s request for additional funds for the decennial census, after receiving testimony from Kenneth Prewitt, Director, Bureau
of the Census, Department of Commerce; and Patrick F. Kennedy, Assistant Secretary of State for Administration.

**LOAN LOSS ALLOWANCES**

Committee on Banking, Housing, and Urban Affairs: Subcommittee on Securities concluded hearings on the importance of the transparent financial reporting to investors and the marketplace, the Securities and Exchange Commission's interaction with financial institutes, and the progress made by the SEC and banking agencies in addressing areas of concern, after receiving testimony from Arthur Levitt, Chairman, Securities and Exchange Commission.

**AUTHORIZATION—MAGNUSON-STEVENS FISHERY CONSERVATION AND MANAGEMENT ACT**

Committee on Commerce, Science, and Transportation: Subcommittee on Oceans and Fisheries concluded hearings on proposed legislation authorizing funds for programs of the Magnuson-Stevens Fishery Conservation and Management Act, after receiving testimony from William M. Daley, Secretary of Commerce; Penelope D. Dalton, Assistant Administrator, and Andrew Rosenberg, Deputy Assistant Administrator, both of the National Marine Fisheries Service, National Oceanic and Atmospheric Administration, Department of Commerce; Maggie Raymond, Associated Fisheries of Maine, South Berwick; Thomas R. Hill, New England Fishery Management Council, Gloucester, Massachusetts; Richard B. Lauber, North Pacific Fishery Management Council, Juneau, Alaska; David Fluharty, University of Washington School of Marine Affairs, Seattle; Ken Hinman, National Coalition for Marine Conservation, on behalf of the Marine Fish Conservation Network, and Glenn R. Delaney, International Commission for Conservation of Atlantic Tunas, both of Washington, D.C.; and Wayne E. Swingle, Gulf of Mexico Fishery Management Council, Tampa, Florida.

**HISTORIC PRESERVATION AND NATIONAL PARKS**

Committee on Energy and Natural Resources: Subcommittee on National Parks, Historic Preservation, and Recreation concluded hearings on S. 710, to authorize the feasibility study on the preservation of certain Civil War battlefields along the Vicksburg Campaign Trail, S. 905, to establish the Lackawanna Valley American Heritage Area, S. 1093, to establish the Galisteo Basin Archaeological Protection Sites, to provide for the protection of archaeological sites in the Galisteo Basin of New Mexico, S. 1117, to establish the Corinth Unit of Shiloh National Military Park, in the vicinity of the city of Corinth, Mississippi, and in the State of Tennessee, S. 1324, to expand the boundaries of the Gettysburg National Military Park to include Wills House, and S. 1349, to direct the Secretary of the Interior to conduct special resource studies to determine the national significance of specific sites as well as the suitability and feasibility of their inclusion as units of the National Park System, after receiving testimony from Denis Galvin, Deputy Director, National Park Service, and Nina Rose Hatfield, Deputy Director, Bureau of Land Management, both of Department of the Interior; Mark Michel, Archaeological Conservancy, Albuquerque, New Mexico; Kenneth H. P'Pool, Mississippi Department of Archives and History, Jackson; Rosemary T. Williams, Siege and Battle of Corinth Commission, Corinth, Mississippi; Robert Durkin, Lackawanna Heritage Valley Authority, Mayfield Borough, Pennsylvania; and Holliday Giles, Gettysburg Borough Council, Gettysburg, Pennsylvania.

**EPA'S STANDARDS GASOLINE**

Committee on Environment and Public Works: Subcommittee on Clean Air, Wetlands, Private Property, and Nuclear Safety concluded hearings on the Environmental Protection Agency's Tier 2 standards for cars and light-duty trucks and the accompanying proposed low sulfur requirements for gasoline, after receiving testimony from Robert Perciasepe, Assistant Administrator, Office of Air and Radiation, Environmental Protection Agency.

**YUGOSLAVIA DEMOCRACY PROSPECTS**

Committee on Foreign Relations: Subcommittee on European Affairs held hearings on prospects for democracy in Yugoslavia, receiving testimony from Robert S. Gelbard, Special Representative of the President and the Secretary of State for Implementation of the Dayton Peace Accords; James W. Pardew, Jr., Deputy Special Advisor to the President and the Secretary of State for Kosovo and Dayton Implementation; Sonja Biserko, Helsinki Committee for Human Rights in Serbia, Vienna, Austria; Irinej Dobrilevic, Serbian Orthodox Church, Broadview Heights, Ohio; and John Fox, Open Society Institute, and James Hooper, Balkan Action Council, both of Washington, D.C.

Hearings recessed subject to call.

**QUALITY STATE MANAGEMENT**

Committee on Governmental Affairs: Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia held hearings to examine quality services management initiatives in the Federal Government, focusing on State success stories as models, receiving testimony from Steve Wall, Ohio Office of Quality Services, and Teresa
Shotwell-Haddix, Ohio Department of Transportation, both of Columbus.

Hearings recessed subject to call.

NOMINATIONS


FAIR ACCESS TO INDEMNITY AND REIMBURSEMENT ACT

Committee on Health, Education, Labor, and Pensions: Subcommittee on Employment, Safety and Training concluded hearings on S. 1158, to allow the recovery of attorney's fees and costs by certain employers and labor organizations who are prevailing parties in proceedings brought against them by the National Labor Relations Board or the Occupational Safety and Health Administration, after receiving testimony from Eamonn McGeady, Martin G. Imbach, Inc., Baltimore, Maryland; Sam Colburn, Colburn Electric Company, Broken Arrow, Oklahoma; Richard Griffin, International Union of Operating Engineers, Washington, D.C.; and Vincent T. Norwillo, Tradesmen International, Inc., Solon, Ohio.

INTELLIGENCE

Select Committee on Intelligence: Committee held closed hearings on intelligence matters, receiving testimony from officials of the intelligence community.

Committee will meet again on Wednesday, August 4.

INFORMATION COORDINATION CENTER

Special Committee on the Year 2000 Technology Problem: Committee concluded hearings on Year 2000 Information Coordination Center, focusing on its role during key Y2K events, and the Administration's long-term plans to use the ICC for infrastructure protection, after receiving testimony from John Koskinen, Chairman, President's Council of Year 2000 Conversion; John S. Tritak, director, Critical Infrastructure Assurance Office; Michael A. Vatis, Director, National Infrastructure Protection Center, Federal Bureau of Investigation, Department of Justice; and Richard C. Schaeffer, Jr., Director, Infrastructure and Information Assurance, Office of Assistant Secretary of Defense of Command, Control, Communications, and Intelligence.
House of Representatives

Chamber Action

Bills Introduced: 23 public bills, H.R. 2630–2652; 1 private bill, H.R. 2653; and 5 resolutions, H. Con. Res. 165–167 and H. Res. 265, 267, were introduced.

Reports Filed: Reports were filed today as follows:

- H.R. 456, for the relief of the survivors of the 14 members of the Armed Forces and the one United States civilian Federal employee who were killed on April 14, 1994, when United States fighter aircraft mistakenly shot down 2 United States helicopters over Iraq, amended (H. Rept. 106–270);
- H.R. 2454, to assure the long-term conservation of mid-continent light geese and the biological diversity of the ecosystem upon which many North American migratory birds depend, by directing the Secretary of the Interior to implement rules to reduce the overabundant population of mid-continent light geese, amended (H. Rept. 106–271);
- H.R. 987, to require the Secretary of Labor to wait for completion of a National Academy of Science study before promulgating a standard or guideline on ergonomics (H. Rept. 106–272);
- H.R. 717, to amend title 49, United States Code, to regulate overflights of national parks (H. Rept. 106–273, Pt. 1);
- H. Res. 266, a resolution providing for consideration of a concurrent resolution waiving the requirement in section 132 of the Legislative Reorganization Act of 1946 that the Congress adjourn sine die not later than July 31, 1999 (H. Rept. 106–274);
- H. Res. 262, the rule that waived points of order was agreed to by voice vote.

Guest Chaplain: The prayer was offered by the guest Chaplain, Rev. Dr. Paul A. Wee of Washington, D.C.

Military Construction Appropriations Act: The House agreed to the conference report on H.R. 2465, making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, by a yea and nay vote of 412 yeas to 8 nays, Roll No. 343. Pages H6591–96

H. Res. 262, the rule that waived points of order against the conference report was agreed to by voice vote.

District of Columbia Appropriations Act: The House passed H.R. 2587, making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against revenues of said District for the fiscal year ending September 30, 2000, by a yea and nay vote of 333 yeas to 92 nays, Roll No. 347. The House completed general debate on July 27. (See next issue.)

Agreed to:
- The Istook amendment that permits the Court Services and Offender Supervision Agency to carry out sex offender registration;
- The Barr amendment that prohibits the use of any funding to legalize or reduce the penalty for the possession, sale, or distribution of any schedule I substance under the Controlled Substances Act; and
- The Tiahrt amendment that prohibits the use of any funds on a needle exchange program for illegal drugs (agreed to by a recorded vote of 241 ayes to 187 noes, Roll No. 344).

Rejected:
- The Norton amendment that sought to strike Sec. 146 prohibiting any funding for a petition or civil action which seeks to require Congress to provide for voting representation in Congress for the District of Columbia (rejected by a recorded vote of 214 ayes to 214 noes, Roll No. 345); and
- The Largent amendment that sought to prohibit any funding for the joint adoption of a child between individuals who are not related by blood or marriage (rejected by a recorded vote of 213 ayes to 215 noes, Roll No. 346).

Withdrawn:
- The Bilbray amendment was offered, but subsequently withdrawn, that sought to ban the possession of tobacco products by minors in the District of Columbia; and
- The Stearns amendment was offered, but subsequently withdrawn, that sought to specify that funding may be used for automated external defibrillators.

H. Res. 260, the rule that provided for consideration of the bill was agreed to on July 27.

Foreign Operations, Export Financing, and Related Programs Appropriations Act: The House completed general debate and began considering amendments to H.R. 2606, making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2000. (See next issue.)

Agreed to:
- The Smith of New Jersey amendment that prohibits funding to foreign organizations that perform or actively promote abortion through lobbying activities to alter laws or policies; (agreed to by a recorded vote of 228 ayes to 200 noes, Roll No. 349);
The Greenwood amendment that restricts funding for population planning activities unless the foreign organization certifies that funds will not be used to promote abortion as a method of family planning, or to lobby for or against abortion (agreed to by a recorded vote of 221 ayes to 208 noes, Roll No. 350); 

(See next issue.)

The Brown of Ohio amendment that increases child survival and disease program funding by $5 million; 

(See next issue.)

The Gilman amendment that reduces funding for the Contribution to the International Development Association by $8 million; 

(See next issue.)

The Campbell amendment that increases funding for the African Development Bank by $8 million; 

(See next issue.)

The Traficant en bloc amendment that limits funding for the Government of the Russian Federation to $172 million and prohibits any funding to purchase equipment or products made in a country other than the particular foreign government receiving assistance or the United States; 

(See next issue.)

The Rohrabacher amendment that eliminates any funding for the Government of Cambodia; and 

(See next issue.)

The Moakley amendment that prohibits any funding for the United States Army School of the Americas located at Fort Benning, Georgia (agreed to by a recorded vote of 230 ayes to 197 noes, Roll No. 352). 

(See next issue.)

Rejected:

The Campbell amendment that sought to reduce economic support funding for Israel by $30 million and Egypt by $20 million (rejected by a recorded vote of 13 ayes to 414 noes, Roll No. 351); 

(See next issue.)

The Pitts amendment that sought to specify that no Child Survival and Disease Program funds shall be used for activities designed to control fertility or delay childbirths or pregnancies (rejected by a recorded vote of 187 ayes to 237 noes, Roll No. 353). 

(See next issue.)

Withdrawn:

The Smith of New Jersey amendment was offered, but subsequently withdrawn, that sought to increase refugee assistance funding by $20 million; 

(See next issue.)

The Jackson-Lee of Texas amendment was offered, but subsequently withdrawn, that sought to increase funding for the prevention and treatment of HIV/AIDS in sub-Saharan Africa by $25 million; 

(See next issue.)

The Mica amendment was offered, but subsequently withdrawn, that sought to increase funding for Colombian National Police equipment by $37.5 million; and 

(See next issue.)

The Andrews amendment was offered, but subsequently withdrawn by order of the House and without prejudice, that sought to prohibit any funds for new Overseas Private Investment Corporation projects. 

(See next issue.)

H. Res. 263, the rule that provided for consideration of the bill was agreed to by a yeas and nay vote of 256 yeas to 172 nays, Roll No. 348. 

(See next issue.)

Order of Proceedings: It was made in order that during the further consideration of H.R. 2606 in the Committee of the Whole no amendment shall be in order except for the Andrews amendment, withdrawn without prejudice and the following amendments: Burton of Indiana amendment regarding a reduction in aid to India; Jackson-Lee amendment transferring $4 million from IMET to ERMA and ESF; Paul amendment prohibiting funds for family planning and abortion; Paul amendment prohibiting funds for Ex-Im Bank, OPIC, and TDA; Stearns amendment requiring a report on actions in Kosovo; Hastings of Florida amendment expressing the Sense of Congress regarding flower imports from Colombia; Jackson-Lee amendment prohibiting military funds for Eritrea and Ethiopia; Jackson-Lee amendment expressing the Sense of Congress regarding peace between Eritrea and Ethiopia; Kucinich regarding OPIC; and Tancredo regarding man in the biosphere. 

(See next issue.)

Senate Messages: Message received from the Senate appears on page H6585.

Referrals: S. 305 was referred to the Committee on Commerce and the Committee on Education and the Workforce, and S. 918 was referred to the Committee on Small Business. 

Amendments Ordered Printed: Amendments ordered printed pursuant to the rule appear on pages H6600–01.

Quorum Calls—Votes: Three yea and nay votes and five recorded votes developed during the proceedings of the House today and appear on pages H6595–96 (continued next issue). There were no quorum calls.

Adjournment: The House met at 10:00 a.m. and adjourned at 12:14 a.m. on July 30.

Committee Meetings

FEDERAL ENERGY REGULATORY COMMISSION—PROVIDE RELIEF FROM UNFAIR PENALTIES ON REFUNDS

Committee on Commerce Subcommittee on Energy and Power held a hearing on H.R. 1117, to provide relief from unfair interest and penalties on refunds...
retroactively ordered by the Federal Energy Regulatory Commission. Testimony was heard from Representative Moran of Kansas; Carla Stovall, Attorney General, State of Kansas; and a public witness.

MISCELLANEOUS MEASURES

TRUTH IN EMPLOYMENT ACT; FAIR ACCESS TO INDEMNITY AND REIMBURSEMENT ACT
Committee on Education and the Workforce Ordered reported the following bills: H.R. 1441, Truth in Employment Act of 1999; and H.R. 1897, amended, Fair Access to Indemnity and Reimbursement Act.

BEIJING—U.S. EMBASSY—STATE DEPARTMENT’S HANDLING OF ALLEGATIONS OF VISA FRAUD
Committee on Government Reform: Held a hearing on the State Department’s Handling of Allegations of Visa Fraud and Other Irregularities at the U.S. Embassy in Beijing. Testimony was heard from the following officials of the Department of State: Jacquelyn L. Williams-Bridgers, Inspector General; Peter Bergin, Deputy Director, Diplomatic Security; and Bonnie Cohen, Under Secretary, Management; and Don Schurman, former Regional Security Officer, U.S. Embassy, Beijing.

In refusing to answer questions, Charles M. Parish, Jr., former First Consul and Secretary, U.S. Embassy, Beijing, invoked Fifth Amendment privileges.

FEDERALISM ACT
Committee on Government Reform; Subcommittee on Economic Growth, Natural Resources, and Regulatory Affairs approved for full Committee action, amended, H.R. 2245, Federalism Act of 1999.

PANAMA—U.S. SECURITY AND COUNTER-DRUG INTERESTS
Committee on International Relations: Held a hearing on Post-1999 U.S. Security and Counter-Drug Interests in Panama. Testimony was heard from Thomas E. McNamara, former U.S. Chief Negotiator in Panama and Gen. George A. Joulwan, USA, (Ret.), former Supreme Allied Commander in Europe and former Commander in Chief, U.S. Southern Command.
the Pribilof Islands Transition Act. Testimony was heard from David Kennedy, Director, Office of Response and Restoration, National Ocean Service, NOAA, Department of Commerce; Jennifer Roberts, Environmental Manager, Department of Environmental Conservation, State of Alaska; and representatives of Municipal Governments, Village Corporations, and Tribal Councils from St. Paul and St. George Islands, Alaska.

**OVERSIGHT—RURAL WATER PROJECT FINANCING**

Committee on Resources: Subcommittee on Water and Power held an oversight hearing on Rural Water Project Financing. Testimony was heard from Eluid Martinez, Commissioner, Bureau of Reclamation, Department of the Interior; John Romano, Deputy Administrator, Rural Utility Service, USDA; Cynthia C. Dougherty, Director, Office of Ground Water and Drinking Water, EPA; Susan Kladiva, Associate Director, Resources, Community and Economic Development Division, GAO; and public witnesses.

**LEGISLATIVE REORGANIZATION ACT WAIVER**

Committee on Rules: Granted, by voice vote, a rule providing for consideration in the House of a concurrent resolution waiving the requirement in section 132 of the Legislative Reorganization Act of 1946 that Congress adjourn sine die not later than July 31, 1999. The rule provides that the concurrent resolution shall be considered as read and shall not be debatable. All points of order against the concurrent resolution are waived.

**MATH AND SCIENCE—ATTRACTING A NEW GENERATION**

Committee on Science: Subcommittee on Basic Research held a hearing on Attracting a New Generation to Math and Science: The Role of Public-Private Partnerships in Education and H.R. 1265, Mathematics and Science Proficiency Partnership Act of 1999. Testimony was heard from Jane Kahle, Division Director, Division of Elementary, Secondary and Informal Education, Directorate for Education and Human Resources, NSF; and public witnesses.

**MISCELLANEOUS MEASURES**

Committee on Science: Subcommittee on Space and Aeronautics approved for full Committee action the following measures: H.R. 356, to provide for the conveyance of certain property from the United States to Stanislaus County, California; H.R. 2607, Commercial Space Transportation Competitiveness Act of 1999; and H.R. 1883, amended, Iran Nonproliferation Act of 1999.

**SMALL BUSINESS ACT AMENDMENTS; CLEAN ACT AMENDMENTS—EPA'S INCLUSION OF PROPANE**

Committee on Small Business: Ordered reported the following bills: H.R. 2614, Certified Development Company Program Improvements Act of 1999; and H.R. 2615, to amend the Small Business Act to make improvements to the general business loan program.

The Committee also held a hearing to discuss the EPA's inclusion of propane within the Clean Act Amendments. Testimony was heard from Representative Blunt; James Makris, Director, Chemical Emergency Preparedness and Prevention Office, EPA; and public witnesses.

**VETERANS EDUCATION AND TRAINING SERVICE PROGRAM EFFECTIVENESS**

Committee on Veterans' Affairs: Subcommittee on Oversight and Investigations held a hearing to evaluate the Veterans Education and Training Service (VETS) program effectiveness and strategic planning. Testimony was heard from Carlotta C. Joyner, Director, Operations, Health, Education, and Human Services Division, GAO; Espiridion A. Borrego, Assistant Secretary, Veterans Employment and Training, Department of Labor; and representatives of veterans organizations; and a public witness.

**Y2K AND OTHER SOCIAL SECURITY INFORMATION TECHNOLOGY ISSUES**

Committee on Ways and Means: Subcommittee on Social Security held a hearing on Y2K and Other Social Security Information Technology Issues. Testimony was heard from Kenneth S. Apfel, Commissioner, SSA; and Joel C. Willemssen, Director, Civil Agencies Information Systems, Accounting and Information Management Division, GAO.

**Joint Meetings**

**WATER RESOURCES DEVELOPMENT ACT**

Conferees met to resolve the differences between the Senate and House passed versions of S. 507 and H.R.1480, bills making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, but did not complete action thereon, and recessed subject to call.

COMMITTEE MEETINGS FOR FRIDAY, JULY 30, 1999

(Committee meetings are open unless otherwise indicated)

**Senate**

Committee on Banking, Housing, and Urban Affairs: to hold hearings on the nomination of Harry J. Bowie, of Mississippi, to be a Member of the Board of Directors of the National Consumer Cooperative Bank; the nomination of Armando Falcon, Jr., of Texas, to be Director of the Office of Federal Housing Enterprise Oversight, Department of Housing and Urban Development; the nomination of Robert Z. Lawrence, of Massachusetts, to be a Member of the Council of Economic Advisers; the nomination of Martin Baily, of Maryland, to be Chairman of the Council Economic Advisors; and the nomination of Dorian Vanessa Weaver, of Arkansas, to be a member of the Board of Directors of the Export-Import Bank, 11:30 a.m., SD-538.

Committee on Foreign Relations: Subcommitte on International Operations, to hold hearings on United States policy toward victims of torture, 10 a.m., SD-419.

**House**

Committee on Agriculture: to consider H.R. 2559, Agricultural Risk Protection Act of 1999, 9 a.m., 1300 Longworth.

Committee on Appropriations: to consider the following appropriations for fiscal year 2000: VA, HUD, and Independent Agencies; and Commerce, Justice, State, and Judiciary, 9:30 a.m., 2359 Rayburn.


Subcommittee on Oversight and Investigations, hearing on Drugstores on the Net: The Benefits and Risks of Online Pharmacies, 9 a.m., 2123 Rayburn.

Committee on the Judiciary: Subcommittee on the Constitution, to mark up H.R. 2436, Unborn Victims of Violence Act of 1999, 10 a.m., 2141 Rayburn.

Committee on Rules: to consider H.R. 2031, Twenty-first Amendment Enforcement Act, 1 p.m., H-313 Capitol.

Next Meeting of the SENATE
8:30 a.m., Friday, July 30

Senate Chamber

Program for Friday: Senate will continue consideration of S. 1429, Budget Reconciliation, with votes to occur on the pending amendments to begin at 9 a.m.

Next Meeting of the HOUSE OF REPRESENTATIVES
9 a.m., Friday, July 30

House Chamber

Program for Friday: Motion to go to conference on H.R. 1501, Juvenile Justice Reform Act; and Motion to go to conference on H.R. 10, Financial Services Act.

(House proceedings for today will be continued in the next issue of the Record.)